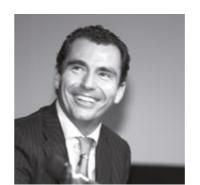


CARRON

DIRECTOR'S REPORT 2018



OUR COMMITMENT TO AND LOVE FOR BUILDING



Dear Shareholders,

A very important year has ended for the Carron Group. The company has consolidated its position thanks to significant strategic and organisational operations, among which the recovery of the real estate market and our focus on specialist sectors which are the interest of domestic and foreign investors, who have contributed to their growth, supporting the field of public and private works, which despite the long and apparently endless crisis in the construction sector has remained the central element of activities, showing no loss of volume and allowing us to stabilise our turnover at over two hundred million euros, recording an overall growth of 13% on the year 2017.

On the subject of interest in the real estate market, I would like to draw attention to the role played by nursing homes – commonly defined with the acronym RSA (Residenze Sanitarie per Anziani) – which attracted investors with different return expectations based on the risks associated with these operations. The RSA segment is certainly of excellent profile, also from a strategic point of view considering the current trends in Italy, as expressed by demographic analyses, according to which the real estate market of RSAs is destined to expand in quantitative terms, in the number of transactions, and the average trade size.

The Group initially positioned itself in this segment by profitably entering the supply chain, taking on the role of promoter and builder, working alongside the most qualified managers, negotiating right from the start the final transfer in the presence of the investor, the borrower of the investment, thereby avoiding the typical risk of unsold units that in recent years has been the main drive behind the real estate crisis.

These events and the extremely attractive results in the Trentino-Alto Adige region, which I would like to highlight, are paving the way for the Group's brilliant development and the potential to take a future leading role in the competitive market environment.

On an organisational level, it is worth noting how the segmentation of traditional activities by splitting the productive sectors from the traditional real estate ones has streamlined operations, reaching levels of transparency and linearity more consistent with the size and typical process of our business.

On the subject of organisation, I would like to remind you that in 2018 the Group's operations relating to industrial activities were concentrated in Carron Holding by transferring the controlling shareholdings of Carron Cav. Angelo S.p.A. and Carron Bau S.r.L., assigning management and coordination activities to the holding company, in accordance with law.

From all the events mentioned, we cannot forget to mention the results achieved in 2018: production value was over 207 million euros, achieving an improvement in all profit margins, with EBITDA up by 36.0%, at a level of 6.2%, EBIT up 42.4%, at a level of 5.7%, and Group Net Profit amounting to Euro 9 million, up 22% on 2017.

Dear Shareholders, I would like to thank you for the extraordinary contribution you have made in running the Group and for the essential support given in making strategic decisions during the year. I would like to conclude by pointing out how all of this would not be possible if I did not have an exceptional and unique team of people here at Carron. I thank each of our collaborators for the deep dedication, humility, talent, energy and passion that they dedicate to Carron on a daily basis and I also thank all our stakeholders who, in different ways, support us and help us to continuously do better.

A new ascent has just begun, and I believe that we have a strong and determined group that is ready to conquer increasingly higher peaks.

Diego Carron Chairman

THE GROUP

Company's profile

Carron was established in 1964 and for over 55 years it has been engaged in civil and infrastructure construction projects in Italy.

With over 250 employees and potential side-line activities of over 850 units, in 2018 the Group's annual production was about Euro 208 million.

Carron has been growing over the years, including through external acquisitions, in terms of size, portfolio, orders and value of production, to become one of the top fifteen leading companies in Italy in the construction of large civil and infrastructure works, where it conducts its activities as Builder and as project promoter under concession arrangements and public - private partnerships in the field of construction and infrastructure, as well as real estate developer.

Activities performed

In particular, Carron is active in the following sectors:

- civil construction (airports, hospitals, schools, offices and commercial buildings, as well as restoration and renovation)
- road infrastructure
- tunnels and underground works
- specialized works (earthworks, projects involving cultural heritage)
- historic and artistic works, special finishes, waterproofing, prefabricated industrial structures
- special structural works and components
- self-promoted real estate projects in the residential, commercial, office and production sectors
- concession management of swimming facilities.

Carron has carried out major infrastructure and civil construction works, which enabled the company and its personnel to gain valuable experience in managing large projects in specialised sectors.

Sustainability

While performing its activities, Carron has undertaken a policy of sustainable development that aims to improve the company's performance in compliance with the expectations of its stakeholders. These policies require significant financial and organisational effort and the adoption of certified and recognised safety, environmental and quality management systems and rigorous procedures that call upon all employees and partners to behave responsibly and fairly. Carron is deeply committed to constantly improving the way in which it supports the interests of its major stakeholders: customers, employees, lenders and the communities it has the honour to work with.

Carron believes that its goals can only be achieved if it adopts business practices that are based on rigorous principles of sustainable and long-term development.

While carrying out its activities, the company is inspired by the principles of health and safety of its personnel and the respect for the environment and the places where it operates.

We are proud of the many goals we have already achieved and confirm our firm and determined commitment to do our best to continue and possibly improve along this path.

Vision

In our relentless commitment to reaching ambitious goals, our multidisciplinary expertise ensures that our customers, both in the private and public sector, obtain excellent results in terms of quality and timely delivery of the works.

Carron is aware that through its works it contributes to improving the daily lives of those for whom they are designed.

For more than a decade, Carron has played a leading economic role in Northern Italy, a role that we intend to strengthen to support both the development of the region in which we conduct business and our own growth.



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COMPANY BODIES

BOARD OF DIRECTORS

Diego Carron Chairman
Marta Carron Vice-Chairman
Paola Carron CEO

Arianna Carron CEO
Barbara Carron CEO

BOARD OF STATUTORY AUDITORS

Marco ContessottoPresidentPrimo CeppelliniStatutory AuditorAlberto Da DaltoStatutory Auditor

Alessandra Poloniato Alternate statutory auditor Leonardo Pietrobon Alternate statutory auditor

SUPERVISORY BOARD Leg. Decree no. 231/2001

Chiara Anselmi President
Marco Contessotto Member
Andrea Dal Negro Member

AUDIT FIRM

DELOITTE & TOUCHE





DIRECTORS' REPORT

ON THE CONSOLIDATED FINANCIAL STATEMENTS AT 31.12.2018



DIRECTORS' REPORT - Consolidated Financial Statements

Introduction

This report was drawn up by the Board of Directors of the parent company, Carron Holding S.r.l., in the person of its Sole Director, Marta Carron, and outlines the performance of the company for the year ended 31 December 2018.

Except as otherwise specified, the amounts are presented in thousands of Euro in order to facilitate understanding and clarity.

MACRO-ECONOMIC FRAMEWORK

MACRO-ECONOMIC FRAMEWORK

The last few months of 2018 confirmed that the world economy is growing despite signs of cyclical deterioration in many developed and emerging economies.

Global prospects are burdened by the risks of a negative outcome of the trade negotiations between the United States and China, together with the possible worsening of financial tensions in emerging countries and the effects of the way Brexit will take place.

Growth has weakened in the euro area and in the last part of 2018 industrial production decreased significantly in Germany, France and Italy. Inflation, albeit with largely positive values, fell due to the slowdown in energy prices. The Governing Council of the ECB has reiterated its intention to maintain a significant monetary stimulus for an extended period. In Italy, after growth had stopped in the third quarter, the economic indicators available forecast a decrease in production activities also in the last part of 2018, signalling that the weakening recorded in the summer months is connected to the reduction of domestic demand, in particular investments and household spending.

The export trend in the second half of 2018 was still favourable, but the slowdown in global trade affected the prospective evaluations of companies on foreign orders.

Overall inflation declined to 1.2 per cent in December, mainly due to the slowdown in energy prices. Business expectations on price trends have been revised downwards. Risk premia on Italy's sovereign bonds fell, due to the agreement between the Italian government and the European Commission on budgetary plans, and in mid-January 2019 the spread between the returns on Italian and German government bonds was about 260 basis points, 65 fewer than the highs reached in November.

The credit supply conditions remained generally easy and the interest rates on loans are only slightly higher than in May, before tensions appeared on the government bond market. Looking ahead, however, the continued elevated level of sovereign bond returns and the cost of bank funding may continue to push up the cost of credit.

In the latest surveys, companies indicate less favourable credit access conditions and the flow of non-performing loans has decreased.

The projection on GDP growth is equal to 0.6 per cent for the year 2019, 0.4 points less than previously assessed, reflecting the most unfavourable data on economic activity observed in the last part of 2018. Growth projections in 2020 and 2021 are 0.9 and 1.0 percent respectively.

Inflation is expected to gradually increase, from 1.00 percent in 2019 to 1.5 on average in the successive two years, following the increase in private remuneration and the gradual alignment of inflation expectations. In addition to these global factors of uncertainty, downside risks to growth are linked to the possibility of a new rise in sovereign returns, to a more rapid deterioration in the financing conditions of the private sector, and a further slowdown in investment readiness.

In the mid-summer quarters, the hours worked increased while the number of employees decreased slightly; according to the first available data, employment in autumn was substantially stable.

The increase in contractual remuneration continued in all sectors.

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DIRECTORS' REPORT - Consolidated Financial Statements

THE CONSTRUCTION INDUSTRY

In this context, for the purposes of a consolidated recovery of the Italian economy, the fundamental contribution of the construction sector has been lacking and continues to be lacking. And yet, in terms of investments, the sector continues to offer a significant contribution, representing 8% of Italian GDP. Moreover, thanks to its long and complex supply chain, which connects the construction sector to over 90% of economic sectors, the growth of the construction sector may allow the country to recover half a point of GDP a year and to return in a short time to growth in line with that of other EU countries.

2018 also confirmed itself as a year of deeply uncertain sectoral dynamics, eroding the positive expectations that had been forecasted at the beginning of the previous year. The much hoped-for recovery of investments in public works, even with the support of the important measures envisaged by the government in the last budget laws, has not occurred and therefore has not been able to lead the recovery for the entire sector.

The ISTAT (Italian National Institute of Statistics) construction production index, adjusted for calendar effects, shows a downturn trend of 1.3% in December 2018, bringing the full-year result to + 0.9% compared to 2017.

Unfortunately, the positive signs in 2018 in the residential and non-residential private sector failed to completely offset the lack of growth in public works. Therefore, the forecast by ANCE (Italian Association of Construction Contractors) for the year just ended is a slight increase of 1.5% in construction investments in real terms. This result is completely insufficient to recover the heavy losses recorded in almost a decade of crisis. Production levels have decreased by about a third, resulting in the closure of over 120 thousand companies and the loss of 600 thousand jobs.

This trend derives from a dynamic that continued to fluctuate, especially in the second half of the year. This result seems not enough to recover the heavy losses recorded in almost ten years of crisis: production levels, in fact, decreased by about a third, leading to the closure of over 120 thousand companies and the loss of 600 thousand jobs.

IN	VESTMENT IN CONSTRUCTION	IS		
	2018	2016	2017 (*)	2018 (*)
	Millions of Euro	% cha	ange by quantit	ty
CONSTRUCTIONS	124,561	-0.4%	0.8%	1.5%
homes	64,059	-0.8%	0.1%	1.2%
- new (°)	17,815	-5.1%	0.5%	3.0%
- non-routine maintenance (°)	46,244	1.0%	0.0%	0.5%
non-residential	60,502	0.0%	1.6%	1.8%
- private (°)	38,025	3.4%	4.4%	4.8%
- public (°)	22,476	-4.7%	-6.0%	-3.2%

(*) Investments in construction net of costs for transfer of ownership (°)

(°) Ance estimates

Ance data on Istat data

PUBLIC WORKS

2018 ended with an increase over the previous year of 1.5%. This is a limited increase, due to the slowdown in investments by municipalities and other local authorities in the 2016-2018 three-year period who were faced with the adoption of new public finance rules and with the procedural innovations of the new contract code, factors which have not helped the opening of new construction sites. This trend contradicts the significant recovery of investments in 2018 by the state, the regions and some of the main national and local companies in the wider public sector.

Starting from 2019, according to the XXVI Report of the CRESME research centre, the effect of the resumption of investments by local authorities should be felt, driven by the considerable public resources made available to the sector in the 2016-2018 three-year period, and by the private resources of the motorway concessionaires, the operators of national airports, and water, energy and telecommunications network operators. The new investment cycle should last at least until 2023, even if the magnitude and duration remain uncertain. In this situation, the expected growth rates in the five-year period 2019-2023 are 3.2% in 2019, 3.9% in 2020, 3.6% in 2021, 2.3% in 2022 and 1.2% in 2023.

The driving forces could be investments in transport infrastructures (railways, roads, bridges, airports and metros), including strategic and priority ones under development for ultra-wideband communications systems; the integrated water system; the upgrading of the national electricity transmission network and energy efficiency of lighting systems; the transport and distribution of gas; and waste management.

From 2019, investments in non-residential public buildings supported by new works should also resume growth, mainly relating to new hospital facilities and interventions for the enhancement, maintenance, static and seismic adjustment, functional and technological adaptation and upgrading of systems, as well as the energy upgrading of buildings owned by central public administrations.

THE NEW HOUSING SECTOR

If the public works sector is expected to start growing again next year, the housing sector records some encouraging data. Indeed, in recent years building permits for new housing have grown by + 3.9% in 2016, by 11.3% in 2017 and by 8.7% in the first quarter of this year. Domestic concrete consumption has also increased (+ 1%) and sales of wall bricks have grown after many years (+ 2.8% in the first quarter of 2018). Even if only slightly, financing of investments for residential (+ 0.6%) and non-residential (+ 33%) housing increased. Construction and energy upgrading works grew by 1.7% in the first eight months of this year, while the residential and non-residential real estate market is growing in 2018 with rates around 5%.

Against the background of these data and if the general climate does not degenerate, construction could make an important contribution in terms of growth.

Finally, according to the CRESME report, the value of production in the construction market in 2018 should amount to 171 billion euros against 167 in the previous year. About 74% of this market is made up of ordinary and extraordinary maintenance interventions on existing assets. In 2017, according to CRESME estimates, civil engineering works were worth 23 billion euros and in 2018 growth was modest, that is to say only 0.2% more.

In the four-year period 2019-2022, again according to the XXVI Report, the building sector should finally show growth with rates higher than 2% between 1999 and 2021, but with decreasing dynamics: +2.5% in 2019, +2.3% in 2020, +2.1% in 2021. In 2022 it should fall below 2% (1.7% to be exact). In 2023 the construction of new residential housing should stop, with growth at a rate of 1%.

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THE SITUATION IN TRENTINO-ALTO ADIGE

A mention of the socio-economic context of the region, in which the Carron Group operates through Carron Bau S.r.l., appears useful and appropriate.

In the first half of 2018 the cyclical expansion phase of the economy of the South Tyrolean provinces continued at rates similar to those of 2017. The growth of economic activity was widespread among all sectors. Expansion of the tertiary sector was supported by the continued increase in tourism and by the good trend in household consumption. The contribution of foreign demand was instead less significant than in previous years.

The construction sector in Trentino has returned to growth after a decade of deep crisis and in Alto Adige the building sector has continued the expansion dynamic underway for four years.

The income and financial situation of companies has continued to improve in both provinces.

The growth of investments in the production sector was reflected in an increase in bank loans, especially in favour of large companies. Loans to smaller companies, on the other hand, further declined in Trentino and remained stable in South Tyrol.

In both provinces the employment conditions have further improved. The number of workers has increased at a faster rate than the national average; the unemployment rate has fallen again reaching, in Alto Adige, levels compatible with full employment.

The economy appears healthy as a result of the autonomy guaranteed to the region. Exports are advancing at a faster pace than in the rest of the country.

The region is now approaching full employment; the unemployment rate in the first quarter of 2018 stood at 4.1 percent, down steadily in recent years (it was 5.7% in 2014). In the province of Bolzano, it is now at 3.3%, against 5% in Trento, the lowest values in Italy. The same is also true for the youth unemployment rate (15-24 years), which fell in 2017 to 14.4%, also the lowest of the Italian regions.

GDP per capita also stands at the top of the national ranking. In Bolzano, it is approximately 43 thousand euros. In Trento it is slightly lower. Lombardy stands at around 37 thousand euros, while the national average does not exceed 28 thousand euros.

This value places the region closer to Austria, which has a GDP per capita of around 40 thousand euros. These trends are associated with further growth in consumption. The credit disbursed to households recorded a new expansion, both in mortgages for the purchase of homes and in consumer credit. The expansion of current account deposits continued, indicating a high preference of families towards less risky forms of investment that can be easily liquidated. The increase in loans granted to households and businesses, which was more intense in Bolzano, reflected the favourable trend in demand for new credit in the face of stable supply conditions. In Trentino, the expansion was driven by banks based outside the province, especially for families and larger companies. Instead, the Cooperative Credit Banks have further contracted their own investments.

In Alto Adige, the growth of bank loans to residents was similar between the Raiffeisen banks and other banks. The credit quality has improved, thus reflecting the positive economic situation.

The stock of non-performing loans declined while in Trentino it is still at high levels.

RESIDENCES FOR THE ELDERLY, INVESTMENTS GROW BY 15-20% PER YEAR

The company has paid specific attention to the opportunities this sector can offer since it can generate income more in line with the period preceding the crisis of the last decade compared to the procurement activities of the economic situation of the sector.

Currently the market is potentially very attractive, even if characterised by a high degree of fragmentation of the property.

Among the negative factors is the fact that the timing - which unfortunately is more than six years on average – for the development of a new nursing home (RSA) is particularly dilated due to the complex articulation of the process to create, authorise, accredit and then agree on a structure.

The country is ageing rapidly and the non-self-sufficient population does not find an adequate response to the demand for assistance in the national health system, and families, also due to the crisis, find it increasingly difficult to take charge of their elderly. The lack of RSAs (nursing homes) has become a truly national emergency to which real estate investors, together with specialised sector operators, can not only provide a solution, but also turn it into an investment with excellent returns, as already happens abroad.

THE POTENTIAL OF THE SECTOR

Italy is the last in Europe in terms of specialised structures for the non-self-sufficient elderly. According to the European Commission, a standard nursing home should have 50-60 beds for every thousand inhabitants over 60 years of age. In Italy, there are 18.5 beds for every thousand inhabitants, with large imbalances across the national territory and a clear concentration in the northern regions. The main candidates for reducing this gap are reserved real estate funds, which have already started investing in the sector. From 2014 to 2016 there was an increase of almost 20% in resources dedicated by the funds to residences for the elderly, with a total of around 1.2 billion euros at the end of 2016. On the basis of the operations being analysed (due diligence, negotiations, etc.) the positive trend will intensify over the next two years, with estimated increases of around 15% every year.

THE DEMOGRAPHIC SCENARIO

In Italy, the number of inhabitants in the over-65 age group represents 22% of the population (in 1986 it was 13%). In this context, the "oldest", that is, the elderly over 85, have grown by 11.4% in the last four years. According to the forecasts, the percentage of over 65s will be 24% in 2026 and 29% in 2036. In Italy the elderly, in terms of health, are relatively well and the new elderly are generally in good health. The elderly Italian population shows a state of economic wellbeing higher than that of the younger age groups of the population, with higher than average disposal income.

Despite these advantages, in the case of conditions that inhibit or preclude self-sufficiency, the resources available to the elderly to meet new needs are often insufficient –

and all the more so in light of the reduction in the budget for social policies allocated by the state.

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OPEN OPPORTUNITIES

The Italian institutional investors that today dedicate themselves to this sector are mainly ecclesiastical institutions, foundations and social security institutions, 20% are real estate funds and fixed capital funds (SICAEs)

Currently there are 12 real estate funds dedicated to this market. Half invest only in nursing homes. It is expected that there may be at least 20 specialised funds. Expected returns range from 6 to 7%, falling below 6% in the case of managed-only investments and exceeds 6.5% in the case of real estate development. The approximately 1.2 billion euros that today real estate funds invest in nursing homes, although on the rise, represent just 1.7% of the total investment in real estate.

The intention was therefore to increase the company's operating margin, which in recent years has suffered from the crisis in the sector, due to the scarcity of public investments and fierce competition from economic operators, and redefine the company's organisational structure and financial measures to support these initiatives.

FORECASTS FOR 2019

The signs of a slowdown in the national and international economy make the performance of the construction sector for the current year 2019 and the subsequent one very uncertain. In relation to the weakening of GDP, the 2019 Budget Law does not seem to respond to the need to support and amplify the increase in wealth, which in Italy is still lower than pre-crisis levels (-4.2% compared to 2007 GDP). The budget law has chosen to increase current expenditure, reducing the announced investment commitment.

In 2019 there is a real risk of an increase in the deficit/GDP ratio agreed with the European Commission and the consequent need to reduce public support to the economy during the year.

If this happens, not only would there be a reduction in public resources, but also a reduction in the expectations of citizens and businesses, who might reconsider their choices on consumption and investments.

This would determine a significant weakening of the first signs of recovery that are observed, for example, in the sectors of residential and non-residential investments, which have seen a significant increase in building permits in 2017 and 2018.

On this basis, the forecasts for 2019 relating to the construction sector lead us to postpone the hypothesis of a substantial recovery in investment levels, especially those linked to the public sector. With reference to private investments, it is possible to estimate a recovery in the residential and non-residential sectors, however to a lesser extent than can be observed from current trends, precisely because of the downsizing of expectations.

Based on this evidence, ANCE forecasts for 2019 an increase in investments in construction by 2% in real terms.

In detail, the individual sectors show a further 0.7% increase for investments in extraordinary maintenance on the housing stock.

This estimate also takes into account the impact on production levels due to the start of the first seismic risk reduction interventions via the EcoSisma incentive bonus system for entire apartment buildings.

The positive trend is expected to continue also for investments in new housing and private non-residential building with increases, respectively, of 3.5% and 3% on an annual basis.

With reference to the public works sector, ANCE estimates for 2019 an increase by 1.8% compared to 2018. This is an initial positive sign, albeit slight, but it is absolutely not enough to reverse the long negative trend in progress since 2005.

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MAIN EVENTS OF THE PERIOD

With regard to the Group's restructuring plan, it is reminded that in 2018 the shareholding structure was reorganised under Carron Holding S.r.l., established in June 2018, to which the share owned by Carron S.p.A. in Carron Bau S.r.l. was transferred.

ACQUISITIONS

The Group has made important acquisitions of works during 2018, both in the field of public works and private customers, for a total value of approximately 161 million euros, including the acquisitions made during the first quarter of 2019.

These include:

Total	Million/euro	161
Construction of an underground car park on behalf of the municipality of Selva di Val Gardena	Million/euro	6,0
Renovation and enlargement of Cardinal Nicolò Cusanus Academy in Bressanone	Million/euro	7,6
Development of retirement home St. Josef in Merano, on behalf of the Teutonic Order of Lana	Million/euro	27,9
Supporting works of the excavation face for the St. Josef nursing home in Merano, on behalf of the Teutonic Order of Lana	Million/euro	2,2
Construction of a canteen with kitchen and modernisation in accordance with fire regulations of "A. Schweitzer" middle school on behalf of the municipality of Bolzano	Million/euro	2,5
Development of a building for nursing home use in Nichelino (TO) as sales of future assets to R.E.A.M. S.G.R. S.p.A.	Million/euro	19,2
Development of a building for commercial use in Turin - Strada della Pronda as sales of future assets to DIMAR S.r.l.	Million/euro	10,0
Renovation of the "Cortile della Seta" building in Milan – Via Moscova – Via Solferino, on behalf of Savills Investment S.G.R. S.p.A. (Fondo Sericon)	Million/euro	20,0
Renovation of small villas in Rome on behalf of Colony Star s.a.s.	Million/euro	1,5
Implementation of a building for office use in via Sarca, Milan, on behalf of Kryalos S.G.R. S.p.A.	Million/euro	12,2
Demolition and construction of a building in Milan – Via Gattamelata on behalf of Kryalos S.G.R. S.p.A.	Million/euro	36,5
Renovation of the "Ex Boccardo" building in Bresso, Milan, on behalf of Zambon Immobiliare S.p.A.	Million/euro	9,8
Residential units in Silea (TV) – Sily development plan on behalf of Immobilmarca S.r.l.	Million/euro	5,5

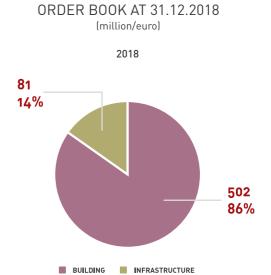
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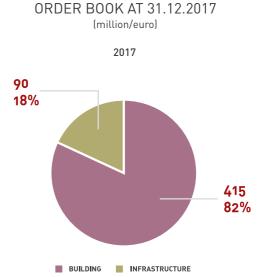
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ORDER BOOK

The Carron Group backlog of works amounts to Euro 583 million as of 31.12.2018, of which Euro 502 million for contracts and building work in the civil housebuilding segment, and Euro 81 million for infrastructure works.

Million/Euro







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CLIENT

KRYALOS S.P.A.

DEMOLITION AND CONSTRUCTION OF A BUILDING ON VIA GATTAMELATA IN MILAN



From the demolition of buildings consisting of 9 above-ground levels and 2 underground levels to the construction of a new management complex consisting of 2 floors underground (gross surface area of 3,870 square metres per floor) and an above-ground area divided into three interconnected buildings that rise up 8, 11 and 14 floors respectively, with a gross surface area of 22.700 square metres. Carron is carrying out the project by using the most state-of-the-art technologies in order to deliver to its end customer a new building with outstanding energy performance, certified according to Platinum-level LEED certification.

CLIENT

COIMA SGR SPA

IMPLEMENTATION OF A BUILDING FOR OFFICE USE IN VIA SARCA, MILAN



This project consisted in the renovation of a building, built between 1987 and 1991 and consisting of 12 above-ground floors and 2 underground levels, for a total surface of about 15,000 sqm. The project involved the remake of all the internal finishing, the implementation of a new continuous curtain wall, as well as the installation of new systems for the building, including a photovoltaic installation. The intervention allowed the implementation of a multi-tenant building, featuring high functional and energy performance and able to receive Platinum-level LEED certification.

CLIENT

SERICON INVESTMENT FUND

RENOVATION OF THE "CORTILE DELLA SETA" BUILDING, MILAN



The intervention was carried out on the historical building called "Cortile della Seta, which features a courtyard shape, in the centre of Milan, built at the end of the XIX century. Carron is overseeing the building's renovation project, as well as the renovation of the curtain walls and the widening the windows on the sides facing the street. Furthermore, the works include the demolition of the roof and the construction of an additional floor and the implementation of a new glass roof, built with a series of sheds of different sizes near the main lounge area: this will allow to enhance natural light filtering and to adjust air exchange. The building will consist of 1 underground floor and 6 above-ground floors for a surface of about 23,800 sqm. The building will achieve the GOLD-level LEED Core&Shell 2009 certification.

CLIENT

ZAMBON IMMOBILIARE S.P.A.

RENOVATION OF THE "EX BOCCARDO" BUILDING IN BRESSO, MILAN



The renovation and widening of the "ex Boccardo" building has recently been completed, giving rise to the new "C3 ex Boccardo" executive office building inside the Zambon Campus in the municipality of Bresso, Milan. The 3 buildings of the complex develop on 2 above-ground floors, with a total area of about 4,600 square metres. Once the works were completed, Carron delivered the As-built Model drafted in BIM, organised for the purpose of Facility Management of the new Zambon office building.

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CARRON CAV. ANGELO S.P.A.

COMPLETION OF NURSING HOMES IN TURIN





For this project, Carron acts both as promoter and builder of nursing homes in Turin. After purchasing two symmetrical buildings, Carron is completing their renovation through the complete demolition and removal of all the walls, as well as structural reinforcement works, the remake of all the internal finishes and the implementation of new installations. The functional recovery of the buildings will lead to two separate nursing homes with 200 beds each, both subject to sales as future assets.

CLIENT

CARRON CAV. ANGELO S.P.A.

IMPLEMENTATION OF SOCIAL HOUSING IN TURIN



The above-mentioned interventions refer to the construction works of the building complex in Strada della Pronda in Turin. The first lot consists in the implementation of a building, featuring 11 above-ground floors with 129 apartments for social housing, as well as 2 underground levels. The apartments will be subject to sales as future assets to R.E.A.M. s.g.r. S.p.A.

CLIENT

CARRON CAV. ANGELO S.P.A.

IMPLEMENTATION OF NURSING HOMES IN NICHELINO, TURIN





29

The intervention consists in the implementation of two nursing homes with day centre, non-hospital structures where patients can in any case receive medical and nursing assistance. Hotel services, spaces for recreational activities and rehabilitation will be assured. The "Debouchè" nursing home will house 120 beds, while the "Parco Boschetto" nursing home will house 60 beds in addition to the day centre with 20 beds. A photovoltaic system and a solar power plant will be installed on the roof. The complex will be subject to sales as future assets to R.E.A.M. s.g.r. S.p.A.

CLIENT

CARRON CAV. ANGELO S.P.A.

CONSTRUCTION OF A BUILDING FOR COMMERCIAL USE IN TURIN



The above-mentioned interventions refer to the construction works of the building complex in Strada della Pronda in Turin and will be subject to sales as future assets to R.E.A.M. s.g.r. The ground floor will house a commercial complex, covering about 4,000 sqm, of which 2,500 sqm will be used for a supermarket and 118 parking spaces to be used by the commercial business (first underground level).

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CLIENT FININT S.G.R.

NEW "H CAMPUS" SCHOOL-MANAGEMENT HUB



26 thousand sqm of buildings will extend H Farm, incubator of innovative companies. The project being kicked off in Ca' Tron, Roncade, aims to set up an American-style education campus, with areas dedicated to the H-School, as well as to recreational, sport, food & drink activities and a student residence. The project involves the use of green building techniques in line with the green philosophy shared by Carron and H Farm, in order to build a minimal environmental impact complex.

CLIENT
IMMOBILMARCA S.R.L.
SILY DEVELOPMENT PLAN: RESIDENTIAL UNITS IN SILEA



The overall project includes the development of 4 housing buildings developing on 6 above-ground floors and featuring 28 units each. From mini-apartments to three-bedroom apartments, all provided with garden and/or a usable terrace. The choice of materials and finishes combines beauty and performance, with particular attention to energy efficiency and sound proofing (Expected energy class: A).

CLIENT
IMMOBILMARCA S.R.L.
CA' AMATA RESIDENCE



The modern and newly-implemented housing structures are located near the centre of Castelfranco Veneto. In the green surroundings of Marca Trevigiana (province of Treviso), the houses have been implemented following eco-sustainability principles, with high quality finishes, surrounded by an 18-hole golf course, with an enchanting system of canals, lakes and bike lanes.

CLIENT

COLONY NORTHSTAR S.A.S.

RENOVATION OF "I VILLINI" COMPLEX, 1ST PHASE, ROME



The object of the contract with the American investment company Colony NS is the renovation for housing purposes of a building belonging to a complex of fourteen small Liberty villas. The nonroutine maintenance works and preservation recovery have involved the structure of the building with the remake of the ceilings and the total restyling of both internal and external spaces.

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CLIENT

TEUTONIC ORDER OF LANA

CONSTRUCTION OF THE "ST. JOSEF" NURSING HOME IN MERANO



Consolidation works along the border, specific observance in the management of waste disposal, strict asbestos remediation work with hermetic closure of the areas, particular attention to the reduction of dust and noise, very restricted construction area, new construction built in "CasaClima A".

CLIENT

CONFCOOPERATIVE BOLZANO

NEW "PARADISE" RESIDENTIAL COMPLEX IN THE "PRATI DI GRIES" AREA IN BOLZANO



This new construction complies with the "CasaClima NATURE" regulations with high hygiene standards and a careful management of waste. The building height equals to 34 metres with 11 aboveground floors, the work site is surrounded by other lots implemented simultaneously (not part of our job order), two large floors underground with 0-height waterproof slabs (Zementol system).

CLIENT

MUNCIPALITY OF BOLZANO

ENERGETIC REQUALIFICATION OF RESIDENTIAL BUILDINGS ALONG VIA PASSEGGIATA DEI CASTANI



Energetic renovation of 72 apartments that remain inhabited during the works, renovation works in compliance with the "CasaClima A" regulations, new façade with prefabricated wooden panels, mixed heating and DHW system: geothermal heat pump + integration with boiler, solar photovoltaic plus solar thermal, mechanical ventilation with decentralised system for each apartment.

CLIENT

TEUTONIC ORDER OF LANA

CONSTRUCTION OF THE "MAIA" MIDDLE SCHOOL IN THE FORMER "MAIENSE" BOARDING SCHOOL IN MERANO



Renovation works consisting in: replacement of all windows and doors, demolition of internal partitions, floors and screeds, reconstruction of bathroom blocks, screeds and floors, acoustic ceilings, internal partitions and prefabricated windowless walls and high quality soundproof glass. The works were completed in just 180 calendar days, without the need for extensions or time delays.



EXPLANATORY NOTES

Considering the substantiality of the financial statement data, the comparison of the values in the balance sheet and in the income statement refers to the consolidated financial statements at 31st December 2017 of "Carron Cav. Angelo S.p.A.", given that the consolidating parent company for the year 2018 (" Carron Holding S.r.l."), was established in June 2018.

Carron Cav. Angelo S.p.A., in relation to the rationalisation and reorganisation of the Group's activities, was merged, in June 2018, into Carron Holding S.r.l. following the transfer of the shareholdings by shareholders Diego Carron, Marta Carron, Arianna Carron, Paola Carron and Barbara Carron.

The comparison method, in the cases deemed necessary for better information, was adopted due to the same scope for consolidation between the 2017 financial year and the 2018 financial year.

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DIRECTORS' REPORT - Consolidated Financial Statements

CONSOLIDATED ECONOMIC DATA AT 31 DECEMBER 2018

Million/Euro

DESCRIPTION	2018	2017	Variation
Revenues	207.9	183.1	+13.5%
Earnings before interest, taxes, depreciation, and amortization – Ebitda Ebitda $\%$	12.9 6.22%	9.5 5.19%	+35.8%
Earnings before interest and taxes – Ebit Ebit %	11.9 5.70%	8.3 4.54%	+43.3%
Result before taxes	12.5	9.3	+34.4%
Net result for the period	9.0	7.3	+22.8%

Ebitda

It is defined as earnings before interest, taxes, depreciation, and amortization

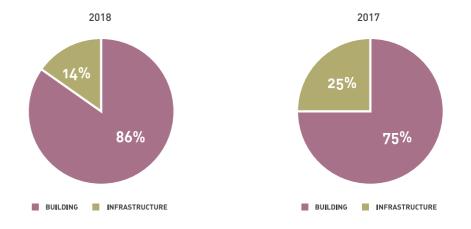
Ehi+

Corresponds to the operating profit as shown in the income statement of the financial statements under item "Difference between value and production costs".

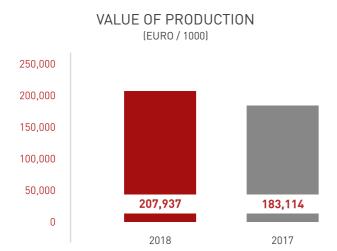
BREAKDOWN OF REVENUE BY SEGMENT

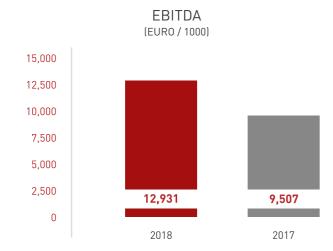
Million/Euro

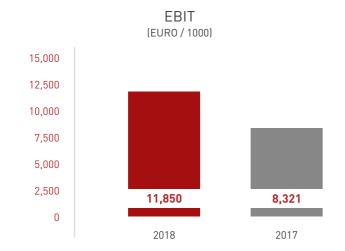
DESCRIPTION	31 December 2018		DESCRIPTION	31 December 2017	
DESCRIPTION	Building	Infrastructure	DESCRIPTION	Building	Infrastructure
Italy	86%	14%	Italy	75%	25%
Percentage of revenue			Percentage of revenue		



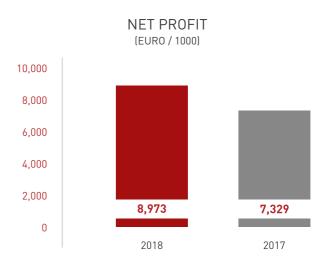
2018 FIGURES

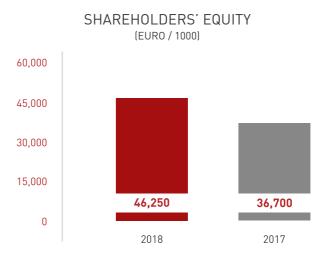


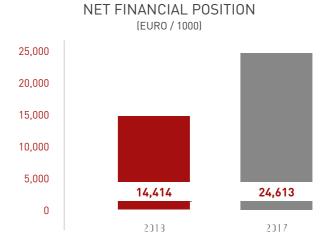


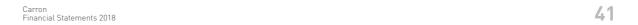


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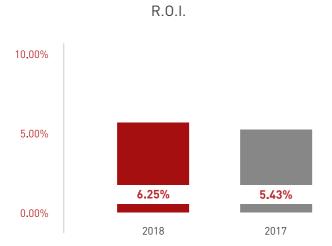


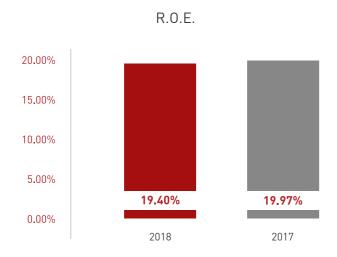


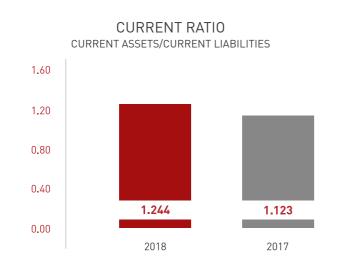


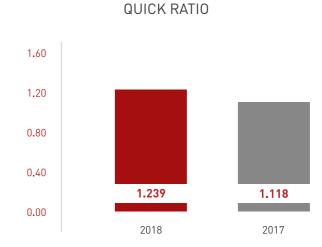
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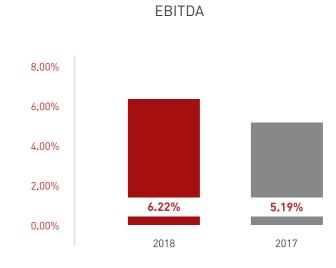


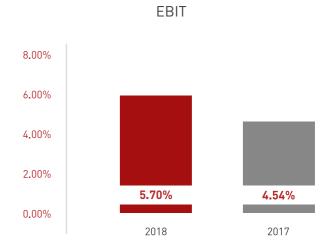












COMMENTS

The production volume at 31 December 2018 of 207.9 million euros is up by 13.6% compared to the figure for 2017. Certain projects that entered the phase of full operation contributed to this result, after the initial one for the planning and organisational preparation, as well as full operating activity in the Trentino-Alto Adige region through Carron Bau S.r.l.

Some orders have been significantly delayed during start-up, essentially due to interruptions in the proceedings of the contracting authorities with respect to the initial schedules (Treviso Hospital, Fermo Hospital, H Farm), preventing full achievement of the industrial plan objectives, involving the shift of the production in 2019. The contribution of civil construction, in terms of production value, proved to be prevalent (84%) as evidence of the fact that in the market there were no significant works in the infrastructure sector that the Group could pursue.

The income dynamic has recorded significant overall progress and the EBITDA has grown from 5.19% in 2017, for a value of 9.5 million euros, to 6.22% in the year 2018, recording an increase of 36%, with a value of 12.9 million euros.

The operating margin has improved, thanks to targeted interventions in the acquisition of the most profitable orders. There was also a positive contribution to improving margins from the "closed real estate fund" operation.

In some rare cases, the orders budget had to be revised, the execution of which envisaged negative trends, whose expected losses were entirely attributed to the financial year in order to sterilise the effects on the next years.

After the spin-off operation carried out in 2017 which led to the separation of industrial activities from real estate activities - which in the past had been an important part of the Group's activities - in 2018 the shareholding structure of the corporate structure was reorganised under Carron Holding S.r.l., established in June 2018, to which the share owned by Carron S.p.A. was transferred to Carron Bau S.r.l., with the effect of generating, within Carron S.p.A., a capital gain of 4.6 million euros, then reabsorbed in the consolidated financial statements.

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CONSOLIDATED BALANCE SHEET AND FINANCIAL DATA AT 31 DECEMBER 2018

(In thousands of Euro)

DESCRIPTION	2018	2017	Variation
Intangible fixed assets	575	504	70
Tangible fixed assets	16,482	16,352	131
Financial fixed assets	570	500	70
Financial receivables due beyond twelve months and other securities	16,918	13,020	3,898
Trade receivables and other receivables due beyond twelve months	13,090	-	13,090
Fixed assets	47,635	30,376	17,259
Net working capital	1,469	(4,735)	6,204
Provisions for liabilities, staff severance indemnity, net long term debt	(2,687)	(2,863)	176
Net invested capital	46,417	22,778	23,639
Shareholders' equity	46,250	36,700	9,551
Net financial position vs banking system	(209)	[13,922]	13,712
Other financial payables vs leasing	376	-	376
Sources	46,417	22,778	23,639

INVESTED CAPITAL

The net invested capital amounts to Euro 46,4 million (Euro 22,8 million in 2017), up by Euro 23,6 million mainly due to significant investments in the closed Real Estate sector (a nursing home -RSA-, a commercial and residential complex, along with two other areas in the Turin area) and the progress of work on construction sites which, due to the contractual conditions governing the relationship, recorded a lower turnover compared with the historical data, expanding current commercial assets and consequently the net working capital (up by Euro 6,2 million); however, the same effect could not be seen in current liabilities (especially in the "suppliers" item).

FIXED ASSETS

For the purposes of reclassification from a financial point of view of the financial statement values, non-current assets include intangible and tangible assets at their net value, as well as medium/long-term financial assets, typically represented by investments not included in the scope of consolidation, loan receivables from related parties due at medium/long term and trade receivables due after 12 months.

At 31.12.2018, non-current assets amount to Euro 47,6 million (Euro 30,4 million at 31.12.2017), of which Euro 0,6 million for intangible assets (Euro 0,5 million at 31.12.2017), Euro 16,5 million for tangible assets (Euro 16,4 million at 31.12.2017), Euro 0,6 million for financial assets (Euro 0,5 million at 31.12.2017), financial receivables due after 12 months for Euro 16,9 million (Euro 13 million at 31.12.2017), trade receivables due after more than 12 months for Euro 13 million, recording an overall increase, compared with the figure at 31.12.2017, of Euro 17,3 million.

The detailed analysis of the changes occurred is contained in the specific illustrative section of the "Explanatory notes to the financial statements" to which reference is made.

NET WORKING CAPITAL

The operating working capital, given by the difference between current assets, amounting to Euro 115 million (receivables, inventories, work in progress and other assets) and current liabilities, amounting to Euro 113,60 million (suppliers, advances from customers and property promissee purchasers, trade payables and other payables), amounts to Euro 1,5 million and is made up as follows:

(In thousands of Euro)

DESCRIPTION	2018	2017	Variation
Inventories	14,132	16,573	[2,441]
Work in progress	67,361	31,477	35,884
Trade receivables	23,492	40,899	(17,407)
Receivables due from controlled consortium companies	565	365	200
Receivables from associated companies	1,901	882	1,019
Tax receivables	3,340	3,355	(15)
Receivables for prepaid taxes	102	95	7
Receivables due from others	3,104	2,202	902
Current financial assets	122	122	-
Accruals and deferrals	943	1,575	[632]
Total current assets	115,061	97,546	17,516
Advances received	33,807	9,883	23,924
Trade payables	66,319	79,216	[12,897]
Payables due to controlled companies	4,245	3,169	1,076
Payables due to associated companies	2,928	2,753	175
Tax payables	1,475	1,425	50
Payables due to pension and social security institutions	1,167	1,103	64
Other payables	3,582	4,721	[1,139]
Accruals and deferrals	70	12	58
Total current liabilities	113,593	102,281	11,311
Net working capital at 31.12.2018	1,469	(4,735)	6,207

At 31.12.2017, the net working capital amounted to Euro - 4,7 million, while at 31.12.2018 it amounted to Euro +1,5 million, recording an increase of Euro 6,2 million.

The "inventories" item includes the value of the land (Euro 12,8 million) used for the construction of a nursing home in Nichelino (TO) and a residential complex in Turin for residential and commercial use, both subject to a preliminary sale contract for a "property yet to be built", with effect from 2019.

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WORK IN PROGRESS

This item includes medium/long-term contracts that are valued based on fees accrued with reasonable certainty, according to the percentage of work completed, applying the cost-to-cost method.

The value of inventories at 31.12.2018, amounting to Euro 67,4 million, has recorded an increase of Euro 35,9 million compared with the previous year (Euro 31,5 million). This significantly contributes to the increase in net working capital and reflects the remarkable book value of the work relative to the nursing home in Turin (subject to preliminary sale contracts). At the same time, it reflects the extension of average collection time of receivables for contract works, due to lengthy contract terms in the drafting of work progress reports and the issue of payment certificates.

The increase in net working capital is also due to a physiological reduction in the supplier payment cycle compared with the previous year, due to the cyclical trend in production on construction sites, adding to the effect of the increase in the value of inventories and negatively affecting the average working capital cycle.

With regard to the structure of working capital, it is observed that the situation in which companies in the building industry operate makes it difficult to extend payment terms downstream of the supply chain, even though customers impose extended payment terms on contractors by leveraging on low market demand.

SHAREHOLDERS' EQUITY

At 31.12.2018 the Group shareholders' equity, consisting of the share capital and the legal and optional reserves, amounts to Euro 46,3 million, recording an increase of Euro 9,6 million compared with the figure at 31.12.2017 (Euro 36,7 million). For further information, please refer to the Explanatory notes.

NET FINANCIAL POSITION

(In thousands of Euro)

DESCRIPTION	2018	2017	Variation
On hand	67	61	6
Cash and cash equivalents held in banks	26,739	25,316	1,423
Liquidity	26,805	25,377	[1,429]
Short-term bank debt	(10,568)	(7,146)	(3,422)
Non-current bank loans	[16,028]	[4,309]	(11,719)
Net financial position towards the lending system	210	13,922	(13,712)
Other financial receivables:			
Receivables due from associated companies after 12 months	103	18	85
Receivables due from other companies after 12 months	14,102	10,674	3,428
Financial position towards others	14,205	10,691	3,514
Total net financial position	14,414	24,613	(10,199)

The Group's financial position vis-à-vis the banking system recorded a decrease in available assets of Euro -13,7 million, going from Euro + 13,9 million at 31.12.2017 to Euro + 0,2 million at 31.12.2018. The overall position, which includes financial receivables and payables due from/to other companies and associated companies, amounted to Euro + 14,1 million, a decrease of Euro 10,2 million compared with 31.12.207 (Euro 24,6 million).

NOTES TO THE INCOME STATEMENT

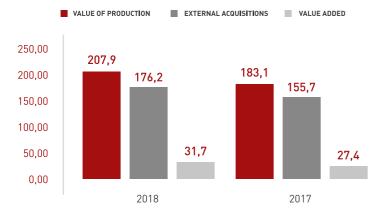
Reclassification of the income statement - "value-added approach"

The following reclassification highlights the intermediate results of economic management by highlighting the "Value added", the "Gross operating margin", the "Operating margin" and the result for the year:

(In thousands of Euro)

DESCRIPTION	2018	%	2017	%
VALUE OF PRODUCTION	207,937	100,00	183,114	100,00
Costs for acquisitions	[176,222]	(84.75)	(155,750)	(85.06)
VALUE ADDED	31,715	15.25	27,364	14.94
Labour costs	(17,162)	(8.25)	(15,979)	(8.73)
Sundry operating expenses	(1,533)	(0.74)	[1,489]	(0.81)
Other provisions	(89)	(0.04)	(389)	(0.21)
EBITDA	12,931	6.22	9,507	5.19
Depreciation	(851)	(0.41)	(978)	(0.53)
Amortisation, depreciation and write-downs	(231)	(0.11)	(208)	(0.11)
EBIT	11,850	5.70	8,321	4.54
Financial income and (charges)	1,291	(0.62)	1,443	(0.79)
Revaluations (write-downs)	(616)	(0.30)	(450)	(0.25)
Profit before tax	12,525	6.02	9,315	5.09
Income taxes	(3,552)	(1.71)	(1,986)	(1.08)
Net profit for the year	8,973	4.32	7,329	4.00

Income statement



Production in 2018 recorded an increase by 13.5% compared to the previous year, from Euro 183,4 million to Euro 207,9 million.

Costs for external expenditure on goods and services amounted to Euro 176,2 million, with an incidence on the value of production of 84.75% (85.06 in 2017).

Value added amounted to Euro 31,7 million, which corresponds to 15.25% of the value of production, against Euro 27,3 million in the previous year (14.9% of the value of production).

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The "value of production" item is broken down as follows:

(In thousands of Euro)

DESCRIPTION	2018	2017	Variation
Sales and services revenues	171,518	184,679	(13,161)
Changes in work in progress	35,884	(2,741)	38,625
Changes in product inventories	(760)	[412]	(348)
In-house work	88	357	(269)
Other revenues and income	1,207	1,231	(24)
Total value of production	207,937	183,114	24,823

The "production costs" item is broken down as follows:

(In thousands of Euro)

DESCRIPTION	2018	2017	Variation
Raw and ancillary materials	28,908	26,667	2,241
Services	140,393	139,049	1,344
Use of third-party assets	5,240	4,770	470
Changes in inventories	1,681	[14,736]	16,417
Total external purchases	176,222	155,750	20,472
Labour costs	171,162	15,979	155,183
Amortisation, depreciation and write-downs	851	1,186	(335)
Other provisions	89	389	(300)
Sundry operating expenses	1,533	1,489	44
Total production costs	196,087	174,793	21,294

The "value added" item is broken down as follows:

(In thousands of Euro)

DESCRIPTION	2018	2017	Variation
Value added	31,715	27,364	4,351
Compensation for work	(17,162)	(15,979)	(1,183)
Sundry operating expenses	(1,533)	(1,489)	[44]
Other provisions	[89]	(389)	300
EBITDA	12,931	9,507	3,424
Depreciation	(851)	(1,186)	335
Amortisation, depreciation and write-downs	(231)	[-]	(231)
EBIT	11,850	8,321	3,529
Financial income and (charges)	1,291	1,443	(152)
Write-downs	(616)	(450)	[166]
Profit before tax	12,525	9,315	3,210
Taxes	(3,552)	(1,986)	(1,566)
Shareholder's net income	8,973	7,329	1,644

EBITDA for the year showed an increase, from 5.19% at 31.12.2017 to 6.22% at 31.12.2018 (+ 20%).

The effects of a more targeted and selective action in the acquisition of the works were noted, as well as the profitable contribution of the margins produced by the real estate operations carried out during the year.

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INFORMATION REQUESTED BY THE PROVISIONS OF LEG. DECREE 32/2007, IMPLEMENTING DIRECTIVE 2003/51/EC AMENDING ARTICLE 2428 OF THE ITALIAN CIVIL CODE

INDICATOR	2018	2017
Ratio of current assets to current liabilities Current assets/current liabilities	1.244	1.123
Equity to fixed assets ratio Shareholders' equity/Fixed assets	0.971	1.208
Ratio of fixed assets to total assets Fixed assets/Net assets	0.251	0.198
Flexibility of net assets Current assets/net assets	0.749	0.802
Overall debt ratio Shareholders' equity/Total liabilities	0.323	0.315
Debt to equity ratio Shareholders' equity/Net financial position	277.3	(2.63)
Acid test Current assets-stocks/Current liabilities	1.234	1.118
Total debt ration Liabilities/ Shareholders' equity	3.097	3.177
Current debt position Net working capital/Shareholders' equity	0.004	0.368
Financial debt/Ebitda Payables due to lending institutions/EBITDA	0.013	(1.464)
Ebitda/Financial payables EBITDA/payables du to lending institutions	77.532	(0.683)

OPERATING PERFORMANCE THROUGH ASSOCIATED AND CONTROLLED COMPANIES

Investments in consortium companies

The investee consortium companies indicated under item "Financial assets not held as fixed assets" in the Balance Sheet, represent corporate instruments through which the Group companies, as principals or contractors of Temporary Business Associations, perform the services deriving from the contracts acquired. As per the operating procedure, the purpose of the consortium companies is to carry out contract work together, thus primarily meeting organisational and operational requirements.

The consortium companies take over from the Temporary Business Associations by right, without this constituting a transfer of the contract. As for their responsibilities, in the case of "horizontal" Temporary Business Associations, all the companies, principals and contractors are bound by the bond of solidarity in fulfilment of the obligation (indivisible and unitary) assumed. It follows that, since all the companies are equally co-contractors and jointly liable for the entire contracted work (the proquota quantitative subdivision of the contracted work has merely internal relevance), the contracting entity can legitimately request the entire service from each debtor, with the exception of internal regressions (each company belonging to the TBA can, after complying in full, take action against the other companies according to contractual shareholdings).

On the contrary, in the case of a "vertical" TBAs, joint and several liability does not involve all companies, jointly, but the principal company for its share of work and the contractor holding company.

By their nature, consortium companies are non-profit organisations as they act in the exclusive interest of the companies grouped together in the temporary consortium ("A.T.I.") to which they "charge back" all their operating costs and charges without any remuneration for their work. The financial and earnings effects of operations are therefore entirely attributed to the participating companies in proportion to their shareholding.

OTHER INFORMATION

Status of the dispute

The progress of the civil litigation in the context of group activities, supported by the assessments of the legal advisors, does not give rise to particular concerns given the pending disputes and their value. With regard to the dispute, worthy of note for the 2018 financial year is the positive out-of-court conclusion of several civil proceedings.

Tax situation

From 17 June to 26 November 2015, an audit of the accounts of Carron Cav. Angelo S.p.A. was conducted by the Guardia di Finanza - Venice Tax Police Unit (Italian financial police – Venice tax police unit) - concerning VAT, income taxes and other taxes, for the 2013 tax period and for the period from 01.01.2014 until the date of access.

In 2018, following the notification of the assessment notices for the objections referring to the year 2012 and the notification with invitation to consent to the objections referring to the year 2013, the company Carron S.p.A. signed the relevant consent agreement, the effect of which was recorded in 2018.

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For the findings relating to the 2014 and 2015 tax years, there are good grounds for believing that these, being findings of a formal nature, will be concluded during the current financial year with a modest economic effect.

Against a tax assessment for the year 2006, a first-instance decision with unfavourable outcome for the Office was made, with a disputed amount for IRES (corporate income tax) purposes of Euro 659,998.00, which was followed by an appeal by the Italian tax agency. To date, the judgement is still pending. Moreover, in connection with the sums collected by the tax authorities as debt instalments, through payment notice, for the amount of Euro 129,695.16, a measure was issued for the total cancellation of the registration of the claim on 20 March 2017, by the Direzione Regione del Veneto – Ufficio Contenzioso (Veneto Region Directorate – Litigation Office), which was followed by the repayment of the initial amount paid of Euro 110,000.00, as well as other sums for accessories, for the total amount of Euro 135,729.99.

Risk management policies

The Group's activity is generally subject to various financial risks:

- Market risk (price of raw materials and fluctuation of share prices)
- Credit risk
- Exchange rate risk
- Interest rate risk
- Liquidity risk

The management of the Group's financial risks is carried out within the framework of specific organisational directives that govern the management of the aforementioned risks and the control of all the operations that have strict relevance in the composition of financial and/or commercial assets and liabilities.

The Group does not have any derivative financial instruments, nor are there any specific financial, price, credit or liquidity risks other than those deriving from operating activities.

The Group has a minimal exposure to interest rate risk, which therefore only affects the return on financial liquidity. There is no exposure to exchange rate risk as operations are carried out and revenues are produced exclusively in Italy, and the main costs incurred are in euros.

The Group does not have particularly significant credit risk areas; the operating procedures allow to control the credit risk, selecting the execution of contracts and/or services on behalf of customers who have an adequate level of credit and guarantees.

Therefore, the maximum exposure to credit risk is represented by the book value in the financial statements.

The Group is exposed, to a non-significant extent, to fluctuations in the price of raw materials and services; this risk is managed by the operating companies through the use of a large supplier base enabling the best market conditions and through the conclusion, where possible, of procurement contracts that contain limitation clauses for risks related to the trend of raw material costs.

The risk areas relating to the protection of the health and safety of workers are managed in strict compliance with the laws and regulations.

Quality - Environment - Safety

The tools that allow to increase the efficiency of the quality system have assumed an increasing importance within the company and also in the year 2018 maximum attention was placed on strengthening this aspect by implementing all the measures dictated by the regulations in force.

To this end, the company has completely updated the "Integrated Management System (IMS) - Quality, Environment and Safety". The system therefore complies with new international standards UNI EN ISO 9001:2015, UNI EN ISO 14001:2015 and BS OHSAS 18001:2007. The three management systems are certified in accordance with the standards for the construction sector, for the following activities:

- Design, construction, renovation and maintenance of construction, infrastructural (road and railway) and hydraulic engineering works;
- Restoration of real estate under protection.

The relevant certificates were issued by ASACERT (an independent certification body in accordance with international standards ISO/IEC 17021). Certifications are maintained annually and renewed every three years.

The Group companies operate using the certified Quality Management System, also with regard to the Environment and Safety.

The system has been pre-established in order to achieve general objectives with the aim of:

- Rationalising and optimising both management and executive activities consistent with the new company organisation, by implementing the use of computerised processes;
- Minimising errors:
- Guaranteeing customer satisfaction, namely by assuring customers that the work, in technical and economic terms, is accomplished and maintained with the required quality, and also allowing external verification on the Integrated Management System;
- Orienting corporate culture towards environmentally-friendly behaviour (control and rationalisation of the consumption of water and energy resources, correct management and separation of waste and waste produced) and operated in compliance with the binding legislation and the voluntary regulatory framework (UNI EN ISO 14001);
- Pursuing the best possible conditions in terms of health and safety in the workplace and hygiene of the environments in which the personnel operates, in compliance with the requirements of current legislation and the voluntary framework (BS OHSAS 18001);
- Managing their activities also with the aim of preventing accidents, injuries and work-related diseases and safeguarding the health of workers, company assets, third parties and the community in which the company operates, thereby arranging the purchase, operation and maintenance of machines, plants and equipment, the organisation of workplaces, and the definition of operating methods and organisational aspects, with a view to continuous improvement;
- Ensuring the widest possible dissemination of all information notices regarding health and safety risks in the workplace and the intervention procedures in emergency situations that may harm persons or the environment;
- Reducing the general negative environmental impacts during the performance of company activities through an assessment of the same already in the planning phase and through an accurate selection, assessment and awareness-raising of suppliers and contractors;
- Seeking clear and direct forms of internal and external communication that give evidence of transparent behaviour and are founded on respect and collaboration; Seeking the satisfaction of all internal and external stakeholders;
- Maintaining the certification of the company's Integrated Management System.

Carron Financial Statements 2018

DIRECTORS' REPORT - Consolidated Financial Statements

The Integrated Management System policy is based on compliance with several general concepts:

- Participation and involvement at all levels, based on the critical nature of the tasks and responsibilities of each operator;
- Continuous improvement, both in terms of satisfying customer requirements and the effectiveness of the Integrated Management System;
- Planning and review of company objectives.

In particular, the objectives and resources used to achieve them are defined yearly on a corporate basis following the review of the Integrated Management System and can be updated in relation to organisational and process changes, or strategic choices relating to the market policy of the company. The achievement of objectives is monitored on the basis of parametric values in order to objectively evaluate the achievement and take decisions based on factual information.

The company pays particular attention to the environmental and safety aspects in the workplace by applying the Management System, with constant actions by all personnel involved, assisted by the Internal Prevention and Protection Service composed of a supervisor and 3 employees.

The main actions are summarised as follows:

- Education, communication and training activities for all workers (office employees, labourers, technicians, supervisors, managers, emergency workers, workers with specific duties, prevention and protection service supervisor and staff, workers' representatives) in compliance with current legislation, including updates and supplementing with appropriate alternative training in order to improve knowledge and apply safety in the workplace;
- Supplier qualification, also and above all, in terms of legality and the absence of mafia
 infiltrations (through verification of registration to prefectural 'white lists' or through the
 Unindustria trade association by means of the legality protocol), and qualifying safety with a
 careful analysis of the documentation for verifying technical and professional suitability and the
 operational safety plan;
- Continuous maintenance and control of machines and equipment in compliance with current legislation, standards adopted and internal procedures in order to always have efficient machines and equipment and avoid accidents in the workplace;
- Management of chemical products through the acquisition of the relative safety data sheets, their updating, subsequent distribution and application of the requirements set out;
- Analysis of the planned work on site, drafting of the operational safety plans and subsequent update according to the progress of the site;
- Systematic surveillance and monitoring in the workplace to comply with the provisions of the safety plans and the current legislation on safety in the workplace;
- Investigation of any accidents, injuries and dangerous behaviour or situations in order to establish the causes and implement appropriate preventive and corrective actions.

Human resources

Carron pays constant attention to staff development by dedicating time and customised measures to improving know-how and skills, with the aim of enhancing customer satisfaction and initiating new projects and business areas.

The purpose of HR management is to guarantee the effective and efficient use of resources, with reference to both the quantitative and qualitative aspects of the personnel, providing mutual benefit for the group and its people. For this to be effective, it is necessary to ensure, at the various levels of the organisation, that the individual, professional and organisational skills of those persons holding positions of responsibility correspond to and are consistent with expected performance.

Training and development

The objective of staff training is of significant importance, especially regarding aspects governed by regulations in relation to technical and professional skills and managerial behaviour.

The training activity in 2018 is the result of careful assessments of the needs expressed by the business lines and functions of the Group companies.

The investment made in terms of training hours and personnel involved was significant. Technical training courses, language training courses and refresher courses for personnel in the administration and control department have been provided, in accordance with relevant legislation, its evolution and the practical application of the relative frameworks

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Carron
Financial Statements 2018

DIRECTORS' REPORT - Consolidated Financial Statements

White list registration

Carron Cav. Angelo S.p.A. and Carron Bau S.r.l. are registered in the list of suppliers, service providers and operators not subject to mafia infiltration attempts, operating in the sectors most exposed to risk (the so-called white list) as identified in Article 1, Paragraphs 53 and 54 of Law no. 190 of 6 November 2012 and concerning the following sectors:

- transport of materials to landfill on behalf of third parties;
- extraction, supply and transport of soil and inert materials;
- packaging, supply and transport of concrete and bitumen;
- hiring of machinery without operator;
- supply of wrought iron;
- hiring of machinery with operator;
- road haulage on behalf of third parties;

Registration on the white list, which is voluntary, fulfils the requirements of anti-mafia certification for carrying out the activities for which registration has been ordered and is therefore subject to the following conditions:

- Absence of one of the causes of forfeiture, suspension or prohibition pursuant to Art. 67 of Legislative Decree no. 159 of 6 September 2011 (Anti-mafia Code);
- Absence of any mafia infiltration attempts designed to influence the company's choices and intentions pursuant to Art. 84, Paragraph 3, of the Anti-Mafia Code.

Legality rating

The Italian Competition Authority has attributed to the companies Carron Cav. Angelo S.p.A. and Carron Bau S.r.l. a legality rating, which carries a maximum score of three stars.

The legality rating is a new tool introduced in 2012 for Italian companies, aimed at promoting and introducing principles of ethical behaviour by assigning a rating on compliance with the law to requesting companies and, more generally, on the level of attention paid to the proper management of business. A sufficient legality rating level can help companies obtain benefits in terms of the granting of public funding and easier access to bank lending.

BUSINESS OUTLOOK

With regard to the evolution of the group's management, based on the order books and the data and indicators currently available, a production of around 200 million euros is planned for the year 2019. This figure may be realigned as a result of the favourable outcome of negotiations in progress and commercial operations which, as in the past, are characterised by a lively dynamism in the traditional regional and new contexts, and are considered a harbinger of future profits.

The Sole Director

dott.ssa Marta Carron





2018 FINANCIAL STATEMENTS

BALANCE SHEET

ASSETS		31/12/201
3	FIXED ASSETS	
I)	Intangible fixed assets	
3	Industrial patents and intellectual property rights	60,62
7	Others	513,92
	TOTAL INTANGIBLE ASSETS	574,54
II)	Tangible fixed assets	
1	Land and buildings	14,070,42
2	Plants and machinery	1,330,71
3	Industrial and commercial equipment	298,03
4	Other assets	783,58
	TOTAL TANGIBLE FIXED ASSETS	16,482,75
III)	Financial fixed assets	
1	Equity investments in:	
	a) controlled companies	116,49
	b) associated companies	13,02
	d-bis) other companies	440,37
	Total equity investments	569,88
2	Receivables:	
	a) From associated companies	102,80
	Total receivables from associated companies	102,80
	d-bis) others	14,102,03
	Total other accounts receivable	14,102,03
	Total receivables	14,204,83
3	Other securities	2,713,09
	Total other securities	2,713,09
	TOTAL FINANCIAL FIXED ASSETS	17,487,80
	B) TOTAL FIXED ASSETS	34,545,11
	OUDDENT ACCETS	
; 	CURRENT ASSETS	
	Inventories	10 //7 01
3	Raw and ancillary materials and consumables Work in progress to order	13,447,81
		67,361,13
4	Finished products and goods TOTALINVENTORIES	684,87
II)	Receivables	81,493,82
1		
- 1	Trade receivables	22 / 01 / 1
	a) due within one year b) due after one year	23,491,61
	Total trade receivables	12,785,89
2		36,277,50
2	From controlled companies	E/E 0/
	a) due within one year Total receivables due from controlled companies	565,04 565,0 4

Carron Financial Statements 2018

CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET

ASSETS		31/12/2018
3	From associated companies	
	a) due within one year	1,900,585
	Total receivables from associated companies	1,900,585
5-bis	Tax credits	
	a) due within one year	3,309,859
	b) due after one year	29,889
	Total tax credits	3,339,748
5-ter	Prepaid taxes	101,807
	Total prepaid taxes	101,807
5-quater	Due from others	
	a) due within one year	3,103,812
	b) due after one year	304,672
	Total other accounts receivable	3,408,484
	TOTAL RECEIVABLES	45,593,177
III)	Current financial assets	
1	Equity investments in controlled companies	11,852
2	Equity investments in associated companies	82,307
4	Other equity investments	27,796
	TOTAL CURRENT FINANCIAL ASSETS	121,955
IV)	Cash and cash equivalents	
1	Bank and post office deposits	26,739,050
3	Cash and cash equivalents on hand	66,858
	TOTAL CASH AND CASH EQUIVALENTS	26,805,908
	C) TOTAL CURRENT ASSETS	154,014,864
D	ACCRUALS AND DEFERRALS	942,577
	TOTAL ASSETS	189,502,556

BALANCE SHEET

LIABILIT	TIES	31/12/2018
A	SHAREHOLDERS' EQUITY	
	Capital	1,000,000
IV	Other reserves (with corresponding details)	
	- Reserves of investee companies	35,235,283
IX	Profit (loss) for the year	8,077,097
	TOTAL SHAREHOLDERS' EQUITY	44,312,380
	Third-party capital and reserves	1,042,20
	Profit (loss) for the year attributable to third parties	895,89
	Total third-party's equity	1,938,103
	TOTAL CONSOLIDATED	46,250,483
В	PROVISIONS FOR LIABILITIES AND CHARGES	
2	Provision for taxes, also deferred	722,45
4	other provisions	1,197,400
	B) TOTAL PROVISIONS FOR LIABILITIES AND CHARGES	1,919,85
	B) TOTAL TROVISIONS FOR EIABLETTES AND CHARGES	1,717,03
С	STAFF SEVERANCE INDEMNITY	767,322
D	PAYABLES	
4	Payables due to banks	
	a) due within one year	10,568,15
	b) due after one year	16,028,22
	Total payables due to banks	26,596,38
5	Payables due to other lenders	20,070,000
	a) due within one year	139,22
	b) due after one year	237,08
	Total payables due to other lenders	376,31
6	Advances	0,0,01
	a) due within one year	25,681,87
	b) due after one year	8,125,00
	Total advances	33,806,87
7	Trade payables	
	a) due within one year	66,318,94
	Total trade payables	66,318,94
9	Payables due to controlled companies	
	a) due within one year	4,244,92
	Total payables due to controlled companies	4,244,92
10	Payables due to associated companies	
	a) due within one year	2,927,620
	Total payables due to associated companies	2,927,62
12	Debiti tributari	
	a) due within one year	1,474,75
	Total tax payables	1,474,755

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CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET

LIABILIT	31/12/2018	
13	Payables due to pension and social security institutions	
	a) due within one year	1,166,955
	Total payables due to pension and social security institutions	1,166,955
14	Other payables	
	a) due within one year	3,574,407
	b) due after one year	8,070
	Total other payables	3,582,477
	D) TOTALPAYABLES	140,495,246
Е	ACCRUALS AND DEFERRALS	69,650
	TOTAL LIABILITIES	189,502,556

Carron Financial Statements 2018

INCOME STATEMENT

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			31/12/2018
Α		VALUE OF PRODUCTION	
	1	Sales and services revenues	171,518,455
	2	Changes in inventories of work in progress, semi-finished and finished goods	(759,831)
	3	Changes in contract work in progress	35,884,148
	4	Increases in fixed assets for in-house production	87,606
	5	Other revenues and income	1,206,547
		TOTAL VALUE OF PRODUCTION (A)	207,936,925
В		PRODUCTION COSTS	
	6	For raw and ancillary materials, consumables and goods	28,908,441
	7	For services	140,392,764
	8	For use of third-party assets	5,239,726
	9	For personnel:	
		a) salaries and wages	12,414,502
		b) social security contributions	3,984,720
		c) staff severance indemnity	672,440
		d) other costs	90,418
		Total personnel costs	17,162,080
	10	Amortisation, depreciation and write-downs	
		a) amortisation of intangible fixed assets	84,149
		b) depreciation of tangible fixed assets	766,501
		c) Write-downs of current receivables and of cash and cash equivalents	230,813
		Total amortisation, depreciation and write-downs	1,081,463
	11	Changes in inventories of raw and ancillary materials, consumables and goods	1,680,734
	13	Other provisions	88,681
	14	Sundry operating expenses	1,533,349
		TOTAL PRODUCTION COSTS (B)	196,087,238
		DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A – B)	11,849,687
_		FINANCIAL INCOME AND CHARGES	
С	1.	FINANCIAL INCOME AND CHARGES	
	15	Income from equity investments	F0.000
		a) from others	50,000
_	1 /	Total income from equity investments	50,000
	16	Other financial income	1 70 / /1/
		a) income other than the above	1,736,616
	17	Total other financial income	1,736,616
	17	Interest and other financial charges	[1// 00/]
		- from controlled companies not included in the scope of consolidation	(146,034)
		- from others	(349,723)
		Total interest and other financial charges	(495,757)
		TOTAL FINANCIAL INCOME AND CHARGES (15 + 16 + 17)	1,290,859

Carron Financial Statements 2018

CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT

31/12/2017

)	VALUE ADJUSTMENTS TO FINANCIAL ASSETS AND LIABILITIES	
19	Write-downs:	
	a) of shares	(616,016)
	Total write-downs	(616,016)
	TOTAL VALUE ADJUSTMENTS TO FINANCIAL ASSETS AND LIABILITIES (18 - 19)	(616,016)
	RESULT BEFORE TAXES (A - B + -C +- D)	12,524,530
20	Current, deferred and prepaid income taxes for the year	
	a) current taxes	(3,735,135)
	b) deferred and prepaid taxes	183,599
	Total current, deferred and prepaid income tax for the year	(3,551,536)
21	PROFIT (LOSS) FOR THE YEAR	8,972,994
	GROUP'S PROFIT (LOSS) FOR THE YEAR	8,077,097
	PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO THIRD PARTIES	895,897

CASH FLOW STATEMENT

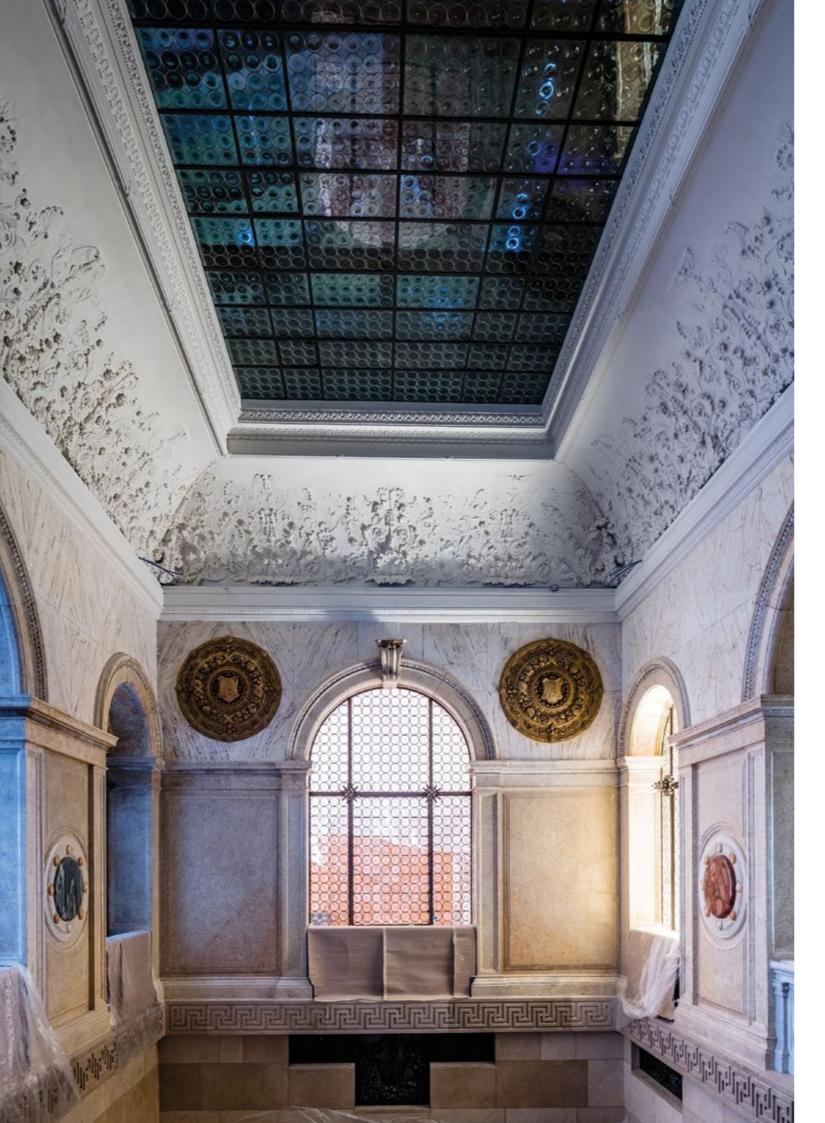
ITEMS		2018
Α	Cash flow from operating activities (indirect method)	
	Profit (loss) for the year	8,972,994
	Income taxes	3,551,536
	Interest payable (Interest receivable)	[1,386,893]
	Other financial charges (income)	(1,736,616
	(Gains)/Losses from the disposal of assets	95,961
1	Profit (loss) for the year before income tax, interest, dividends and gains (Gains)/Losses from disposals	9,497,968
	Adjustments for non-monetary items without an offsetting counterpart in net working capital	
	Allocations to provisions	142,349
	Amortisation and depreciation of fixed assets	850,650
	Write-downs due to value impairments	616,016
	Total adjustments for non-monetary items	1,609,015
2	Cash flow before changes to net working capital	11,106,983
	Changes to net working capital	
	(Increase) or decrease in inventories	[33,443,582]
	(Increase) or decrease in trade receivables	4,621,649
	(Increase) or decrease in accrued income and prepaid expenses	631,390
	(Increase) or decrease in trade payables	[12,896,839]
	(Increase) or decrease in advances from customers	23,923,872
	Other decreases/ (Other increases) in net working capital	[1,684,416]
	Increase or (decrease) in accrued liabilities and deferred income	55,793
	Total changes in net working capital	[18,792,133]
3	Cash flow after changes to net working capital	[7,685,150]
	Other adjustments	
	Collected/(paid) interest	1,162,893
	Financial income received	1,736,616
	(Income taxes duly paid)	[3,735,134]
	Increase or (use) of staff severance indemnity fund	[141,499]
	Total other adjustments	(977,124)
	FINANCIAL FLOW FROM OPERATING ACTIVITIES (A)	(8,662,273)
В	Cash flows from investment activity	
	Tangible fixed assets	
	(Investments)	[917,642]
	Divestments	19,975
	Intangible fixed assets	
	(Investments)	[155,687]
	Divestments	1,179
	Financial fixed assets and other securities	
	(Investments)	[4,989,262]
	Divestments	680,000
	CASH FLOW FROM INVESTMENT ACTIVITY (B)	(5,361,437)

Carron Financial Statements 2018

CONSOLIDATED FINANCIAL STATEMENTS

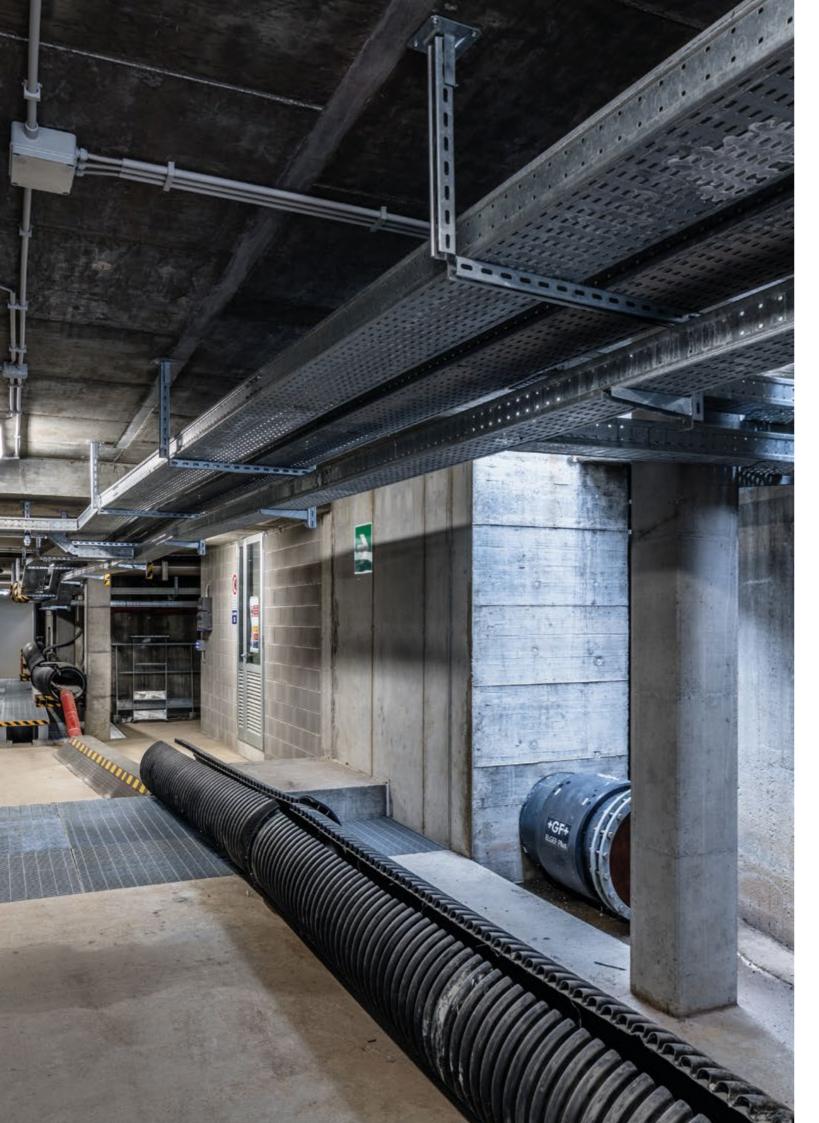
CASH FLOW STATEMENT

ITEMS		2018
С	Cash flows from financing activity	
	Third-party financing	
	Increase (decrease) in short-term payables due to banks and other lender	4,277,855
	Raising finance	16,376,313
	(Repayment of loans)	(5,136,811)
	Equity	
	Paid share capital increase	245,000
	[Dividends and advances on dividends paid by the parent company or to minority shareholders]	(310,000)
	CASH FLOW FROM FINANCING ACTIVITY (C)	15,452,357
	INCREASE (DECREAE) IN CASH AND CASH EQUIVALENTS (A+/-B+/-C)	1,428,647
	INITIAL CASH AND CASH EQUIVALENTS	25,377,261
	FINAL CASH AND CASH EQUIVALENTS	26,805,908



EXPLANATORY NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31.12.2018



EXPLANATORY NOTES - Consolidated Financial Statements

Introduction

Carron Holding S.r.l was established at the end of June 2018 as part of the plan to reorganise the ownership structure of the Carron Group. The shareholdings held by the natural persons who were shareholders of Carron Cav. Angelo S.p.A. were transferred to Carron Holding S.r.l.. As a result, Carron Cav. Angelo S.p.A. is now fully owned by Carron Holding S.r.l. With the aim of completing the reorganisation of the Group's ownership structure, in the second half of 2018, Carron Holding S.r.l. purchased the 70% stake of the share capital of Carron Bau S.r.l. - GmbH, held by Carron Cav. Angelo S.p.A.

Carron Holding S.r.l. is the parent company of Carron Cav. Angelo S.p.A. and Carron Bau S.r.l., carrying out the management and coordination activities of the controlled companies operating in the construction industry, in line with the respective company purpose.

At the date of presenting these explanatory notes, the shareholders owning a stake in the share capital of Carron Holding S.r.l. are:

Diego Carron

Direct shareholding of 80%

Arianna Carron

Direct shareholding of 5%

Paola Carron

Direct shareholding of 5%

Marta Carron

Direct shareholding of 5%

Barbara Carron

Direct shareholding of 5%

PREPARATION AND ACCOUNTING CRITERIA USED FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements at 31st December 2018, made up of the Balance Sheet, Income Statement, Cash Flow Statement and these Explanatory Notes, have been drawn up in compliance with the provisions of (Italian) Legislative Decree no. 127/91, which implemented the VII Directive of the European Union in Italy, and are accompanied by the Directors' Report, which includes the tables with information on the reclassified balance sheet and income statement, in summary form, as well as the description of the nature of company activities, business outlook and all other information required by law.

To interpret and integrate legal provisions, reference was made to the national accounting standards issued by the "Organismo Italiano di Contabilità" (O.I.C. - the "Italian Accounting Board") and the relative documents issued.

As the company was established in 2018, the relative consolidated financial statements at 31.12.2018 only include figures from 2018, as it was not possible to make any comparison with the previous year.

However, as the group reorganisation that made Carron Holding S.r.l. the parent company did not substantially alter the content of the Group, the Directors' Report on the Consolidated Financial Statements, to which reference should be made, includes appropriate tables that compare the values at 31.12.2018 indicated in the consolidated financial statements referred to by these Explanatory Notes, with the figures from 2017, expressed in the consolidated financial statements of the former parent company, Carron Cav. Angelo S.p.A.

Applying the principle of prudence has led to the individual assessment of elements making up the individual asset and liability items, in order to avoid any compensation among items that should be recognised and profits that should not be recognised as not yet realized.

For the purpose of accounting records and in compliance with the principle of accrual-basis accounting, the effect of transactions and other events is attributed to the year to which said transactions and events refer and not to the year in which the relative cash flows take place (collections and payments).

Continuing to use the same accounting criteria over time is necessary in order to allow for the Company's financial statements to be comparable over different years.

Pursuant to art. 2427, point 22-ter of the (Italian) Civil Code, it is hereby specified that the Group does not have any off-balance-sheet agreements in place that could lead to significant risks and/or benefits and which would otherwise need to be described in order to better understand the consolidated financial statements.

The consolidated financial statements are accompanied by the Directors' Report, prepared in accordance with article 2428 of the (Italian) Civil Code. Please refer to the Directors' Report for information about the nature of the company's activities, a description of events after the reporting date and the business outlook, as well as for all other information required by law.

As required by applicable legislation, the consolidated financial statements at 31st December 2018 have been drawn up in Euro and are based on accounting entries recorded in Euro cents. When drawing up the financial statements, accounting figures expressed in Euro cents were transformed into figures expressed in Euro through rounding; the mathematical sum of the different amounts is allocated to Shareholders' Equity reserves. Monetary values are therefore indicated in these Explanatory Notes in Euro, unless otherwise specified.

Carron Financial Statements 2018

EXPLANATORY NOTES - Consolidated Financial Statements

Exceptions

Financial statement items were assessed without recourse to exceptions, pursuant to article 2423, paragraph 4, and article 2423-bis, paragraph 2, of the (Italian) Civil Code

Consolidation principles

The consolidation principles adopted to draw up the consolidated financial statements are as follows:

- As part of the first consolidation, in accordance with the "line-by-line" consolidation method, the
 book value of consolidated equity investments was eliminated against the shareholders' equity of
 the investee companies valued at current values. The difference between the purchase cost of the
 equity investments and the relative portion of shareholders' equity, as at the time of purchase, was
 recorded under the specific asset and liability items based on the relevant valuations. Any negative
 residual difference was recorded under a shareholders' equity item called the "Consolidation
 reserve"; if positive, and unable to be allocated to specific asset and liability items in the balance
 sheet, this difference was recorded under "Goodwill" or, in the absence of a future useful life,
 charged to the Income Statement;
- Assets, liabilities, costs, expenses, revenues and income of companies included in the scope of
 consolidation using the "line-by-line" consolidation method, were recorded in full in the consolidated
 financial statements, regardless of the parent company's percentage shareholding;
- Dividends, revaluations and write-downs of equity investments included in the scope of consolidation, as well as capital gains and losses on intra-group sales of said equity investments were removed;
- When calculating the Group's shareholders' equity and result for the year, the amounts relating to third-party shareholders were highlighted in specific balance sheet and income statement items;
- Receivables, payables, costs, expenses, revenues and income relating to companies included in the scope of consolidation were subject to elimination, as were the guarantees, commitments and risks relating to the companies in question;
- Profits and losses deriving from transactions between companies included in the scope of consolidation that were not yet realized as at the reporting date, were subject to elimination. Profits and losses were not eliminated if the relative amounts were insignificant;
- No changes were made to the consolidation principles compared with the previous year.

In order to draw up the consolidated financial statements, the financial statements of all Group companies at 31st December 2018 were used, all of which had already been approved by the respective Boards of Directors, with any necessary adjustments being made in order to ensure uniform accounting criteria for consolidation purposes. Lastly, there are no companies that close their financial year on a different date to the reporting date of the consolidated financial statements, which would otherwise require specific interim annual financial statements to be prepared.

SCOPE OF CONSOLIDATION

The scope of consolidation includes the financial statements of the parent company and the companies over which it has direct or indirect control, pursuant to article 26 of (Italian) Legislative Decree no. 127/91.

At 31.12.2018, the Group comprises the following companies that are consolidated using the "full consolidation" method:

Company	Headquarters	% Shareholding
Carron Holding S.r.l. Activity: Holding and management of equity investments	San Zenone degli Ezzelini (TV)	Parent company
Carron Cav. Angelo S.p.A. Activity: construction of buildings and infrastructure on its own behalf and on behalf of third parties	San Zenone degli Ezzelini (TV)	100.00%
Carron BAU Srl Activity: construction of buildings and infrastructure on its own behalf and on behalf of third parties	Varna (BZ)	70.00%

The consolidated financial statements do not include the controlled companies established as a consortium among competitors who come together pursuant to article 93 of (Italian) Presidential Decree no. 207/2010, in order to carry out all or part of a given work contract as a single unit. The reason for this is that they do not appear to have a significant effect on the values of the Group's financial statements. The relative equity investments are valued at cost and are included among financial assets under "Current asset" items ("Current financial assets").

The controlled company Carron Swiss SA and the equity investment in Forte JV are also excluded from the scope of consolidation as neither recorded operations during 2018 and both are also currently subject to liquidation proceedings and the sale of their business. Both are recorded in the financial statements for the corresponding portion of shareholders' equity. The equity investment purchased in Carron Gest S.r.l. in 2018 is also excluded from the scope of consolidation, as this company was not yet active at 31.12.2018. This equity investment is recorded under the parent company Carron Cav. Angelo S.p.A. at purchase cost, which coincides with the corresponding portion of its shareholders' equity.

Pursuant to art. 37 of (Italian) Legislative Decree no. 127/91, there are joint ventures that need to be included in the scope of consolidation using the "proportional method".

No changes have been made to the consolidation principles compared with the previous year.

Associated companies

Associated companies are companies over which the Group exerts significant influence, which is presumed to exist if a shareholding involves between 20% and 50% of the voting rights. Equity investments in associated companies are valued using the "Shareholders' Equity" method and are initially recorded at cost. Subsequent changes are recorded in the following way:

- book values of these equity investments are in line with the Shareholders' Equity and include the greater values attributed to the assets and liabilities and any goodwill identified upon acquisition; profits and losses pertaining to the Group are recorded on the date when the significant influence
- or joint control began and until the date when the significant influence or joint control cease; if, due
 to losses, the company valued using the method in question records negative Shareholders' Equity,

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then the book value of the equity investment is written-off and any excess pertaining to the Group, should the latter be committed to fulfilling the legal or implicit obligations of the investee company, or in any case to covering its losses, shall be recorded in a dedicated provision. Any balance sheet changes for companies valued using the "Shareholders' Equity" method, which are not represented by the Income Statement, are recorded directly as an adjustment to Shareholders' Equity reserves.

Companies in which the shareholding is below 20% and which represent fixed assets are valued at cost. As at the reporting date of the consolidated financial statements, one equity investment is recorded in a consortium, whose activities are, however, suspended. The value expressed is in line with the corresponding portion of shareholders' equity.

Use of estimates

When drawing up the consolidated financial statements, the Directors had to use accounting principles and methods which, in some circumstances, were based on difficult and subjective assessments and estimates based on past experience and assumptions that are considered reasonable and realistic on a case-by-case basis, depending on the relative circumstances. Using these estimates and assumptions affected the amounts reported in the Financial Statement tables, including the Balance Sheet, Financial Position and Income Statement, as well as the explanatory notes provided. The final results of the Financial Statement entries which used the aforementioned estimates and assumptions may differ from those reported in future financial statements, due to the uncertainty that characterises the assumptions and the conditions on which said estimates are based.

The accounting principles and Financial Statement items that require greater subjectivity than others when making estimates and for which a change in the conditions underlying the assumptions may have a significant impact on the Group's consolidated financial statements, are as follows:

- taxes: (current and deferred) income taxes are calculated in accordance with a prudent interpretation
 of applicable tax legislation. In turn, this process leads to complex estimates on the calculation of
 taxable income and the deductible and taxable temporary differences between book values and
 values for tax purposes. In particular, the assessment as to whether assets will be recovered for
 prepaid taxes, recorded in relation to both tax losses to be used in future years and deductible
 temporary differences, takes into account the estimate of expected future taxable amounts;
- write-down of receivables: the recoverability of receivables is assessed by taking into account the risk of said receivables not being paid, how long they have been in place for and the losses on similar types of receivables recorded in the past;
- work in progress risks: the Group operates in industries with complex contractual frameworks; to better support estimates, the Group uses management systems to analyse contract risks aimed at identifying, monitoring and quantifying the risks related to carrying out said contracts;
- legal disputes: provisions for disputes are the result of a process based on an assessment of the likelihood of losing a case;
- revenues: revenues are recognised based on the fees agreed in proportion to the progress of the work. The estimate of the expected contract margin is a complex valuation process which involves identifying the various risks inherent to operating activities, market conditions and all other elements necessary to quantify future costs and expected time frames to complete the project.

In particular, the following accounting criteria were used to prepare the financial statements:

INTANGIBLE FIXED ASSETS

Subject to the prior consent of the Board of Statutory Auditors where necessary, intangible fixed assets are recorded at their acquisition cost or production cost, net of amortisation. Ancillary costs are included in the purchase cost.

The production cost includes all costs directly attributable to the product and other costs, for the reasonably attributable portion, up to the time the asset is ready for use.

They consist of non-monetary, clearly identifiable assets without physical substance, controllable and capable of generating future economic benefits.

These elements are recorded at cost, inclusive of directly attributable ancillary costs necessary to make the assets available for use. The useful life of each intangible asset is determined at the time of initial recognition; if, on the basis of an analysis of all the relevant factors, there is no foreseeable limit on the period in which incoming cash flows are expected to be generated for the Group, then the intangible asset is considered as having an indefinite useful life. The estimated useful life of an asset is reviewed annually and any adjustments, where necessary, are made on a prospective basis.

Intangible assets are shown net of accumulated amortisation and of any value impairments, as determined according to the methods described below. Amortisation begins when the asset is ready for use and is systematically allocated according to the residual possibility of using the asset, i.e. based on its useful life.

If an asset is sold, or when no future economic benefits are expected from its use, it is derecognised and any profit or loss (calculated as the difference between the sale value and the relative net book value) is recognised in the Income Statement in the year of derecognition.

TANGIBLE FIXED ASSETS

Property, plants and machinery, equipment and other assets are recorded at cost including any directly attributable ancillary costs which are necessary to make the asset ready for its intended use. If there are current obligations in place, the cost is increased by the current value of the estimated cost for the decomissioning and removal of the asset.

Expenses incurred for ordinary and/or recurring maintenance and repairs are directly charged to the Income Statement in the year in which they are incurred. Costs incurred for the expansion, modernisation or improvement of owned or third-party structural elements are only capitalised to the extent that they meet the requirements for being classified separately as an asset or part of an asset. Property, plants and machinery are shown net of accumulated depreciation and of any value impairments, as determined based on the methods described below. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, which is reviewed annually. Any adjustments, where necessary, are made on a prospective basis.

The estimated useful life of the main property, plants and machinery is indicated below:

Useful life of the tangible asset

Buildings	33 years
General equipment	10 years
Operator machinery and specific equipment	7 years
Excavators and mechanical loaders	5 years
Light constructions	8 years

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Metal formwork	4 years
Workshop equipment	10 years
Electrical and electronic instruments and levels	2.5 years
Miscellaneous minor equipment	2.5 years
Office furniture and ordinary office equipment	8 years
Electromechanical and electronic office equipment	5 years
Computers and electronic telephone systems	5 years
Transport vehicles	5 years
Cars	4 years

Land, whether free of constructions or annexed to civil and industrial buildings, is not depreciated as it has an unlimited useful life.

If an asset is sold, or when no future economic benefits are expected from its use, it is derecognised and any profit or loss (calculated as the difference between the sale value and the relative net book value) is recognised in the Income Statement in the year of derecognition.

Some categories of assets reflect the revaluations made under (Italian) Law no. 342/2000. Real estate assets recognized as tangible fixed assets in the Company's financial statements at 31/12/2007, and again in the 2008 financial statements, were subject to revaluation in accordance with (Italian) Decree Law no. 185 dated 29/11/2008, art. 15, paragraphs 16 and 22.

Tangible fixed assets purchased by exercising the purchase option at the end of a financial lease are recognised at the amount paid to exercise said right.

Gains or losses on the sale of assets, if referring to the sale or write-off of relatively insignificant capital goods used in the company's ordinary activities, are recognised in the income statement under "other revenues" or "sundry operating expenses", respectively.

Accounting for financial leasing - Given that existing leases are not very significant, the Group has chosen to report on them using the "operating lease" method. The costs of assets used through operating leases, in which the lessor substantially maintains all the risks and benefits associated with ownership of the assets, are recorded on a straight-line basis in the income statement throughout the life of the leasing contract.

FINANCIAL FIXED ASSETS

Equity investments in controlled companies that are excluded from the scope of consolidation, or relating to controlled companies set up as a consortium between competing companies that have been grouped together pursuant to art. 93 of (Italian) Presidential Decree no. 207/2010 to perform works, in part or in full, as a single unit, are recorded at the cost of subscription. Consortium companies operate on a cost charge-back basis and, for their very nature, do not generate profits nor losses able to alter the value of shareholders' equity from time to time, as they do not need to align the amount recognised by the parent company. Carron Swiss SA and Forte JV EEIG are also excluded from the scope of consolidation for the reasons set out above.

Equity investments in associated companies over which the Company exercises significant influence, but does not control, are recorded in the consolidated financial statements using the "Shareholders' equity" method, starting from the date when the significant influence begins until the moment said significant influence ceases to exist.

Equity investments in other companies other than controlled and associated companies (generally with a shareholding of less than 20%) are recorded, at the time of purchase, at their purchase or subscription cost, adjusted to reflect any value impairment, as necessary.

INVENTORIES

Inventories of raw, ancillary and consumable materials are valued and recorded at either their cost, calculated using the LIFO method, or their value based on market prices, whichever is lower, in accordance with applicable statutory and tax laws.

Buildings to be sold (finished products) and work in progress are valued at either their cost, calculated as above, or their normal market value, whichever is lower; if a preliminary agreement has been signed, the building has been completed and delivered to the other party, and provided that a significant cash flow has been received from the promissory buyers, the buildings to be sold are valued at the amounts agreed in the preliminary agreement.

Advances and deposits received from the parties to a preliminary agreement are recorded as liabilities in the balance sheet and are recognised as revenues at the time the notarial deed is concluded.

CONTRACT WORK IN PROGRESS

This item includes medium/long-term contracts that are valued based on fees accrued with reasonable certainty, according to the percentage of work completed, applying the cost-to-cost method. Any losses on contracts that are estimated with reasonable approximation are entirely deducted from the value of the work in progress in the year in which they become known. If this loss exceeds the value of the work in progress, the Company makes a special provision for liabilities and charges that is equal to the excess loss. Any likely losses are recognised in the year in which they become foreseeable, on the basis of an objective and reasonable assessment of existing circumstances. Losses are recognised regardless of the stage of completion of the contract. No such losses have been offset with positive margins expected on other contracts. For the purpose of recognising losses, contracts are therefore considered individually. Additional fees are only included among contract revenues if the client has formally accepted the additional charges by the reporting date; or, if there is no formal acceptance, if it is highly probable as at the reporting date that the request for additional fees will be accepted on the basis of the most recent information available and past experience. Sums received from clients while carrying out the work, which are a form of financial advance, are recorded as liabilities in the balance sheet, under a specific "advances from customers" item, while those paid to subcontractors are recorded under this item as "advances".

Contract work in progress is recognised net of any write-down provisions and/or final losses, as well as of the advances on the contract in progress, paid by Clients on the basis of duly accepted Work Progress Reports, the amounts of which are recognised as Revenues.

If the provision for final losses for an individual contract exceeds the value of the work recognised as an asset in the balance sheet, then this excess shall be allocated to the provisions for liabilities and charges.

Future charges for construction contracts related to repairs, penalties, guarantees and risks in general, are quantified and accrued in a specific risk provision.

Contract revenues include the contractually agreed fees, any work variations, price alterations, incentives and any claims, to the extent to which they are reasonably certain to arise and can be determined in a reliable way.

In this regard, the relative assessments were carried out with reference to:

- specific legislation on public works;
- contractual clauses;
- the progress of negotiations with the customer and the probability of said negotiations having a positive outcome;
- technical-legal investigations, if necessary due to the complexity of specific cases; these may be carried out with the help of external consultants and are aimed at confirming the validity of the assessments made.

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CONTRACT COSTS

Contract costs include all costs directly relating to the contract, the costs that may be attributable to contract activities in general and that can be allocated to the contract itself, in addition to any other costs that may be specifically charged to the customer on the basis of contractual clauses. Costs also include:

- pre-operational costs, i.e. costs incurred in the initial phase of the contract before construction work begins (depending on the case in question, tendering costs, design costs, costs for organising and launching production, construction site installation costs).
- post-operating costs incurred after completing the contract (construction site removal, return of machinery/plants to the head office).
- costs for services to be performed after completion of the works, remunerated as part of the contract referring to the contract activities (such as periodic maintenance, assistance and supervision in the initial periods of operation of the individual works).
- Future charges for construction contracts related to repairs, penalties, guarantees and risks in general, are quantified and accrued in a specific risk provision.

RECEIVABLES

Receivables are recorded in the financial statements based on the amortised cost method, taking into account the time factor and the presumable realizable value. The amortised cost method is not applied when the effects are irrelevant, i.e. when the transaction costs, commission paid between the parties and any other difference between the initial value and the value upon expiry are not very significant or if the receivables are short-term (meaning that they are due within 12 months).

Some trade receivables, upon initial recognition, without the payment of interest, or bearing interest that is significantly different to market rates, and the related revenues, are initially recorded at the value calculated by discounting future cash flows to the market interest rate. The difference between the initial value recorded for the receivable, calculated in the above way, and the value when due is reported through a dedicated shareholders' equity reserve.

The value of receivables, as calculated above, may be altered, if necessary, using a bad debt provision, to directly reduce the value of the receivables themselves, in order to adjust them to their presumable realizable value. The write-down amount at the reporting date is equal to the difference between the book value and the value of estimated future cash flows, reduced by the amounts that are not expected to be collected, discounted by the receivables original effective interest rate (i.e. the effective interest rate calculated when the receivable was first recorded).

The write-down amount is recorded in the income statement.

CURRENT FINANCIAL ASSETS

Current financial assets are recorded at either their purchase cost, including ancillary costs, or their estimated realizable value, which is derived, where possible, from market performance or other market indicators.

ACCRUED INCOME AND PREPAID EXPENSES

These are expressed on an accrual basis, in compliance with the principle of matching expenses and revenues.

PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities represent liabilities of a specific nature whose existence is probable, the values of which are estimated, while the provisions for charges represent liabilities of a specific nature whose existence is certain, the amount or date of which is estimated, related to obligations already undertaken at the reporting date, but which will be paid in subsequent financial years. Provisions for liabilities and charges are recorded in the income statement under the operating items to which the transaction refers, as the criterion of classifying costs by nature applies. The amount allocated to the provisions is measured with reference to the best estimate of costs, including legal fees, at each reporting date. If, when measuring the provisions, a range of variable values is obtained, then the provision shall be the best estimate between the upper and lower limits of the range of variable values. The subsequent use of a provision is directly booked to the provision and is only recognised for the expenses and liabilities for which the provision was originally created. Any negative differences with respect to the charges actually incurred are recognised in the income statement in line with the original provision, while if the surplus is the result of positive business developments, the elimination or reduction of the excess provision is accounted for as income in the category of the same nature. These include provisions for taxes, including deferred taxes, that reflect the expenses estimated to settle the ongoing tax dispute, and the deferred tax provision calculated in relation to income from short-term contracts, which, for statutory accounting purposes, is measured based on the percentage of completion of the work, but, for tax purposes, is subject to taxation upon completion of the contract.

The item "Other provisions" refers to:

- the costs estimated to complete contracts, which normally refer to:
- costs for dismantling the construction site, i.e., costs for removing the installations;
- for bringing machinery back to our headquarters;
- for the transport of unused materials to another site or to our headquarters, including losses on abandoned materials:
- costs for testing the work carried out;
- charges for contractual penalties, for work that is redone according to customer specifications, for settling "claims" made by sub-contractors or sub-suppliers;
- post-delivery maintenance costs relating to the work, if stated in the contract;
- charges for contractual guarantees.
- and furthermore:
- costs for dealing with legal disputes;
- costs for remedying any non-conformities and defects in relation to the works that arise within two years after provisional testing, which may be eliminated at the expense of the contractor (pursuant to articles 1667/1668 of the Italian Civil Code).

STAFF SEVERANCE INDEMNITY PROVISION

This item reflects the liability accrued vis à vis all employees, as required by Italian law and by the applicable contractual regulations, net of any amounts paid out as an advance. Following the reform of regulations for supplementary pension funds and staff severance indemnity, which came into force on 01/01/2007 through (Italian) Legislative Decree no. 252/2005, modified by (Italian) Law no. 269/2006, this item only increased as a result of the revaluation amount of the provision, due to the fact that, after 2007, almost all the indemnities were paid either to supplementary pension funds or to the Treasury Fund held at INPS (Italian National Social Security Institution), depending on the choice made by each individual worker.

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PAYABLES

Payables are recorded based on the amortised cost method, taking into consideration the time factor. This criterion is not applied to financial payables that already existed before (Italian) Legislative Decree no. 139/2015 (the so-called "financial statement decree") came into force, which still had an effect as at 1st January. These payables are recorded at their nominal value. The amortised cost method is not applied to payables if their effects are irrelevant. Effects are considered irrelevant for short-term payables (meaning that they are due within 12 months). For more details on the amortised cost method, please refer to the information provided in the section on receivables.

Payables for holidays accrued by employees and for deferred remuneration, inclusive of the amount due to social security institutions, are allocated on the basis of the amount that should be paid out in the event of employment being terminated at the reporting date.

REVENUES

Revenues generated by the sale of goods are recorded upon substantial and not formal transfer of ownership, taking the transfer of risks and benefits as reference criteria to define "substantial transfer"

Revenues generated by the sale of products and goods or service provision relating to the company's ordinary activities are recorded net of returns, discounts, rebates and bonuses, and net of taxes directly connected to the sale of products and provision of services.

Revenues for the provision of services, or related to services established in contracts, are recognised upon completion and/or accrual, or on the basis of duly approved and certified Work Progress Reports. Transactions with related parties are carried out under normal market conditions

COSTS

Costs are accounted for on an accrual basis, regardless of the date of collection and payment, net of returns, discounts, rebates and bonuses.

COMMITMENTS, GUARANTEES AND RISKS

Personal guarantees, distinguished between sureties and other personal guarantees, are reported in the explanatory notes for the amount of the actual commitment; in addition to commitments and risks, transactions relating to all the commitments and risks existing at the reporting date are also reported. The details are shown in a specific table at the end of the comments in the "Balance Sheet Liabilities" section.

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INCOME TAXES

Taxes for the year are calculated on the basis of a realistic estimate of taxes payable, in accordance with current tax regulations. Deferred and prepaid taxes are calculated on the temporary differences between the value attributed to an asset or liability according to statutory accounting criteria and the value attributed to said asset or liability for tax purposes.

Prepaid tax assets are only recorded if there is reasonable certainty that, in the years in which the deductible temporary differences will be reversed, the taxable income will not be less than the amount of the differences that they will use. Deferred taxes, on the other hand, are recorded even if it is not very likely that the relative payable shall arise.

Payables for deferred taxes and receivables for prepaid taxes, if recorded, are recorded, respectively, under the fund for liabilities and charges or under receivables due from others among current assets in the balance sheet.

LEASED ASSETS

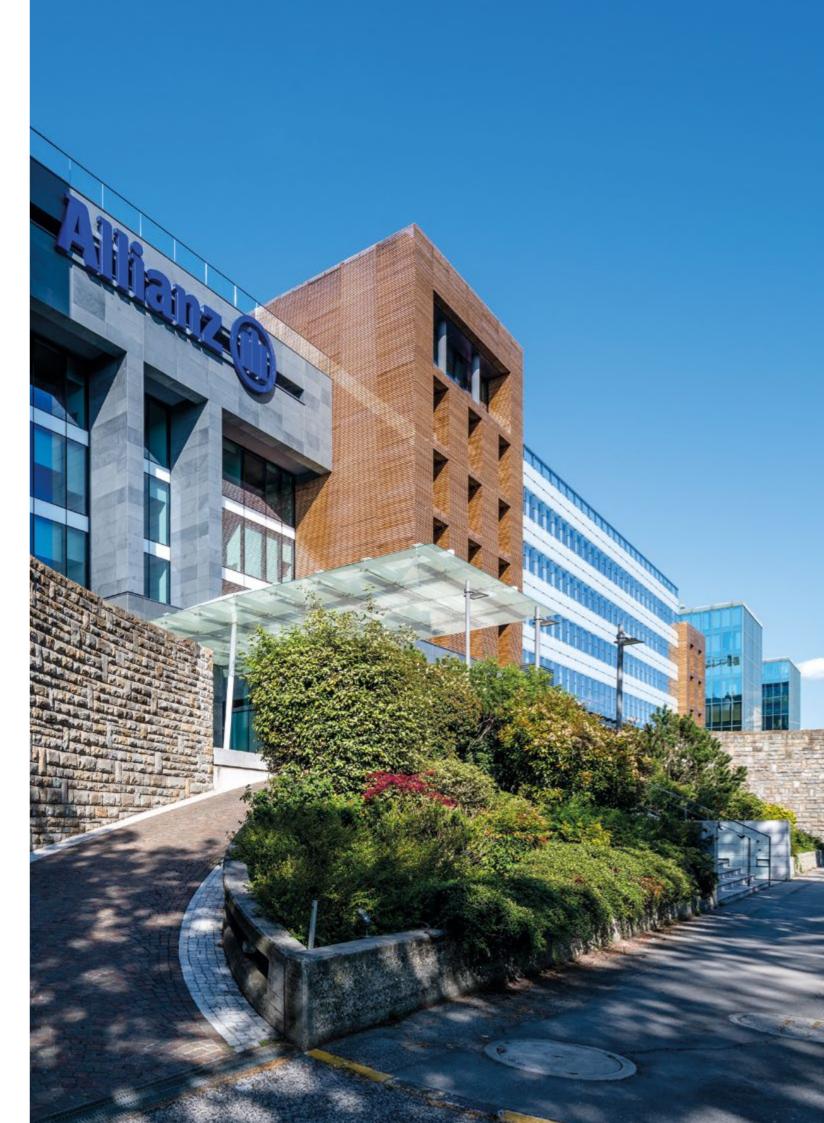
In compliance with the provisions of accounting standard OIC 17 (issued by the Italian Accounting Board), capital goods held under a financial lease are recorded by applying the "finance lease" method, which involves them being recorded as fixed assets, with depreciation in relation to their residual useful life; a corresponding financial payable is simultaneously recorded under liabilities. Likewise, the nature of the cost of leasing fees is reclassified from the item "costs for the use of third-party assets" to the items "depreciation of tangible fixed assets" and "financial charges" based on the relative share of reference.

EMPLOYMENT FIGURES

The group's headcount at 31.12.2018 is shown below:

31.12.2018

Senior managers	7
Junior managers	5
White-collar workers	159
Blue-collar workers	75
Others	4
Total	250



BALANCE SHEET - ASSETS

INTANGIBLE FIXED ASSETS

At 31.12.2018, intangible fixed assets amounted to Euro 574,547, broken down as follows:

The item "Start-up and expansion" costs reflects the charges incurred to establish companies; they are recorded at their historical costs and are amortised over five years.

START-UP AND EXPANSION COSTS	Amount
Historical cost	3,295
Depreciation from previous years	(2,636)
payment to be included in the scope of consolidation	659
Purchases during the year	-
Divestments during the year	-
Amortisation for the year	659
Balance at 31.12.2018	-

The item "Industrial patent rights" includes the costs to purchase management software.

SOFTWARE	Amount
Historical cost	357,106
Depreciation from previous years	[338,496]
payment to be included in the scope of consolidation	18,638
Purchases during the year	59,081
Divestments during the year	-
Amortisation for the year	(17,097)
Balance at 31.12.2018	60,622

The item "Other intangible fixed assets" includes the costs to improve the Villa Freya property, located in the municipality of Asolo, held under concession for a period of ninety-nine years, as well as the costs incurred to obtain SOA certifications.

OTHER INTANGIBLE FIXED ASSETS	Amount
Historical cost	687,307
Depreciation from previous years	[202,416]
payment to be included in the scope of consolidation	484,891
Purchases during the year	96,606
Divestments during the year	[1,179]
Amortisation for the year	[66,393]
Balance at 31.12.2018	513,925

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TANGIBLE FIXED ASSETS

At 31.12.2018, tangible fixed assets amounted to Euro 16,428,759. The changes for each category of assets and the changes during the year as per the financial statements of the companies included in the scope of consolidation, are as follows:

LAND AND BUILDINGS

Description	Amount
Historical cost	15,473,763
Revaluation of assets pursuant to art. 185/2008	2,336,178
Depreciation from previous years	(3,531,791)
payment to be included in the scope of consolidation	14,278,150
Purchases during the year	95,513
Divestments during the year	-
Amortisation for the year	(300,239)
Balance at 31.12.2018	14,070,424

The balance of the item "land and buildings" also includes the value of plots of land, for a total of Euro 3,891,800 which, following the tax provisions introduced by (Italian) Decree Law no. 232/2006, are no longer subject to depreciation.

PLANTS AND MACHINERY

Description	Amount
Historical cost	3,072,832
Monetary revaluation	10,008
Depreciation from previous years	(1,607,555)
payment to be included in the scope of consolidation	1,475,286
Purchases during the year	-
Divestments during the year	(525)
Amortisation for the year	(144,049)
Balance at 31.12.2018	1,330,711

INDUSTRIAL AND COMMERCIAL EQUIPMENT

Description	Amount
Historical cost	1,206,949
Monetary revaluation	128,257
Depreciation from previous years	(1,290,690)
payment to be included in the scope of consolidation	44,515
Purchases during the year	76,953
Divestments during the year	(519)
Amortisation for the year	[49,887]
Adjustment for the application of the "financial lease" method for leased assets	226,975
Balance at 31.12.2018	298,037

OTHER ASSETS

Description	Amount
Historical cost	2,046,743
Monetary revaluation	81,041
Depreciation from previous years	(1,574,144)
payment to be included in the scope of consolidation	553,641
Purchases during the year	170,865
Divestments during the year	(18,931)
Amortisation for the year	[148,691]
Adjustment for the application of the "financial lease" method for leased assets	226,704
Balance at 31.12.2018	783,587

Revaluation of tangible fixed assets

Description	Rivalut. ex legge
Land and buildings	2,336,178
Plants and machinery	8,887
Industrial and commercial equipment	125,345
Other assets	81,041
Total	2,551,451

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FINANCIAL FIXED ASSETS - EQUITY

INVESTMENTS

A) List of the companies consolidated using the "full consolidation" method pursuant to article 26 of (Italian) Legislative Decree no. 127/91 at 31.12.2018

Company name	Headquarters	Capital	% Shareholding
Carron Cav. Angelo S.p.A.	S. Zenone degli Ezzelini (TV)	10,000,000	100.00
Carron Bau S.r.l.	Varna	1,500,000	70.00

B) List of the equity investments valued using the "shareholders' equity" method pursuant to article 36, paragraphs 1 and 3, of (Italian) Legislative Decree no. 127/91 at 31.12.2018

Company name	Headquarters	Capital	% Shareholding
Consorzio Vie del Mare	Mestre	50,000	26.00

C) Elenco delle società controllate ed escluse dal consolidamento integrale

Company name	Headquarters	Capital	% Shareholding	reason for exclusion
Carron Swiss S.A.	Svizzera	92,039	100.00	(2)
Carron Gestioni Srl	S. Zenone degli Ezzelini (TV)	100,00	70.00	(2)
Forte Joint Venture	Malta	10,000	52.00	(3)

Reason for exclusion

- (1) Limitation in exercising control
- (2) Irrelevance of the controlled company
- [3] Company in liquidation or subject to bankruptcy proceedings
- (4) Shares or quotas held exclusively for subsequent sale
- (5) Other

Carron Swiss SA (a company incorporated under Swiss law) is excluded from consolidation due to the irrelevance of the investment for the purposes of providing a true and fair view of the group situation; the relative equity investment is recorded under financial fixed assets, under the item "equity investments in controlled companies" and has been valued using the "shareholders' equity" method.

Forte JV is a joint venture which, having accomplished its purposes, is now being liquidated.

Carron Gestioni Srl has been excluded from full consolidation as it was only established half way through 2018 and therefore had not recorded any significant economic activity by the end of the year; the value of the equity investment has been recorded at the cost of subscription of the shares of the share capital which, as of today, reflects the effective portion of shareholders' equity held.

D) List of other equity investments

The equity investments held in other companies are as follows:

Company name	Headquarters	Capital	% Shareholding
Strada del Mare S.p.A.	Jesolo (VE)	720,000	4.55
Imprenditori Riuniti S.p.A.	Monselice (PD)	15,227	5.00
Parcheggio Piazza Vittoria S.r.l.	Milan	2,000,000	5.00
Consorzio Nogara Mare - (in liquidation)	Venice	600,000	5.98
New Jersey S.r.l.	Vicenza	6,150,000	5.08
Ospedal Grando S.r.l.	Padua	11,000,000	2.50

The equity investments in controlled companies which are not included in the scope of consolidation are valued at cost and refer to the special-purpose consortium companies that work with the "cost charge-back" system; these companies have been excluded from full consolidation as they are not significant.

The equity investments recorded under point III of the Balance Sheet are made up of the following:

Description	31.12.2018
Controlled companies	116,491
Associated companies	13,020
Other companies	440,371
Total	569,882

More specifically:

Controlled companies:

Company name	headquarters	share capital	% shareholding	Value
Carron Swiss SA	Switzerland	100,000 FR.	100.00	41,291
Forte JV	Malta	10,000	52.00	5,200
Carron Gestioni S.r.l.	S. Zenone d. Ezzelini (TV)	100,000	70.00	70,000
Totale				116,491

Associated companies:

Company name	headquarters	capital	% shareholding	Value
Consorzio Vie del Mare	Mestre (VE)	50,000	25.00	13,020
Total				13,020

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Other companies:

Company name	headquarters	capital	% shareholding	Value
Strada del Mare S.p.A.	Lido di Jesolo (VE)	720,000	4.45	25,474
Imprenditori Riuniti S.r.l. in liq.	Monselice (PD)	15,227	5.00	2,601
Parking Piazza Vittoria S.r.l.	Milan	2,000,000	5.00	97,423
Consorzio NOG.MA in liq.	Mestre	600,000	7.30	30,000
New Jersey S.r.l.	Vicenza	150,000	5.08	9,873
Ospedal Grando S.r.l.	Padua	11,000,000	2.50	275,000
Total				440,371

DIFFERENCE BETWEEN THE PURCHASE COST AND THE PORTION HELD OF SHAREHOLDERS' EQUITY OF INVESTEE COMPANIES

Company name (euro)	(a) value at 31.12.2018	(b) shareholders' equity at 31.12.2018	(c) profit (loss) 2018	(d) % shareholding	(e) book value amount (bxd)	difference at 31.12.2018
controlled companies						
Carron Swiss SA	41,291	27,946	[14,992]	100.00%	27,946	(13,345)
Forte JV (*)	5,200	10,000	-	52.00%	5,200	_
Carron Gest S.r.l. (**)	70,000	100,000	-	70.00%	70,000	_
Total	116,491	137,946	[14,992]	-	116,491	(13,345)
associated companies						
Consorzio Vie del Mare (*)	13,020	50,000	-	26.04%	13,020	-
Total	13,020		-	-		-
other companies						
Strada del Mare S.p.A. (*)	25,474	555,180	[17,276]	4.54%	25,205	(269)
Imprenditori Riuniti S.r.l. in liquidazione	2,601	(266,195)	(18,009)	5.00%	(13,310)	(15,911)
Parch. Piazza Vittoria S.r.l.	97,422	1,921,387	[13,929]	5.00%	96,069	(1,353)
Consorzio NOG.MA. in liquidazione	30,000	600,000	-	7.30%	43,800	13,800
New Jersey	9,873	1,579,502	(5,008)	5.08%	80,239	70,366
Ospedal Grando S.r.l.	275,000	11,040,554	1,620,478	2.50%	276,014	1,014
Total	440,371	15,430,428	1,566,256		508,017	67,647

^(*) The values indicated refer to the financial statements at 31.12.2017

^{**)} The financial statements of Carron Gest S.r.l. were not available at the time of drawing up these financial statements. The company did not carry out any activities during 2018 and, in any case, its results for the year, despite not being available, are not likely to influence the investee companies' income statement, balance sheet or financial position in any way.

NON-CURRENT RECEIVABLES

Description	31.12.2018
From associated companies	102,800
Due from others	14,102,031
Total	14,204,831

Receivables due from associated companies are made up of non-interest bearing loans granted to the controlled companies "Consorzio Vie del Mare" and to the consortium "Trento Tre S.c.r.l.".

Receivables due from others recorded under financial fixed assets, on the other hand, are broken down as follows:

Description	31.12.2018
Galileo S.r.l.	100,000
Pieve S.r.l.	250,000
Immobilmarca S.r.l.	9,874,000
Manus S.r.l. – interest-bearing loan	2,329,301
Sima S.r.l. – interest-bearing loan	1,450,000
New Jersey S.r.l.	98,730
Total	14,102,031

The receivable due from Immobilmarca S.r.l. mainly refers to loans granted to the former controlled company while work was being carried out. This receivable is expected to be repaid gradually over the course of 2019-2021, awaiting the results to sell the debtor's real estate assets forming part of the commercial centre in Silea (TV), or the results of said company's activities to develop real estate for residential use in Riese Pio X (TV), currently ongoing, and in Silea (TV), due to start in 2019.

Likewise, a total of Euro 12,786 thousand is expected to be returned for the remaining work contract fee, as described below in the notes for the item "C.2 – "Current RECEIVABLES", meaning total repayments of Euro 22,660 thousand during the three-year period 2019 – 2021.

OTHER SECURITIES

The value of other non-current securities amounted to Euro 2,713,096. This item is broken down as follows:

Description	31.12.2018
Geminus investment fund (formerly Sansovino)	1,713,096
Salute 2 fund	1,000,000
Total	2,713,096

Other securities refer to shares in the "Geminus" real estate investment fund and the "SALUTE 2" real estate investment fund.

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CURRENT ASSETS

At 31.12.2018, current assets were made up of the following

Description	31.12.2018
Inventories	81,493,824
Receivables	45,593,177
Current financial assets	121,955
Cash and cash equivalents	26,805,908
Accruals and deferrals	943,563
Total	154,014,864

More specifically:

INVENTORIES

Description	31.12.2018
Raw and ancillary materials and consumables	13,447,812
Work in progress to order	67,361,137
Finished products and goods	684,875
Total	81,493,824

Contract work in progress is performed for an average of 18 months.

With regard to the accounting criteria adopted, please refer to the section entitled "ACTIVITIES FOR CONTRACT WORK IN PROGRESS" in the relevant section of these Explanatory Notes.

"Finished products and goods" include the material "stock" of construction sites at the end of the year, as well as a number of properties left over from previous real estate initiatives taken in the past. Raw materials include the amounts paid to purchase the two buildable plots of land situated in Turin, which the controlled company Carron Cav. Angelo S.p.A. will use to build two real estate complexes, one for residential and commercial use and another for R.S.A. use, to be completed between the end of 2019 and the first half of 2020. Once this project is complete, the buildings are expected to be sold to promissory buyers based on preliminary sale contracts for a "property yet to be built".

RECEIVABLES

Description	31.12.2018
Trade receivables	36,277,508
From controlled companies	565,045
From associated companies	1,900,585
For tax credits	3,339,748
For prepaid taxes	101,807
Due from others	3,408,484
Total	45,593,177

The breakdown of receivables by due date is as follows:

Description	Within 12 months	After 12 months	Total
Trade receivables	23,491,616	12,785,892	36.277.508
Due from controlled consortium companies	565,045	-	565.045
Due from associated companies	1,900,585	-	1.900.585
For tax credits	3,309,859	29,889	3.339.748
For prepaid taxes	101,807	-	101.807
Due from others	3,103,812	304,672	3.408.484
Total	32,472,724	13,120,453	45.593.177

Trade receivables due after twelve months, amounting to Euro 12,786 thousand, refer to the residual fee for the contract work carried out by Carron Cav. Angelo S.p.A. vis-à-vis the associated company Immobilmarca S.r.l., which no longer belongs to the group's scope of consolidation following the spin-off completed by Carron Cav. Angelo S.p.A. in 2017.

This receivable is due to be repaid gradually over the course of 2019-2021, awaiting the results of the plan to sell the debtor's [Immobilmarca S.r.l.] real estate assets, or the results of said company's activities to develop real estate for residential use in Riese Pio X (TV), currently ongoing, and in Silea (TV), due to start in 2019.

Together with the repayment of the aforementioned fee for Euro 12,786 thousand connected to the contract work, the amounts granted as a loan to Immobilmarca S.r.l. while work was being carried out are also expected to be repaid, for a total of Euro 9,874 thousand, as described in these notes for the item "NON-CURRENT RECEIVABLES". This is why total repayments during the three-year period 2019 – 2021 should amount to a total of Euro 22,660 thousand.

Trade receivables do not present significant concentrations of credit risk. There are no receivables due after five years. Trade receivables are reported net of credit notes and include the amounts for invoices yet to be issued. Trade receivables are mainly represented by receivables from contracting parties for work progress reports that have been invoiced or are yet to be invoiced, in accordance with contractual clauses. These are recorded net of the bad debt provision, the balance of which is broken down below:

Description

Inclusion in the scope of consolidation	1,336,444
use for losses on receivables	[13,441]
allocation during the year	230,813
Total at 31.12.2018	1,553,816

Receivables due from controlled and associated companies are made up of receivables from controlled and associated consortium companies, which are excluded from the scope of consolidation. These mainly refer to commercial relationships regarding services provided to consortium companies, or receivables arising due to the contracting party collecting payments on behalf of the consortium company, if the payment delegation system is in force.

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Due from controlled companies	31.12.2018
Beato Pellegrino S.c.a.r.l. for issued invoices	200,773
Beato Pellegrino S.c.a.r.l. for invoices yet to be issued	365,174
Vallenari S.c.a.r.l. for receiving payments on our behalf	(2,213)
Carron Gest S.r.l. for issued invoices	610
Carron Gest S.r.l. for invoices yet to be issued	700
Total at 31.12.2018	565,045
Due from associated companies	31.12.2018
Arese Sud S.c.r.l. for invoices yet to be issued	13,500
Trento Tre S.c.r.l. for issued invoices	198,137
Trento Tre S.c.r.l. for invoices yet to be issued	13.,990
Trento Tre S.c.r.l. for advance payments	943,138
Sansovino S.c.r.l. for advance payments	704,873
Caserme VDA S.c.r.l.	26,948
Total at 31.12.2018	1,900,585

Among tax credits, the most significant item is the VAT credit.

Among other receivables, the most significant items refer to advances granted to suppliers for Euro 1,438,972 and to Sima S.r.l. for Euro 500,000 after selling part of the shares held in the controlled company Carron Bau S.r.l. to the latter.

CURRENT FINANCIAL ASSETS

Equity investments in consortium companies reported under item "III. Current financial assets "in the Balance Sheet refer to instruments through which the controlled companies, in their capacity as representatives or principals of temporary business associations ("A.T.I. - Associazioni Temporanee d'Imprese), perform the services under the contracts in place with the respective Contracting Parties. The purpose of the consortium companies is to carry out contract work together with the other associates, thus primarily meeting organisational and operational requirements.

By their nature, consortium companies are non-profit organisations as they act in the exclusive interest of the companies grouped together in the temporary consortium ("A.T.I.") to which they "charge back" the entire cost of their operations without any remuneration for their work. The financial and earnings effects of operations are therefore entirely attributed to the participating companies in proportion to their shareholding.

Description	31.12.2018
Controlled companies	
Vallenari S.c.r.l. (in liquidation)	5,175
Beato Pellegrino s.c.r.l.	6,677
Total	11,852
Associated companies	
Trento Tre s.c.r.l.	8,000
Arese Sud s.c.r.l.	4.767

Farro S.r.l. (in liquidation)	54,657
Valdastico 14 S.c.r.l.	3,000
Sansovino S.c.r.l.	5,000
Caserme VDA S.c.r.l.	6,882
Total	82,306
other equity investments	
Imp. Sportivi Aquapolis S.r.l.	15,000
Aquapolis s.s.d. r.l.	5,000
Pedemontana Veneta (in liquidation)	7,046
La Quado S.c.r.l. (in liquidation)	750
Total	27,796
TOTAL	121,955

CASH AND CASH EQUIVALENTS

Cash and cash equivalents refer to the balances of the current accounts held with credit institutions as well as cash and equivalents on hand.

Description	31.12.2018
Bank and post office deposits	26,739,050
Cash and cash equivalents on hand	66,858
Total	26,805,908

ACCRUED INCOME AND PREPAID EXPENSES

These refer to adjusting entries recorded during the period on an accrual basis. No deferrals or accruals were recorded with a duration of over five years. More specifically:

Description	31.12.2018
Insurance premiums	739,977
Commissions on bank guarantees	35,876
Others	166,724
Total	942,577



BALANCE SHEET - LIABILITIES

SHAREHOLDERS' EQUITY

Reconciliation statement between the net result and shareholders' equity of the parent company and the corresponding values in the consolidated financial statements

COMPONENTS	Shareholders' equity at 31.12.18	Result for the year 2018
Shareholders' equity and result for the year of the parent company	4,986,789	3,986,789
Removal of the book value of consolidated equity investments:		
Book value of the equity investments	(4,855,064)	-
Pro-rata value of the group shareholders' equity eliminated	44,217,514	14,030,015
Difference between the book value of the equity investments and the pro-rata value of shareholders' equity	39,362,450	14,030,015
Other adjustments		
- Intra-group profits on work and the sale of assets	(50,000)	(4,716,034)
- intra-group dividends	-	(5,240,000)
- equity investments valued using the "shareholders' equity" method	-	-
- valuation of leasing contracts using the "financial lease" method	14,128	17,313
Total other adjustments	(35,872)	(9,938,721)
Shareholders' equity and result for the year for the group	44,313,364	8,078,083
Third-party capital and result	1,938,103	895,897
Consolidated shareholders' equity	46,251,470	8,973,980

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Details of changes to consolidated shareholders' equity components:

(Euro thousand)

Description	Share capital	Legal reserve	Extra- ordinary reserve	Other reserves	Reser- ves of investee compa- nies	Profit for the year	Third- party capital and reserves	Third- party profit (loss)	TOTAL
at 01.01.2018	-	-	-	-	-	-	-	-	-
allocation of profit									
- to the extraor- dinary reserve	-	-	-	-	-	-	-	-	-
- allocation of dividends	-	-	-	-	-	-	-	-	-
Share capital increase	1,000	-	-	-	-	-	-	-	1,000
Inclusion in the scope of consolidation	-	-	-	-	35,235	-	1,042	-	36,277
Distribution of dividends	-	-	-	-	-	-	-	-	-
Result for the year	-	-	-	-	-	8,078	-	896	8,974
al 31.12.2018	1,000	-	-	-	35,235	8,078	1,042	896	46,251

PROVISIONS FOR LIABILITIES AND CHARGES

These provisions are made to cover taxes, including deferred taxes and possible costs for tax disputes regarding pending proceedings vis-à-vis the tax authorities, as well as estimated costs and charges to be incurred after completing contracts.

This item is made up of the following:

Description	31.12.2018
for taxes, also deferred	722,455
others:	
- future contract charges	347,000
- post-testing contract risks	790,000
- legal disputes	60,000
Totale	1,919,855

The tax provision includes the provision for deferred taxes and the risk related to the outcome of tax disputes for Euro 275,000.

The following costs and charges were allocated to the item "Other provisions":

- Future contract costs: the costs estimated after completing contracts, which normally relate to:
 - costs for dismantling the construction site, i.e. costs for removing installations, for bringing the machinery back to our headquarters, for the transport of unused materials to another site or to our headquarters, including any losses on abandoned materials;
 - costs for testing the work carried out;
 - charges for contractual penalties, for work that is redone according to customer specifications, for settling "claims" made by sub-contractors or sub-suppliers;
 - post-delivery maintenance costs relating to the work, if stated in the contract;
 - charges for contractual guarantees.
- Post-testing contract risks: estimated costs to be incurred after testing work, for remedying any non-conformities and defects in relation to the works that arise within two years after provisional testing, which may be eliminated at the expense of the contractor (pursuant to articles 1667/1668 of the Italian Civil Code).

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STAFF SEVERANCE INDEMNITY

The amount of the provision is sufficient to fulfil contractual and legal obligations and is shown net of any advances paid to employees. Details of the changes are provided below:

Description	Amount
Inclusion in the scope of consolidation	716,562
net staff severance indemnity set aside during the year	83,266
staff severance indemnity paid out during the year	(32,506)
net staff severance indemnity provision at 31.12.2018	767,322

PAYABLES

The group's outstanding payables at 31.12.2018, broken down by category, are presented below:

Description	Within 12 months	After 12 months	After 5 years	Total
payables due to banks	10,568,157	16,028,223	-	26,596,380
payables due to other lenders	139,229	237,084		376,313
advances	25,681,878	8,125,000	-	33,806,878
trade payables	66,318,948	-	-	66,318,948
payables due to controlled companies	4,244,920	-	-	4,244,920
payables due to associated companies	2,927,620	-	-	2,927,620
tax payables	1,474,755	-	-	1,474,755
payables due to pension and social security institutions	1,166,955	-	-	1,166,955
other payables	3,574,407	8,070	-	3,582,477
Total	116,096,868	24,398,377	-	140,495,245

More specifically:

Payables due to banks

Payables due to banks represent overall exposure to the banking system at year-end. The balance includes both payables referring to short-term loans, taken out to meet temporary operating requirements, and payables referring to mortgage loans and unsecured loans.

Description	31.12.2018
payables due to banks within 12 months	
- for current account overdrafts	6,412,358
- unsecured loans and mortgage loans due within 12 months	4,155,799
payables due to banks after 12 months	
- amounts due after 12 months but within 5 years	16,028,223
- amounts due after 5 years	-
Total	26,596,380

Advances

Advances represent the amounts paid by customers by way of contractual advances, i.e. down payments and confirmation deposits in relation to contract work in progress and real estate purchases, respectively. This item is broken down as follows:

Description	31.12.2018
advances for contract work in progress	14,926,878
advances/deposits on property sales within 12 months	10,755,000
advances/deposits on property sales after 12 months	8,125,000
Total	33,806,878

Trade payables

These mainly refer to invoices received for subcontracted services and supplies of goods, as well as the amount of invoices yet to be received from suppliers for services rendered up to 31.12.2018, ascertained on the basis of work progress reports (payable) for services rendered. They therefore include retention guarantees that will be paid, within the established contractual deadline, upon completion and approval of the works, to be confirmed by the relevant testing certifications.

Description	31.12.2018
trade payables for issued invoices	49,917,674
trade payables for invoices and credit notes yet to be received	16,401,274
Total	66,318,948

Payables to controlled companies (consortium companies)

"Payables to controlled companies" refer to commercial transactions, carried out under normal market conditions, with consortiums and consortium companies set up to carry out the contract work acquired as temporary consortia ("ATI") together. They mainly arise from the charge-back of costs incurred by the investee consortium companies. They are not included in the scope of consolidation as their impact on the Group's consolidated financial statements is not relevant. Please find below the relative details:

Description	31.12.2018
Beato Pellegrino S.c.r.l. for issued invoices	105,387
Beato Pellegrino S.c.r.l. for invoices yet to be received	3,750,501
Beato Pellegrino S.c.a.l. for financial compensations	389,032
Total	4,244,920

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Payables due to associated companies

As was the case for payables due to controlled companies, described above, payables due to associated companies show the values of commercial relationships held during the year with non-controlled consortium companies that are not included in the scope of consolidation, for the same reasons explained in the previous point.

More specifically:

Description	31.12.2018
Valdastico 14 S.c.r.l. for issued invoices	41,514
Valdastico 14 S.c.r.l. for credit notes yet to be received	(5,891)
Arese Sud S.c.r.l. for issued invoices	191,368
Arese Sud S.c.r.l. for invoices yet to be received	303,115
Sansovino S.c.r.l. for invoices yet to be received	11,679
Trento Tre S.c.r.l. for issued invoices	166,053
Trento Tre S.c.r.l. for invoices yet to be received	2,219,781
Totale	2,927,620

Other payables

The item "Other payables" mainly includes:

- the payable for employees' holidays accrued but not yet taken,
- payables to investee companies not included among payables to controlled and associated companies,
- the amounts not yet paid to supplementary pension funds to which employees' staff severance indemnity is transferred,
- the payable for insurance premiums not yet paid to the respective insurance companies.

Description	31.12.2018
within twelve months	
salaries and other staff entitlements	1,995,252
remuneration to directors	66,622
payables to insurance companies	1,335,490
other payables	177,433
total payables due within twelve months	3,574,407
after twelve months	
security deposits payable	8,070
total payables due after twelve months	8,070
Total	3,582,477

ACCRUED LIABILITIES AND DEFERRED INCOME

These refer to adjusting entries recorded during the period on an accrual basis. The breakdown of this item is provided below. There are no accruals or deferrals with a duration of over five years.

Description	31.12.2018
accrued liabilities for interest	68.702
others	948
Total	69.650

COMMITMENTS, GUARANTEES, RISKS AND CONTINGENT LIABILITIES

Pursuant to article 38, paragraph 1, of (Italian) Legislative Decree no. 127/91, the following table summarises any off-balance-sheet commitments, guarantees and contingent liabilities, specifying the nature of the collateral provided.

Description (Euro thousand)	31.12.2018
insurance guarantees for contractual advances	1,573
insurance guarantees on work being carried out properly	24,245
other insurance guarantees	1,060
bank guarantees on work being carried out properly	41,674
bank guarantees for contractual advances	1,741
bid bonds issued by banks	950
bank guarantees as a guarantee for "closed real estate" commitments	450
other bank guarantees	1,398
bank surety guarantees in the interest of third parties	2,543
surety guarantees in the interest of related parties	37,753
surety guarantees in the interest of controlled companies by the parent company	637
surety guarantees in the interest of investee companies and consortium companies	477
pledge of company shares	619
Total	115,120

To better explain the content of the item "surety guarantees in the interest of related parties and in the interest of consortium companies", it is hereby specified that:

- The item "bank guarantees on work being carried out properly" includes the Euro 18 million guarantee issued to the concessionaire Ospedal Grando S.r.l. by Carron Cav. Angelo S.p.A., lead company for the special-purpose temporary consortium ("A.T.I.") contracting the work relative to the Cittadella Sanitaria ("Healthcare District") in Treviso. The value of the aforementioned guarantee is shown net of the bank guarantee of Euro 6 million, for the same purpose, issued in favour of Carron Cav. Angelo S.p.A., by APLEONA S.p.A., principal of the temporary consortium ("A.T.I.");
- with regard to the amount of Euro 37.7 million, the guarantees issued refer to those granted on behalf of companies that were transferred with the demerger on 2/10/2017 and are in addition to the first priority mortgage guarantees issued by the investee companies on assets respectively belonging to them in favour of the lenders; these guarantees therefore represent a second, ancillary guarantee;

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With regard to the following payables recorded in the financial statements under the item "Advances", it is hereby specified that the following bank guarantees have also been issued:

- Monte dei Paschi di Siena

a guarantee for the advance paid by REAM S.G.R. S.p.A. regarding the preliminary sale contract for a "property yet to be built" in Turin, Via Marochetti Euro 4.9 mln

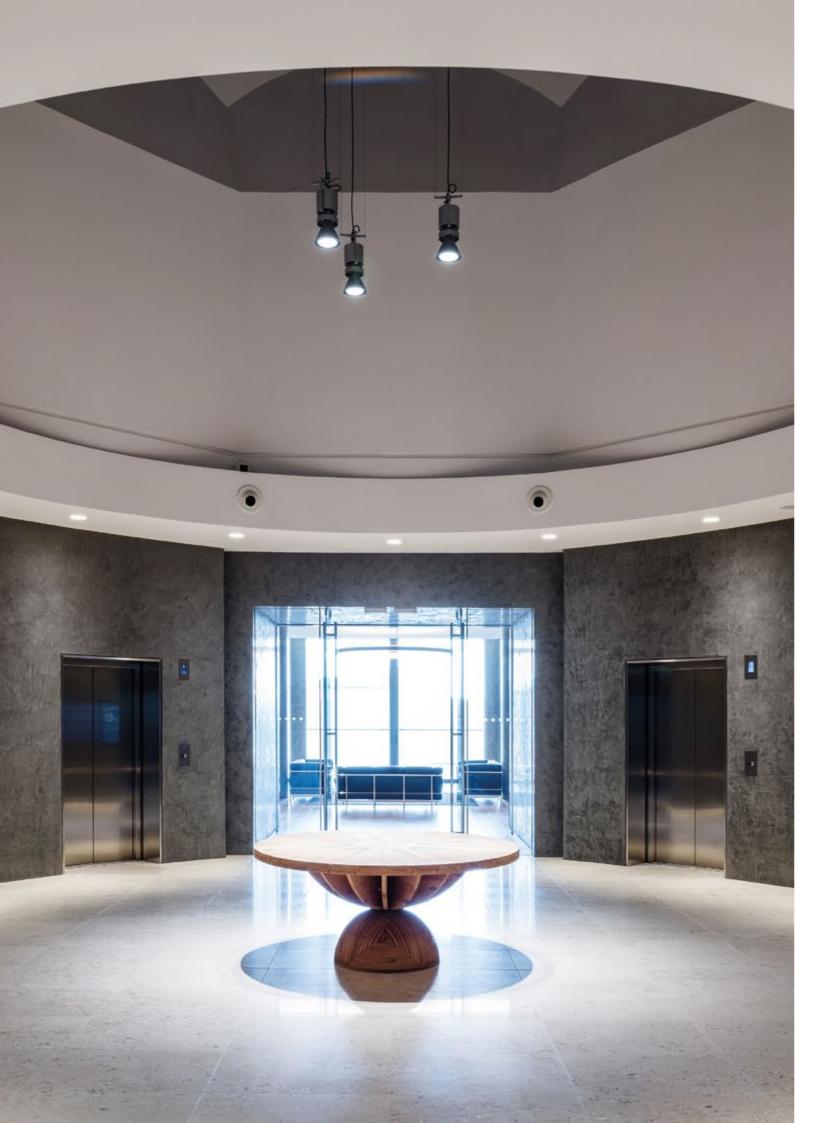
- UNICREDIT

guarantee for the deposit and advance paid by REAM S.G.R. S.p.A. regarding the preliminary sale contract for a "property yet to be built" (R.S.A.) in Turin, Via Marochetti Euro 6.5 mln

guarantee for the advance paid by DIMAR S.p.A. regarding the preliminary sale contract for a "property yet to be built" (for commercial use) in Turin, Via Pronda Euro 1.8 mln

guarantee for the advance paid by REAM S.G.R. regarding the preliminary sale contract for a "property yet to be built" (for residential use) in Turin, Via Pronda Euro 4.6 mln

guarantee for the deposit paid by ICADE S.A. regarding the preliminary sale contract for a "property yet to be built" (R.S.A.) in Nichelino (TO) Euro 2.5 mln.



EXPLANATORY NOTES - Consolidated Financial Statements

INFORMATION AND CLARIFICATIONS ABOUT THE INCOME STATEMENT

Before analysing the individual items, please note that comments on overall performance are provided in the Directors' Report, pursuant to article 2428 of the (Italian) Civil Code.

Given the analytical presentation of revenues and costs in the Income Statement and the previous comments on balance sheet items, only the main items are commented on below.

INCOME STATEMENT SUMMARY

escription	2018	
(Euro thousand)	amount	% weighting
value of production	207,937	100.00%
production costs		
raw, ancillary and consumable materials	(28,908)	(13.90%)
services	(140,393)	(67.52%)
use of third-party assets	(5,240)	(2.52%)
personnel costs	(17,162)	(8.25%)
amortisation, depreciation and write-downs	(1,081)	(0.52%)
changes in inventories of raw materials	(1,681)	(0.81%)
other provisions	[89]	(0.04%)
sundry operating expenses	(1,533)	(0.74%)
total production costs	(196,087)	(94.30%)
Ebit	11,850	5.70%
financial income and (charges)	1,291	0.62%
value adjustments to financial assets	(616)	(0.30%)
result before taxes	12,525	6.02%
income taxes	(3,552)	(1.71%)
consolidated profit for the year	8,973	4.32%
profit for the year attributable to third parties	[896]	(0.43%)
profit for the year for the group	8,077	3.88%

VALUE OF PRODUCTION

This item is made up of the following:

Description	31.12.2018
Sales and services revenues	171,518,455
Changes in inventories of work in progress, semi-finished and finished goods	(759,831)
Changes in contract work in progress	35,884,148
Increases in fixed assets for in-house production	87,606
Other revenues and income	1,206,547
Total	207,936,925

Details of the item "sales and services revenues" are shown in the following table. The value of production was entirely generated in Italy.

Description	31.12.2018
Sale of real estate	827,000
Services and construction work for public and private customers	169,285,550
Rental income	176,716
Others	1,229,189
Total	171,518,455

PRODUCTION COSTS

Production costs are strictly linked to the specific section in the Directors' Report and to the performance of point A (Value of production) of the Income Statement.

Details of production costs are shown in the following tables.

Raw and ancillary materials, consumables and goods

Description	31.12.2018
concrete, binders and additives	7,991,904
prefabricated flooring	1,116,756
iron for reinforced concrete	1,871,757
insulation materials and waterproofing	1,989,377
special building components	2,525,817
other materials and products	782,830
purchased property and land	12,630,000
Total	28,908,441

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EXPLANATORY NOTES - Consolidated Financial Statements

Services

Description	31.12.2018
work outsourced for construction sites	110,378,995
cost charge-back by consortium companies	12,550,918
third-party services	3,019,167
professional services	8,038,083
miscellaneous insurance	1,900,946
remuneration to directors and statutory auditors	1,712,968
business travel for personnel	1,575,193
tax, administration, legal and notarial consulting services	575,160
other costs, expenses and charges	641,334
Total	140,392,764

Use of third-party assets

Description	31.12.2018
Rents and leases	618,258
Operating leases	5,010
Others	4,616,458
Total	5,239,726

Personnel costs

Description	31.12.2018
Gross salaries	12,414,502
Pension and social security contributions	3,984,720
Provisions for staff leaving indemnity	672,440
Other personnel costs	90,417
Total	17,162,080

Amortisation, depreciation and write-downs

Description	31.12.2018
amortisation of intangible fixed assets	84,149
depreciation of tangible fixed assets	766,500
credit risk provision	230,813
Total	1,081,463

Changes in inventories of raw and ancillary materials, consumables and goods

The change in inventories, recorded as an increase to production costs, amounted to Euro 1,680,734 and is made up of the following:

for the amount of Euro 1,777,008

- a value of Euro 14,594,209, increasing production costs in relation to the reduction of final inventories at 31.12.2017, refers to the transfer to the production process of the plot of land in Turin, in Via Marochetti, for the construction of an R.S.A. Unit, incorporated among works in progress at 31.12.2018; a value of Euro 12,817,201, increasing final inventories at 31.12.2018 and therefore decreasing purchase costs, refers to the plots of land in Turin (Via Pronda) and in Nichelino (TO), purchased in 2018 and destined for residential, commercial and R.S.A. real estate initiatives, work on which will begin during 2019.

for the amount of Euro 96 274

which refers to the change in inventories of raw, ancillary and consumable materials, reducing

- production costs.

Other provisions

At 31.12.2018, a specific provision of Euro 88,681 was set aside to cover future contract costs, mainly for planned maintenance, in compliance with the accrual principle, as the corresponding revenue had already been recognised in full in the income statement

Sundry operating expenses

This item includes the costs incurred for taxes and duties other than income taxes, non-recurring losses and the costs incurred on behalf of third parties and subsequently charged back in full, recording a specific positive entry in the income statement.

FINANCIAL INCOME AND CHARGES

At 31.12.2018, the group's financial management recorded an overall positive result of Euro 1,290,859, broken down as follows:

Description	31.12.2018
Income from equity investments	50,000
Other income	1,736,616
Interest and other financial charges	(495,757)
Total	1,290,859

More specifically, other financial income includes interest receivable from credit institutions and other kinds of financial income.

The item "interest and other financial charges", on the other hand, includes Euro 219 thousand of charges referring to mortgage loan transactions and Euro 115 thousand of interest for the use of current account credit lines, as well as a loss deriving from the consolidation of amounts referring to the investee company Carron Bau.

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EXPLANATORY NOTES - Consolidated Financial Statements

VALUE ADJUSTMENTS TO FINANCIAL ASSETS

Write-downs of equity investments

This item includes the write-down of shares in the "Geminus fund" for a value of Euro 616,000, reducing the book value, as a result of the N.A.V. reported at 31st December 2018.

INCOME TAXES FOR THE YEAR

Current income taxes for the year are calculated on the basis of estimated taxable income and in compliance with applicable legislation.

Deferred tax assets and liabilities are calculated on the temporary differences between the assets and liabilities recorded in the consolidated financial statements and the corresponding values recognised for tax purposes, based on the tax rates and tax legislation in force or substantially in force at the reporting date. Prepaid taxes are recorded as assets when it is likely that they will be recovered, i.e. when it is expected that taxable amounts will become available in the future that are sufficient to recover the asset.

The recoverability of prepaid tax assets is reviewed at the close of each financial year. Current and deferred taxes are recorded in the Income Statement, with the exception of those relating to items that are directly debited from or credited to Shareholders' Equity through the overall Income Statement, in which case the tax effect is directly recognised under Shareholders' Equity. Current and deferred taxes are compensated if income taxes are applied by the same tax authority, there is a legal right to compensation and the Net Balance is expected to be paid out.

Other taxes not referring to income, such as property taxes, are included among "Sundry operating expenses". Please find below a dedicated table containing the description of the temporary differences that led to deferred and prepaid taxes being recorded.

(Euro thousand)

Prepaid taxes	Rate	Year previous (taxable amount)	Year previous (tax)	Changes of the Year (taxable amount)	Variazioni dell' esercizio (imposta)	Changes of the Year (tax)	Year Current (tax)
Depreciation revaluation pursuant to [Italian] Decree Law no. 185/2008	31.4	109	34	-	-	109	34
Credit risks	24	18	4	17	4	35	8
Contract post-testing provisions	24	200	48	40	10	240	58
Future contract charges	24	0	0	7	2	7	2
Recoveries for short-term contracts	24	34	8	-34	-8	0	0
Total prepaid taxes		361	94	30	8	391	102
Deferred taxes							
Recoveries for short-term contracts pursuant to art. 92 of the TUIR	24	2,600	623	-735	-176	1,865	447
Total deferred taxes		2,600	623	-735	-176	1,865	447
Net deferred (prepaid) taxes		2,239	529	-765	-184	1,474	345

In addition to the deferred tax amount of Euro 447 thousand, the amount of Euro 275 thousand must be added relating to a provision for ongoing tax disputes.

Leased assets

For a better understanding, the following table shows the details of the effect of applying the "financial lease" accounting method to leased assets, as provided for by accounting standard OIC 17 (issued by the Italian Accounting Board).

	A) ASSETS	
Α	Ongoing contracts	
a1)	Value of leased assets at the end of the previous year	
	of which gross value	491,224
	of which accumulated depreciation	[123,476]
	of which adjustments	-
	of which value reinstatements	-
	Total	364,747
a2)	assets purchased during the year	209,566
a3)	assets for which purchase option was exercised during the year	-
a4)	share of depreciation for the year	123,634
a5)	adjustments for the year	-
a6)	value reinstatements during the year on assets	-
a7)	Value of leased assets at the end of the current year	-
	of which gross value	700,790
	of which accumulated depreciation	247,111
	of which adjustments	-
	of which value reinstatements	-
	Total	453,679
a8)	reversal of prepaid expenses for financial leasing transactions	63,238
В	Assets for which the purchase option is exercised	
b1)	difference in value of assets for which the purchase option is exercised, calculated according to the "finance lease" method, compared to their net book value at the end of the year	-
С	LIABILITIES	
c1)	lease liabilities at the end of the previous year	
	of which due during the next year	94,228
	of which due between 1 and 5 years	207,610
	of which due after 5 years	-
	Total	301,838
c2)	lease liabilities arising during the year	188,608
c3)	reductions for capital repayment	114,133
c4)	reductions for purchase options exercised during the year	-
c5)	lease liabilities at the end of the year	
	of which due during the next year	139,229
	of which due between 1 and 5 years	237,084
	of which due after 5 years	-
	Total	376,313
c6)	reversal of accruals on financial leasing fees	-

Carron
Financial Statements 2018

EXPLANATORY NOTES - Consolidated Financial Statements

D	total gross effect at year-end	14,128
Е	net tax effect	7,721
F	effect on shareholders' equity at year-end	6,407
	INCOME STATEMENT	
	Reversal of fees on financial leasing transactions	147,204
	(of which financial charges)	-
	Depreciation recorded on contracts in place	123,634
	Depreciation recorded on assets for which purchase option was exercised	-
	Financial charge on leasing transactions recorded	6,257
	Adjustments / value reinstatements on leased assets	-
	Effect on pre-tax result	17,313
	Tax effect recorded	8,534
	Effect on the result for the year	8,779

INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

Transactions carried out between "related parties", as identified by Accounting Standard no. 12 issued by the OIC (Italian Accounting Board), referred to by article 2427, no. 22-bis of the (Italian) Civil Code, were completed under normal market conditions.

SIGNIFICANT EVENTS AFTER 31ST DECEMBER 2018

As at the reporting date, there were no significant events that require particular mention. The Group has carried out its activities normally, with a certain focus on real estate projects, defined above as "closed real estate" transactions, which are expected to generate positive results in future years based on the good levels of performance achieved during 2018.

Production activities continued normally on all construction sites, in line with the plans and time frames stated by the relative contracts.

No facts or events arose after the reporting date that may otherwise alter the company's balance sheet, income statement or financial position.

It is also hereby specified that:

- The companies falling within the Group's scope of consolidation do not own any treasury shares, neither directly nor through trust companies or third parties;
- over the course of the year, the Group did not buy or sell treasury shares, neither directly nor through trust companies or third parties.

Information pursuant to art. 1, paragraph 125 of (Italian) law no. 124 dated 4th August 2017

In relation to the transparency obligations introduced by (Italian) law no. 124 dated 4th August 2017, article 1, paragraph 125, the Group has not received any grants, subsidies, paid positions or, in any case, any kind of economic benefits from the public administration or similar entities.

OTHER INFORMATION

In accordance with the law, please find below the total remuneration due to members of the Board of Directors and members of the Board of Statutory Auditors, as well as the fees paid to the independent audit firm appointed to carry out the statutory audit of accounts for the parent company and for the companies included in the scope of consolidation through the "full consolidation" method.

Role	Compenso
Directors	1.585.254
Board of Statutory Auditors	62.661
To the audit firm appointed to carry out the statutory audit of accounts	65.053
Total	1.712.968

These consolidated financial statements, which consist of the balance sheet, income statement and explanatory notes, provide a true and correct representation of the balance sheet and financial position as well as the result for the year and correspond to the results of accounting entries of the parent company and the information sent by the companies included in the scope of consolidation.

The Sole Director

dott.ssa Marta Carron

Carron Financial Statements 2018

EXPLANATORY NOTES - Consolidated Financial Statements







EXTERNAL AUDITORS' REPORT

TO THE AUDITING OF THE CONSOLIDATED FINANCIAL STATEMENTS



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EXTERNAL AUDITOR'S REPORT PURSUANT TO ART. 14 OF LEG. DECREE NO. 39 OF 27TH JANUARY 2010

To the Sole Shareholder of Carron Holding S.r.I.

EXTERNAL AUDITORS' REPORT TO THE AUDITING OF THE CONSOLIDATED FINANCIAL STATEMENTS

Professional opinion

We have carried out the audit of the Carron Holding Group (the Group) consolidated financial statements, made up of the balance sheet at 31st December 2018, the income statement, the cash flow statement for the financial year closed on the same date and the explanatory notes.

In our opinion, the consolidated financial statements provide a true and correct representation of the company's balance sheet and financial position at 31st December 2018 and of the result and the cash flows for the year closed on the same date, in compliance with the Italian regulations that govern their preparation criteria.

The basis of this professional opinion

We carried out the audit on the consolidated financial statements in accordance with the International Standards on Auditing (ISA Italia). Our responsibilities pursuant to these standards are further described in the section "Responsibility of the audit firm for the audit of the consolidated financial statements" in this report. We are independent from Carron Holding S.r.l. in compliance with the regulations and standards regarding ethics and independence that apply to the audit of financial statements in Italy. We believe we obtained sufficient and appropriate evidence on which to base our professional opinion.

Responsibility of the Sole Director for the consolidated financial statements

The Sole Director is responsible for the preparation of the consolidated financial statements, ensuring that they provide a true and correct representation, in accordance with the Italian regulations disciplining their preparation criteria and within the legal deadlines. The Sole Director is also responsible for internal audit activities deemed necessary in order to allow the consolidated financial statements to be drawn up without any significant errors caused by fraud or unintentional behaviour or events.

The Sole Director is responsible for assessing the company's ability to continue operating as a going concern and, when drawing up the consolidated financial statements, for the appropriate use of the assumption that the company is a going concern, as well as for providing adequate information in this regard.

The Sole Director shall draw up the consolidated financial statements based on the assumption that the company is a going concern, unless he/she has judged the conditions to be in place for Carron Holding S.r.l. to be liquidated or for company activity to be stopped or if there are no realistic alternatives to these choices.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Verona

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.

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Responsibility of the audit firm for the audit of the consolidated financial statements

Our objectives are to obtain a reasonable degree of certainty that the consolidated financial statements do not contain significant errors, caused by fraud or unintentional behaviour or events, and to issue an audit report that includes our professional opinion. "Reasonable degree of certainty" means a high level of certainty which, however, does not guarantee that a financial audit carried out in compliance with the International Standards on Auditing (ISA Italia) will always identify a significant error, if one exists. Errors may be caused by fraud or unintentional behaviour or events and are considered significant if it can be reasonably expected that they, whether individually or collectively, may be able to influence users' economic decisions based on the consolidated financial statements.

As part of the financial audit carried out in compliance with the International Standards on Auditing (ISA Italia), we used our professional judgement and maintained professional skepticism throughout the audit. Furthermore:

- We identified and assessed the risks of significant errors in the consolidated financial statements, caused by
 fraud or unintentional behaviour or events; we defined and carried out audit procedures in response to said
 risks; we obtained sufficient and appropriate evidence on which to base our professional opinion. The risk of
 not identifying a significant error caused by fraud is higher compared with the risk of not identifying a
 significant error caused by unintentional behaviour or events, as fraud may imply collusion, forgery,
 intentional omissions, misleading representations or forcing internal controls;
- We gained an understanding of the internal audit processes that are relevant for the purposes of the audit of
 the consolidated financial statements, with the aim of defining appropriate audit procedures for the
 circumstances and not to express an opinion on the effectiveness of the Group's internal audit function;
 We assessed the appropriateness of the accounting standards used and the reasonableness of the
 accounting estimates made by the Sole Director, including the relative information provided;
- we reached a conclusion as to whether the Sole Director has appropriately assumed that the company is a
 going concern and, based on the evidence obtained, regarding the potential existence of significant
 uncertainty over events or circumstances that may cause doubts to arise on the Group's ability to continue
 operating as a going concern. If there is any significant uncertainty, we are obliged to draw attention in our
 audit report to the relative information provided in the consolidated financial statements, or, should said
 information be inadequate, to reflect this situation when forming our professional opinion. Our conclusions
 are based on the evidence obtained up to the date of this report. However, subsequent events or
 circumstances may mean that the Group ceases to operate as a going concern;
- We assessed the presentation, structure and content of the consolidated financial statements as a whole, including the information provided, and we assessed whether the consolidated financial statements represent the underlying transactions and events in such a way as to provide a correct representation;
- We obtained sufficient and appropriate evidence on the financial information of the companies or the
 different economic activities performed within the Group in order to express our professional opinion. We are
 responsible for coordinating, supervising and carrying out the Group's audit process. We are the solely
 responsible for the audit opinion on the consolidated financial statements.

We informed the individuals in charge of governance activities, identified at appropriate levels as required by ISA Italia standards, of, among other things: the scope and time frames planned for the audit and the significant results that emerged, including any significant shortcomings that were identified during the internal audit of the consolidated financial statements.

Deloitte

REPORT ON OTHER LEGAL PROVISIONS AND REGULATIONS

Opinion pursuant to art. 14. Par. 2, point e), of Leg. Decree 39/10

The Sole Director of Carron Holding S.rl. is responsible for drawing up the Group's Directors' report at 31st December 2018, and for ensuring that it complies with the consolidated financial statements and legal provisions

We have carried out the procedures indicated in auditing standard (ISA Italia) no. 720B in order to provide our opinion on the consistency of the Director's report with the consolidated financial statements at 31st December 2018 and with legal provisions, as well as to issue a statement on any significant errors.

In our opinion, the Director's report is consistent with the consolidated financial statements at 31st December 2018 and has been drawn up in compliance with legal provisions in force.

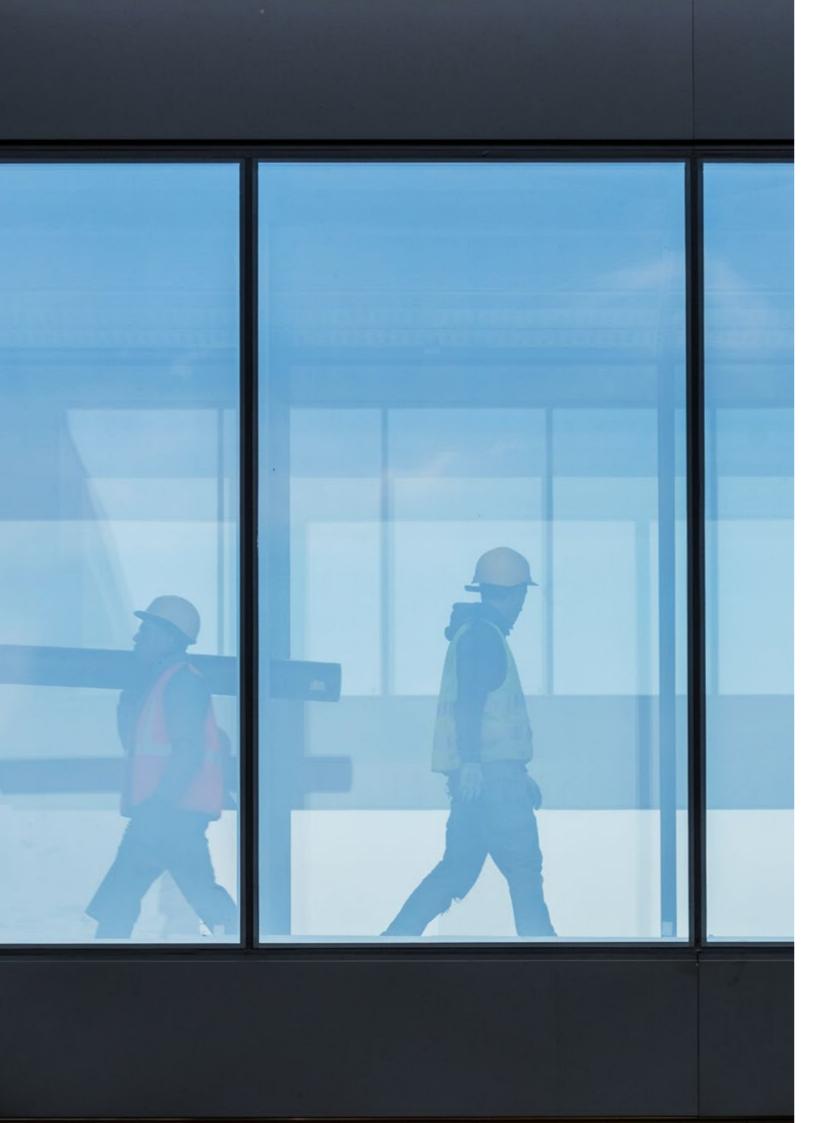
With reference to the statement pursuant to art. 14, par. 2, point e) of Leg. Decree 39/110, issued based on the knowledge and understanding of the company and the context in which it operates that we obtained during our audit activity, no other significant facts emerged that are such as to require mention in this report.

DELOITTE & TOUCHE S.p.A

Giorgio Moretto

Partner

Treviso, 27th May 2019



DIRECTORS' REPORT

ON CARRON SPA FINANCIAL STATEMENTS AT 31.12.2018

Carron Financial Statements 2018

DIRECTORS' REPORT - Carron SPA Financial Statements

Introduction

This report was prepared by the company's Board of Directors and approved with special resolution on 7th May 2019 and shows the operating performance for the year ended 31st December 2018. Except as otherwise specified, the amounts are presented in thousands of Euro in order to facilitate understanding and clarity.

MACRO-ECONOMIC FRAMEWORK

MACRO-ECONOMIC FRAMEWORK

The last few months of 2018 confirmed that the world economy is growing despite signs of cyclical deterioration in many developed and emerging economies.

Global prospects are burdened by the risks of a negative outcome of the trade negotiations between the United States and China, together with the possible worsening of financial tensions in emerging countries and the effects of the way Brexit will take place.

Growth has weakened in the euro area and in the last part of 2018 industrial production decreased significantly in Germany, France and Italy. Inflation, albeit with largely positive values, fell due to the slowdown in energy prices. The Governing Council of the ECB has reiterated its intention to maintain a significant monetary stimulus for an extended period. In Italy, after growth had stopped in the third quarter, the economic indicators available forecast a decrease in production activities also in the last part of 2018, signalling that the weakening recorded in the summer months is connected to the reduction of domestic demand, in particular investments and household spending.

The export trend in the second half of 2018 was still favourable, but the slowdown in global trade affected the prospective evaluations of companies on foreign orders.

Overall inflation declined to 1.2 per cent in December, mainly due to the slowdown in energy prices. Business expectations on price trends have been revised downwards. Risk premia on Italy's sovereign bonds fell, due to the agreement between the Italian government and the European Commission on budgetary plans, and in mid-January 2019 the spread between the returns on Italian and German government bonds was about 260 basis points, 65 fewer than the highs reached in November.

The credit supply conditions remained generally easy and the interest rates on loans are only slightly higher than in May, before tensions appeared on the government bond market. Looking ahead, however, the continued elevated level of sovereign bond returns and the cost of bank funding may continue to push up the cost of credit.

In the latest surveys, companies indicate less favourable credit access conditions and the flow of non-performing loans has decreased.

The projection on GDP growth is equal to 0.6 per cent for the year 2019, 0.4 points less than previously assessed, reflecting the most unfavourable data on economic activity observed in the last part of 2018. Growth projections in 2020 and 2021 are 0.9 and 1.0 percent respectively.

Inflation is expected to gradually increase, from 1.00 percent in 2019 to 1.5 on average in the successive two years, following the increase in private remuneration and the gradual alignment of inflation expectations. In addition to these global factors of uncertainty, downside risks to growth are linked to the possibility of a new rise in sovereign returns, to a more rapid deterioration in the financing conditions of the private sector, and a further slowdown in investment readiness.

In the mid-summer quarters, the hours worked increased while the number of employees decreased slightly; according to the first available data, employment in autumn was substantially stable.

The increase in contractual remuneration continued in all sectors.

Carron Financial Statements 2018

DIRECTORS' REPORT - Carron SPA Financial Statements

THE CONSTRUCTION INDUSTRY

In this context, for the purposes of a consolidated recovery of the Italian economy, the fundamental contribution of the construction sector has been lacking and continues to be lacking. And yet, in terms of investments, the sector continues to offer a significant contribution, representing 8% of Italian GDP. Moreover, thanks to its long and complex supply chain, which connects the construction sector to over 90% of economic sectors, the growth of the construction sector may allow the country to recover half a point of GDP a year and to return in a short time to growth in line with that of other EU countries.

2018 also confirmed itself as a year of deeply uncertain sectoral dynamics, eroding the positive expectations that had been forecasted at the beginning of the previous year. The much hoped-for recovery of investments in public works, even with the support of the important measures envisaged by the government in the last budget laws, has not occurred and therefore has not been able to lead the recovery for the entire sector.

The ISTAT (Italian National Institute of Statistics) construction production index, adjusted for calendar effects, shows a downturn trend of 1.3% in December 2018, bringing the full-year result to + 0.9% compared to 2017.

Unfortunately, the positive signs in 2018 in the residential and non-residential private sector failed to completely offset the lack of growth in public works. Therefore, the forecast by ANCE (Italian Association of Construction Contractors) for the year just ended is a slight increase of 1.5% in construction investments in real terms. This result is completely insufficient to recover the heavy losses recorded in almost a decade of crisis. Production levels have decreased by about a third, resulting in the closure of over 120 thousand companies and the loss of 600 thousand jobs.

This trend derives from a dynamic that continued to fluctuate, especially in the second half of the year. This result seems not enough to recover the heavy losses recorded in almost ten years of crisis: production levels, in fact, decreased by about a third, leading to the closure of over 120 thousand companies and the loss of 600 thousand jobs.

INVESTMENT IN CONSTRUCTIONS					
	2018	2016	2017 (*)	2018 (*)	
	Millions of Euro	% change by quantity			
CONSTRUCTIONS	124,561	-0.4%	0.8%	1.5%	
homes	64,059	-0.8%	0.1%	1.2%	
- new (°)	17,815	-5.1%	0.5%	3.0%	
- non-routine maintenance (°)	46,244	1.0%	0.0%	0.5%	
non-residential	60,502	0.0%	1.6%	1.8%	
- private (°)	38,025	3.4%	4.4%	4.8%	
- public (°)	22,476	-4.7%	-6.0%	-3.2%	

^(*) Investments in construction net of costs for transfer of ownership (°)

^(°) Ance estimates

Ance data on Istat data

PUBLIC WORKS

2018 ended with an increase over the previous year of 1.5%. This is a limited increase, due to the slowdown in investments by municipalities and other local authorities in the 2016-2018 three-year period who were faced with the adoption of new public finance rules and with the procedural innovations of the new contract code, factors which have not helped the opening of new construction sites. This trend contradicts the significant recovery of investments in 2018 by the state, the regions and some of the main national and local companies in the wider public sector.

Starting from 2019, according to the XXVI Report of the CRESME research centre, the effect of the resumption of investments by local authorities should be felt, driven by the considerable public resources made available to the sector in the 2016-2018 three-year period, and by the private resources of the motorway concessionaires, the operators of national airports, and water, energy and telecommunications network operators. The new investment cycle should last at least until 2023, even if the magnitude and duration remain uncertain. In this situation, the expected growth rates in the five-year period 2019-2023 are 3.2% in 2019, 3.9% in 2020, 3.6% in 2021, 2.3% in 2022 and 1.2% in 2023.

The driving forces could be investments in transport infrastructures (railways, roads, bridges, airports and metros), including strategic and priority ones under development for ultra-wideband communications systems; the integrated water system; the upgrading of the national electricity transmission network and energy efficiency of lighting systems; the transport and distribution of gas; and waste management.

From 2019, investments in non-residential public buildings supported by new works should also resume growth, mainly relating to new hospital facilities and interventions for the enhancement, maintenance, static and seismic adjustment, functional and technological adaptation and upgrading of systems, as well as the energy upgrading of buildings owned by central public administrations.

THE NEW HOUSING SECTOR

If the public works sector is expected to start growing again next year, the housing sector records some encouraging data. Indeed, in recent years building permits for new housing have grown by + 3.9% in 2016, by 11.3% in 2017 and by 8.7% in the first quarter of this year. Domestic concrete consumption has also increased (+ 1%) and sales of wall bricks have grown after many years (+ 2.8% in the first quarter of 2018). Even if only slightly, financing of investments for residential (+ 0.6%) and non-residential (+ 33%) housing increased. Construction and energy upgrading works grew by 1.7% in the first eight months of this year, while the residential and non-residential real estate market is growing in 2018 with rates around 5%.

Against the background of these data and if the general climate does not degenerate, construction could make an important contribution in terms of growth.

Finally, according to the CRESME report, the value of production in the construction market in 2018 should amount to 171 billion euros against 167 in the previous year. About 74% of this market is made up of ordinary and extraordinary maintenance interventions on existing assets. In 2017, according to CRESME estimates, civil engineering works were worth 23 billion euros and in 2018 growth was modest, that is to say only 0.2% more.

In the four-year period 2019-2022, again according to the XXVI Report, the building sector should finally show growth with rates higher than 2% between 1999 and 2021, but with decreasing dynamics: +2.5% in 2019, +2.3% in 2020, +2.1% in 2021. In 2022 it should fall below 2% (1.7% to be exact). In 2023 the construction of new residential housing should stop, with growth at a rate of 1%.

Carron Financial Statements 2018

DIRECTORS' REPORT - Carron SPA Financial Statements

RESIDENCES FOR THE ELDERLY, INVESTMENTS GROW BY 15-20% PER YEAR

The company has paid specific attention to the opportunities this sector can offer since it can generate income more in line with the period preceding the crisis of the last decade compared to the procurement activities of the economic situation of the sector.

Currently the market is potentially very attractive, even if characterised by a high degree of fragmentation of the property.

Among the negative factors is the fact that the timing - which unfortunately is more than six years on average – for the development of a new nursing home (RSA) is particularly dilated due to the complex articulation of the process to create, authorise, accredit and then agree on a structure.

The country is ageing rapidly and the non-self-sufficient population does not find an adequate response to the demand for assistance in the national health system, and families, also due to the crisis, find it increasingly difficult to take charge of their elderly. The lack of RSAs (nursing homes) has become a truly national emergency to which real estate investors, together with specialised sector operators, can not only provide a solution, but also turn it into an investment with excellent returns, as already happens abroad.

THE POTENTIAL OF THE SECTOR

Italy is the last in Europe in terms of specialised structures for the non-self-sufficient elderly. According to the European Commission, a standard nursing home should have 50-60 beds for every thousand inhabitants over 60 years of age. In Italy, there are 18.5 beds for every thousand inhabitants, with large imbalances across the national territory and a clear concentration in the northern regions. The main candidates for reducing this gap are reserved real estate funds, which have already started investing in the sector. From 2014 to 2016 there was an increase of almost 20% in resources dedicated by the funds to residences for the elderly, with a total of around 1.2 billion euros at the end of 2016. On the basis of the operations being analysed (due diligence, negotiations, etc.) the positive trend will intensify over the next two years, with estimated increases of around 15% every year.

THE DEMOGRAPHIC SCENARIO

In Italy, the number of inhabitants in the over-65 age group represents 22% of the population (in 1986 it was 13%). In this context, the "oldest", that is, the elderly over 85, have grown by 11.4% in the last four years. According to the forecasts, the percentage of over 65s will be 24% in 2026 and 29% in 2036. In Italy the elderly, in terms of health, are relatively well and the new elderly are generally in good health. The elderly Italian population shows a state of economic wellbeing higher than that of the younger age groups of the population, with higher than average disposal income.

Despite these advantages, in the case of conditions that inhibit or preclude self-sufficiency, the resources available to the elderly to meet new needs are often insufficient –

and all the more so in light of the reduction in the budget for social policies allocated by the state.

OPEN OPPORTUNITIES

The Italian institutional investors that today dedicate themselves to this sector are mainly ecclesiastical institutions, foundations and social security institutions, 20% are real estate funds and fixed capital funds (SICAFs).

Currently there are 12 real estate funds dedicated to this market. Half invest only in nursing homes. It is expected that there may be at least 20 specialised funds. Expected returns range from 6 to 7%, falling below 6% in the case of managed-only investments and exceeds 6.5% in the case of real estate development. The approximately 1.2 billion euros that today real estate funds invest in nursing homes, although on the rise, represent just 1.7% of the total investment in real estate.

The intention was therefore to increase the company's operating margin, which in recent years has suffered from the crisis in the sector, due to the scarcity of public investments and fierce competition from economic operators, and redefine the company's organisational structure and financial measures to support these initiatives.

FORECASTS FOR 2019

The signs of a slowdown in the national and international economy make the performance of the construction sector for the current year 2019 and the subsequent one very uncertain. In relation to the weakening of GDP, the 2019 Budget Law does not seem to respond to the need to support and amplify the increase in wealth, which in Italy is still lower than pre-crisis levels [-4.2% compared to 2007 GDP]. The budget law has chosen to increase current expenditure, reducing the announced investment commitment.

In 2019 there is a real risk of an increase in the deficit/GDP ratio agreed with the European Commission and the consequent need to reduce public support to the economy during the year.

If this happens, not only would there be a reduction in public resources, but also a reduction in the expectations of citizens and businesses, who might reconsider their choices on consumption and investments

This would determine a significant weakening of the first signs of recovery that are observed, for example, in the sectors of residential and non-residential investments, which have seen a significant increase in building permits in 2017 and 2018.

On this basis, the forecasts for 2019 relating to the construction sector lead us to postpone the hypothesis of a substantial recovery in investment levels, especially those linked to the public sector. With reference to private investments, it is possible to estimate a recovery in the residential and non-residential sectors, however to a lesser extent than can be observed from current trends, precisely because of the downsizing of expectations.

Based on this evidence, ANCE forecasts for 2019 an increase in investments in construction by 2% in real terms.

In detail, the individual sectors show a further 0.7% increase for investments in extraordinary maintenance on the housing stock.

This estimate also takes into account the impact on production levels due to the start of the first seismic risk reduction interventions via the EcoSisma incentive bonus system for entire apartment buildings.

The positive trend is expected to continue also for investments in new housing and private non-residential building with increases, respectively, of 3.5% and 3% on an annual basis.

With reference to the public works sector, ANCE estimates for 2019 an increase by 1.8% compared to 2018. This is an initial positive sign, albeit slight, but it is absolutely not enough to reverse the long negative trend in progress since 2005.

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MAIN EVENTS OF THE PERIOD

With regard to the Group's restructuring plan, it is reminded that in 2018 the shareholding structure was reorganised under Carron Holding S.r.l., established in June 2018, to which the share owned by Carron S.p.A. in Carron Bau S.r.l. was transferred.

Carron S.p.A., as a result of the foregoing, will no longer draw up the consolidated financial statements, which will be drawn up by Carron Holding S.r.l.

ACQUISITIONS

The Group has made important acquisitions of works during 2018, both in the field of public works and private customers, for a total value of approximately Euro 115 million, including the acquisitions made during the first quarter of 2019.

These include:

Total	Million/euro	115
Development of a building for nursing home use in Nichelino (TO) as sales of future assets to R.E.A.M. S.G.R. S.p.A.	Million/euro	19,2
Development of a building for commercial use in Turin - Strada della Pronda as sales of future assets to DIMAR S.r.l.	Million/euro	10,0
Renovation of the "Cortile della Seta" building in Milan - Via Moscova – Via Solferino on behalf of Savills Investment S.G.R. S.p.A. (Fondo Sericon)	Million/euro	20,0
Renovation of small villas in Rome on behalf of Colony Star s.a.s.	Million/euro	1,5
Implementation of a building for office use in via Sarca, Milan, on behalf of Kryalos S.G.R. S.p.A.	Million/euro	12,2
Demolition and construction of a building in Milan – Via Gattamelata on behalf of Kryalos S.G.R. S.p.A.	Million/euro	36,5
Renovation of the "Ex Boccardo" building in Bresso, Milan, on behalf of Zambon Immobiliare S.p.A.	Million/euro	9,8
Residential units in Silea (TV) – Sily development plan on behalf of Immobilmarca S.r.l.	Million/euro	5,5

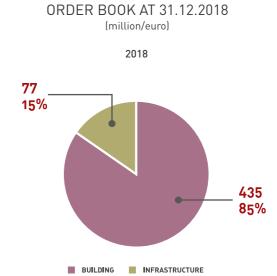
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PORTAFOGLIO LAVORI

Carron Spa's backlog of works amounts to Euro 512 million at 31.12.20178, of which Euro 435 million for contracts and civil constructions works and Euro 77 million for the development of infrastructure projects.

Million/Euro



(million/euro)
2017

71
16%

379
84%

ORDER BOOK AT 31.12.2017



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ECONOMIC DATA AT 31 DECEMBER 2018

Million/Euro

DESCRIPTION	2018	2017	Variazione
Revenues	174,3	151,2	+15.0%
Earnings before interest, taxes, depreciation, and amortization – Ebitda Ebitda $\%$	8,8 5.04%	5,8 3.80%	+52.6%
Earnings before interest and taxes – Ebit Ebit %	7,9 4.54%	4,6 3.06%	+ 70.4%
Result before taxes	14,5	6,0	+141.2%
Net result for the period	11,9	4,9	+143.0%

Ebitda

It is defined as earnings before interest, taxes, depreciation, and amortization

Corresponds to the operating profit as shown in the income statement of the financial statements under item "Difference between value and production costs".

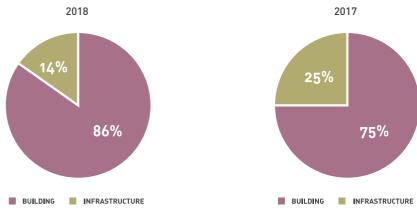
BREAKDOWN OF REVENUE BY SEGMENT

Million/Euro

DESCRIPTION	31 dicembre 2018		DESCRIZIONE	31 dicembre 2017	
	Building	Infrastructure	DESCRIZIONE	Building	Infrastructure
Italy	86%	14%	Italy	75%	25%
Percentage of revenue			Percentage of revenue		

2017

75%

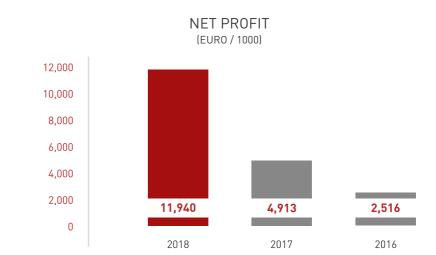


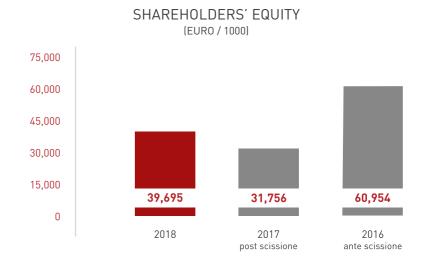
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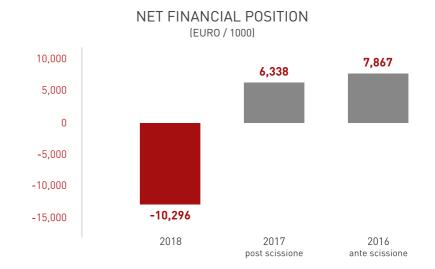
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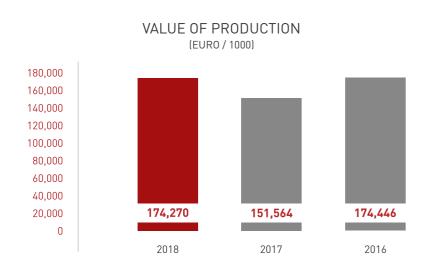


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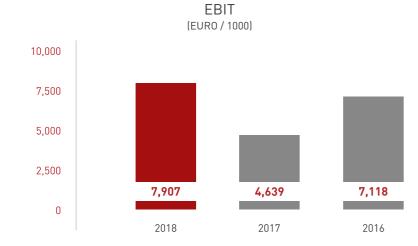












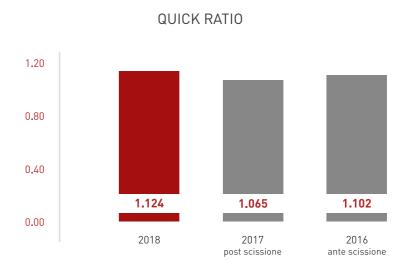
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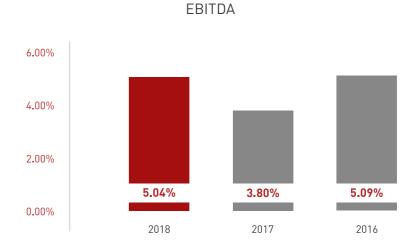


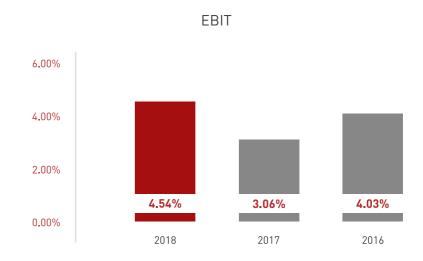


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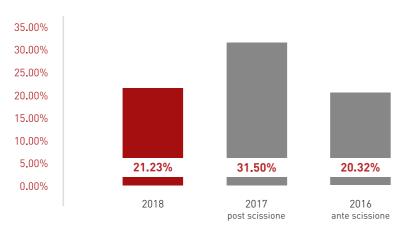


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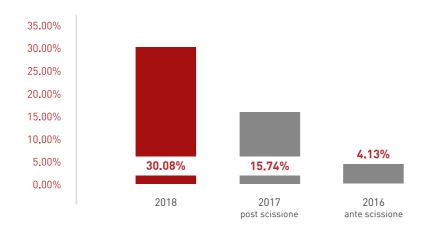




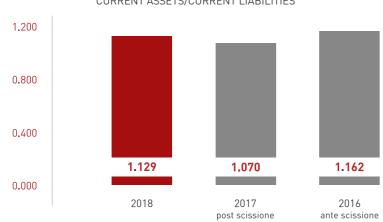
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R.0.E.







FOCUS ON CONSTRUCTION SITES

OSPEDAL GRANDO S.r.l. - Licensee project company

Construction of the "Cittadella Sanitaria" at the hospital in Treviso

- Progress of the executive design, start of construction of new building A 36, start of hangar works and new heliport, start of works on new MTL parking lot and new recycling point, start of works on new N1 building, construction of lamination tanks and meteoric network, demolition of Villa Olivotti, start of works on foundation for underpass.

KRYALOS S.G.R. S.p.A.

Works related to the preservation and restoration relating to the second phase of the Real Estate complex for office use located in Piazza Cordusio 1 - Via Orefici 15 - MI

- Completion of technical systems and finishing.

GENERALI REAL ESTATE S.G.R. S.p.A.

Requalification works on building in via Chiese - MI

- Electrical and mechanical systems, glazed façades, indoors and outdoors flooring, external underground utilities, works on green areas.

PROVINCE OF TRENTO

Executive design and execution of construction work for the 1st expansion stage of the Trento 3 water treatment plant and regrading of S.S. (State road) 12 of Abetone and Brennero

- Slurry walls, jet grouting for lifting bottom plug, earth moving excavations and embankment, excavations works, supply and laying of cast iron pipes, sheet piling, temporary underpass to SS12.

WESTINVEST GESELLSCHAFT FUR INVESTMENTFOND MBH

Non-routine maintenance works on the building located in Via Giosuè Carducci, 1/3, Milan

- Progress of system installation, internal finishing works.

BVK HIGHSTREET RETAIL CORDUSIO S.p.A.

Complete renovation of the building located in Milan - Piazza Cordusio 2

- Glass doors and windows, systems, raised floors.

PIZZATO ELETTRICA S.r.l.

Construction of the new headquarters in Marostica (VI)

 Reinforced concrete structures, metal roof structures, walkways and shading devices, Leca block walls, roofing waterproofing and insulation, screeds and industrial floors, sheet metal claddings, thermal coating, exterior doors and façades, painting, technological systems.

REAM S.G.R. S.p.A.

Construction of two nursing homes on the properties located in Via Marochetti, Turin, for a total of 400 beds

- Installation, electrical and mechanical works, internal demolitions, reclamation, doors and windows, plasterboard, indoors and outdoors flooring, foundations, façades restoration.

ZAMBON IMMOBILIARE S.p.A.

Requalification of the "Ex Boccardo" building in Bresso, Milan

- Excavations, concrete works, prefabricated structures, steel structures, fixtures and façades, electrical and mechanical systems.

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KRYALOS S.G.R. S.p.A.

Demolition and construction of a building for office use and annexed functions in via Gattamelata, Milan

- Construction site set-up, provisional works, remediation.

KRYALOS S.G.R. S.p.A.

Construction of a building for office use and annexed functions in Viale Sarca, 222, Milan

- Execution of reinforced concrete works

SAVILLS I.M. S.G.R. S.p.A.

Requalification of the building in Via della Moscova and Via Solferino, Milan

- Construction site, scaffolding and props set-up, demolitions, reinforced concrete structures.

REAM S.G.R. S.p.A. - DIMAR S.p.A.

Construction of a residential and commercial complex in the Municipality of Turin, Strada della Pronda; the residential building will be sold to REAM S.G.R. S.p.A., while the commercial one to Dimar S.P.A., both as "property yet to be built".

- Construction site set-up

ICADE S.A. - NUMERIA S.G.R. S.p.A. - Salute 2 fund

Construction of nursing homes for non-self-sufficient people for a total of 180 beds in Via Debouché, municipality of Nichelino, Turin

- Construction site set-up.

AUTONOMOUS PROVINCE OF TRENTO

Restoration of the town of Lavis through the execution of the open – air cutting of the Trento – Malè railway and relocation of Lavis train station

- Works in reinforced concrete, special installations for the central station building and tunnel, central station building works, railway superstructure works electric traction, metal structures, green works, urbanization of street furniture and playground.

FRANCIACORTA RETAIL S.r.l.

Extension of the "Franciacorta Outlet Village" building in Rodengo Saiano, Brescia

 Urbanisation works, external flooring, playground, reinforced concrete structures, metal structures, roof waterproofing, sheet metal and insulation works, screeds and industrial flooring, dry construction works, painting and decoration on façades, technological systems, doors and windows and facades

UNIVERSITY OF PADUA

Restoration of the "former geriatric hospital" complex for the construction of the new headquarters of the University of Padua's humanistic department

Completion of: specific localised demolitions and removals, adaptation of structures
reinforced concrete and restorations, metal structures, wooden roofs and sheet metal works, heavy
walls, waterproofing, insulation, screeds and base layers. Plasterboard, false ceilings and finishing
works. Technical systems and elevator systems. Environmental remediation and disposal.

GUCCI LOGISTICA S.p.A.

New Gucci logistics hub consisting of buildings M.1, M.2, M.3, M.4, M.5, M.6, M.7, M.8, M.9, M.10, M.11, M.12 - former "Matec" area in Scandicci, Florence

- Completion of: sheet metal works and support for paving systems, plasterboard, suspended ceilings and internal movable walls, floors, painting and settings, blacksmith works, roofs and sheds, external works with bituminous coverings, reinforced concrete floors, green works and fences. Completion of mechanical, fire-fighting, electrical and special systems and dust extractor. Extra works: modification of Q Master offices layout, jewellery and brand area, Hall area settings, system modifications on M1 and M2 buildings.

ETRA S.p.A.

Expansion and functional redevelopment of the purification plant in Cittadella, Padua - 2nd section works

 Completion of: new non-sewage waste treatment section, new sand deposit, demolition and reconstruction of the filtration system, new sludge thickening basin, construction of bio-filter duct, reinforced concrete bases under large diameter pipes, industrial doors, windows and painting. Completion of mechanical, fire-fighting and electrical systems of competence. Completion of underground utilities, hydraulic and process connections, external areas, z paving, green works and fences.

METROPOLITAN CITY OF BOLOGNA

Completion of the general bypass road for Provincial Road no. 569 in Vignola for the development of bypass roads for Provincial Road no. 27 "Valle del Samoggia" and Provincial Road no. 78 "Castelfranco - Monteveglio" in the municipality of Valsamoggia, Bazzano and Crespellano

- Resolution of interferences between Enel, Snam, Hera, Telecom and the Italian Air Force - POL-Nato summit, completion of: underpasses in via Papa Giovanni XXIII, via Bargellina, rio Cassola, viaduct on Provincial Road no. 27 Valle del Samoggia, railway viaduct, underpasses on via Lunga, overpass on bypass road for Provincial Road no. 569, small bridge over Rio Martignone, bridge over the Samoggia creek, overpasses to the roundabout at the junction of Pronvicial Road no. 27. Completion of embankments and road bases, collection networks for waste water disposal and minor works. Road paving, lighting systems; start of road signs.

MARCHE REGION

Executive planning and execution of the works necessary for the effective and functional construction of the new hospital in Campiglione di Fermo in the Municipality of Fermo, province of Fermo

- Executive planning activities and planning coordination, completion of infrastructures for the divertion of Enel, Telecom and Idrica networks present on the lot, preventive and in-depth investigation campaign for clearing out explosive devices left over from the war, construction of alternative roads for access to residents. Archaeological survey works, development of initial preparatory works, archaeological levelling of the property and additional archaeological excavations.

PROVINCE OF MANTUA

 $Requalification \ of former \ State \ Road \ no.\ 236\ "Goitese" - Guidizzolo\ by pass\ road - Northern\ ring\ road\ towards\ Guidizzolo$

- Completion of the overpass and the San Cassiano junction artificial tunnel, construction of the overpass for "strada comunale dei Tommasi", finishing of the underpass for Provincial Road no. 14 and of the works relating to the Virgilio bridge. Progress of works related to excavations, underpinning and road embankments, road sides, waste water collection and disposal networks, modification works to hydraulic systems covered by the Consorzio di Bonifica Alta e Media Pianura Mantovana. Start of installation of corrugated pipes for the lighting systems, construction of prefabricated retaining walls for roads, accesses for private individuals and minor works. Carron
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ALLIANZ S.p.A.

Preservation works with change in intended use for the construction of a hotel in Piazza della Repubblica No. 1 in Trieste

- Completion of demolition works, removal, strip-out, construction of: reinforcement structural works, consolidation of structures, slabs, connectors and structural screeds, metal structures, restoration of wooden structures and new beams and roof boards. Development of the roof package, advanced work in progress in terms of horizontal stratigraphy on the inner floors. Development of heavy masonry and plasterboard, external doors and windows and skylights, progress of technical systems. Start of façade restoration treatments: cleaning of metal elements, cleaning and sandblasting of stone elements.

ALLIANZ S.p.A.

Requalification and renovation of buildings in the Allianz Group headquarters in Largo Ugo Irneri in Trieste - consisting of a central building called building "H" (wings H1 - H2 - H3 - H4) and a building called building "A".

- Completion of finishing works for the H1 wing with: false-ceilings and ribs, painting, internal doors and windows.

curtains and H1 technical systems. Completion of building A works with: plumbing and drainage system, mechanical-fire-fighting and electric systems, building finishing for the gym and meeting areas, completion of the 3rd floor of building A. Complete construction of the H2 office wing with: demolition and removal works, structural consolidation, structural restoration works, technical systems, building finishing and external ventilated opaque façade coverings. Progress of external works with: paving in natural stone, gratings and handrails and requalification of green areas.

BANCA NAZIONALE DEL LAVORO S.p.A.

Functional redevelopment of the building located in Piazzale dell'agricultura in Rome - Banca Nazionale del Lavoro S.p.A. of the BNL banking group, Viale Altiero Spinelli n.30, Rome

- Demolition, removal, strip-out works and complete asbestos removal within the building, implementation of: consolidation of structures, structural restoration works and modification of stairwell and elevator units, integration of metal structures and loadbearing floor slabs, work in progress works such as: intumescent treatments of existing structures, heavy walls, plasters, waterproofing and insulation of roofs and terraces, industrial floors on basements and screeds. Completion of finishes with: internal plasterboards and false ceilings, accessible raised floors, internal doors, movable partitions, glass windows and internal painting. Realization of elevator systems (technical systems not included). Pavement, signage, outdoor paving and green works

COMMENTS

The production volume at 31 December 2018 of Euro 174,3 million is up by 15% compared to the figure for 2017. This result is due to certain projects that entered the phase of full operation, after the initial planning and organisational preparation, as well as full to the start of works in the "closed" nursing home sector, which means that said structures will be owned by investors-purchasers.

Some orders have been significantly delayed during start-up, essentially due interruptions in the proceedings of the contracting authorities with respect to the initial schedules (Treviso Hospital, Fermo Hospital, H Farm), preventing the full achievement of the industrial plan objectives, involving the shift of the production in 2019. The contribution of civil construction, in terms of production value, proved to be prevalent (84%) as evidence of the fact that in the market there were no significant works in the infrastructure sector that the Group could pursue.

The income dynamic has recorded significant overall progress and the EBITDA has gone from 3.80% in 2017, for a value of Euro 5.8 million, to 5.04% in the year 2018, recording an increase of 52.6%, with a value of Euro 8.8 million.

The operating margin has improved, thanks to targeted interventions in the acquisition of the most profitable orders. There was also a positive contribution to improving margins from the "closed real estate fund" operation.

In some rare cases, the orders budget had to be revised, the execution of which envisaged negative trends, whose expected losses were entirely attributed to the financial year in order to sterilise the effects on the next years.

After the spin-off operation carried out in 2017, which led to the separation of industrial activities from real estate activities - which in the past had been an important part of the Group's activities - in 2018 the shareholding structure of the corporate structure was reorganised under Carron Holding S.r.l., established in June 2018, to which each shareholder has transferred their own shareholding owned by Carron S.p.A. In particular, Carron S.p.A. has transferred to Carron Holding

S.r.l. the entire 80% shareholding owned within Carron Bau S.r.l., with the effect of generating, within Carron S.p.A., a capital gain of Euro 4.6 million.

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BALANCE SHEET AND FINANCIAL DATA AT 31ST DECEMBER 2018

(In thousands of Euro)

DESCRIPTION	2018	2017	Variation
Intangible fixed assets	481	479	2
Tangible fixed assets	15,863	16,253	(390)
Financial fixed assets	2,283	2,909	(626)
Financial receivables after twelve months	12,755	10,692	2,063
Trade receivables after twelve months	12,786	1,510	11,276
Fixed assets	44,168	31,843	12,325
Net working capital	8.022	(3,826)	11,848
Provisions for liabilities, staff severance indemnity, net long term debt	[2,198]	(2,598)	400
Net invested capital	49,992	25,419	24,573
Shareholders' equity	39,695	31,756	7,939
Payables (credit lines) vis-à-vis the banking system	10,297	(6,338)	16,635
Sources	49,992	25,419	24,573

INVESTED CAPITAL

The net invested capital amounts to Euro 50,0 million (Euro 25,4 million in 2017), an increase of Euro 24,6 million, mainly due to the significant investments made in the closed Real Estate sector (a nursing home -RSA-, a business and residential complex, along with two other areas in the Turin area) and the progress of works on construction sites which, due to the contractual conditions governing the relationship, recorded a slower turnover compared to the historical data, expanding the scope of current commercial assets and consequently of the net working capital (up by Euro 11,8 million), however, without transferring that same effect to the current liabilities (in particular as regards the supplier segment).

FIXED ASSETS

For the purposes of reclassification, from a management standpoint, of the financial statements values, fixed assets include intangible and tangible assets at their net value and medium/long-term financial assets, typically represented by equity investments not included in the consolidation, receivables from loans due from related parties in the medium/long term and trade receivables due after 12 months.

At 31.12.2018, fixed assets amount to Euro 44,2 million (Euro 31,8 million at 31.12.2017), of which Euro 0,5 million for intangible assets (Euro 0,5 million at 31/12 2017), Euro 15,9 million for tangible assets (Euro 16,3 million at 31.12.2017), Euro 2,3 million for financial assets (Euro 2,8 million at 31.12.2017), financial receivables due after 12 months for Euro 12,8 million (Euro 10,7 million at 31.12.2017), recording an overall increase, compared with the figure at 31.12.2017, of Euro 12,3 million.

The detailed analysis of the changes occurred is contained in the specific illustrative section of the "Explanatory notes to the financial statements" to which reference is made.

NET WORKING CAPITAL

The operating working capital, given by the difference between the current assets, amounting to Euro 104,1 million (receivables, inventories, work in progress and other assets) and current liabilities, amounting to Euro 96,1 million euros (suppliers, advances from customers and property promissee purchasers, trade payables and other payables), amounts to Euro 8 million and is made up as follows:

(In thousands of Euro)

DESCRIPTION	2018	2017	Variation
Inventories	14,063	16,529	[2,466]
Work in progress	60,362	24,858	35,504
Trade receivables	20,775	37,871	[17,096]
Receivables due from controlled consortium companies	565	490	75
Receivables from associated companies	1,901	882	1,019
Receivables due from parent companies	601	-	601
Receivables due from controlled companies by the parent company	59	-	59
Tax receivables	2,197	2,207	(10)
Receivables for prepaid taxes	34	34	-
Receivables due from others	2,767	1,489	1,278
Current financial assets	122	122	-
Accruals and deferrals	670	1,363	(693)
Total current assets	104,116	85,845	18,271
Advances received	25,394	4,975	20,419
Trade payables	58,186	72,294	[14,108]
Payables due to controlled companies	4,245	3,169	1,076
Payables due to associated companies	2,928	2,753	175
Tax payables	1,184	1,099	85
Payables due to pension and social security institutions	968	950	18
Other payables	3,118	4,420	(1,302)
Accruals and deferrals	70	12	58
Total current liabilities	96,093	89,672	6,421
Net working capital at 31.12.2018	8,022	[3,826]	11,848

The net working capital goes from Euro -3,8 million at 31.12.2017 to Euro + 8,0 million at 31.12.2018, marking an increase of Euro 11,8 million.

The "land" item (Euro 12,8 million), which include the development of a nursing home in Nichelino (TO) and a residential complex in Turin for residential and commercial use, both subject to a preliminary sale contract for a "property yet to be built", to be completed with effect from 2019.

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WORK IN PROGRESS

This item includes work-in-progress contracts spanning several years that are valued based on contractually agreed fees accrued with reasonable certainty, according to the percentage of work completed, applying the cost-to-cost method.

The value of inventories at 31.12.2018, amounting to Euro 74,4 million, has recorded an increase of Euro 33,0 million compared with the previous year (Euro 41,4 million). This significantly contributes to the increase in net working capital and reflects the remarkable book value of the work relative to the nursing home in Turin (subject to preliminary sale contracts). At the same time, it reflects the extension of average collection time of receivables for contract works, due to lengthy contract terms in the drafting of work progress reports and the issue of payment certificates.

The increase in net working capital is also due to a physiological reduction in the supplier payment cycle compared with the previous year, due to the cyclical trend in production on construction sites, adding to the effect of the increase in the value of inventories and negatively affecting the average working capital cycle.

With regard to the structure of the working capital, it is observed that the situation in which companies in the building sector operate makes it difficult to extend payment terms downstream which, instead, are imposed by customers to the contractors by leveraging on low market requests.

SHAREHOLDERS' EQUITY

At 31.12.2018 the Group shareholders' equity, consisting of the share capital and the legal and optional reserves, amounts to Euro 39,7 million, recording an increase of Euro 7,9 million compared with the figure at 31.12.2017 (Euro 31,8 million). Please refer to the explanatory notes for further information.

NET FINANCIAL POSITION

(In thousands of Euro)

DESCRIPTION	2018	2017	Variation
On hand	50	49	1
Cash and cash equivalents held in banks	16,250	17,744	[1,494]
Liquidity	16,300	17,793	(1,493)
Short-term bank debt	(10,568)	(7,146)	(3,422)
Non-current bank loans	(16,028)	(4,309)	(11,719)
Net financial position towards the lending system	(10,297)	6,338	(16,635)
Receivables due from associated companies after 12 months	103	18	85
Receivables due from other companies after 12 months	12,652	10,674	1,978
Financial position towards others	12,755	10,692	2,063
Total net financial position	2,458	17,029	(14,571)

The Group's financial position vis-à-vis the banking system decreased by Euro 16,6 million, from Euro 6,3 million at 31.12.2017 to Euro -10,3 million at 31.12.2018. The overall position, which includes financial receivables and payables from/to other companies and from/to associated companies, amounted to Euro + 2,4 million, a decrease of Euro - 14,6 million compared with 31.12.2017 (Euro 17,0 million).

NOTES TO THE INCOME STATEMENT

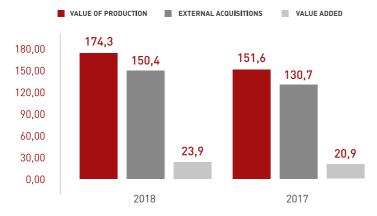
Reclassification of the income statement - "value added" method

The following reclassification is proposed to highlight the intermediate results of economic management by highlighting the "Value added", the "Gross operating margin", the "Operating margin" and the result of the year:

(In thousands of Euro)

DESCRIPTION	2018	%	2017	%
VALUE OF PRODUCTION	174,270	100,00	151,564	100,00
Costs for acquisitions	(150,407)	(86.31)	(130,674)	(86.22)
VALUE ADDED	23,863	13.69	20,890	13.78
Labour costs	(13,627)	(7.82)	(13,377)	(8.83)
Sundry operating expenses	[1,447]	(0.83)	[1,414]	(0.93)
Other provisions	-	-	(339)	(0.22)
EBITDA	8,789	5.04	5,760	3.80
Depreciation	(651)	(0.37)	(922)	(0.61)
Amortisation, depreciation and write-downs	(231)	(0.13)	(200)	(0.13)
EBIT	7,907	4.54	4,639	3.06
Financial income and (charges)	7,237	4.15	1,833	1.21
Revaluations (write-downs)	(616)	(0.35)	(450)	(0.30)
Profit before tax	14,527	8.34	6,022	3.97
Income taxes	(2,588)	(1.48)	(1,108)	(0.73)
Net profit for the year	11,940	6.85	4,913	3.24

Income statement



Production in 2018 records an increase by 15.0 % compared to the previous year, from Euro 151,6 million to Euro 174,3 million.

Costs for external acquisitions of goods and services amounted to Euro 150,4 million, accounting for 86.3% of the value of production (86.2% in 2017).

The value added stands at Euro 23,9 million, which corresponds to 13.69% of the value of production, against Euro 20,9 million in the previous year (13.78% of the value of production).

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The item "value added" is broken down as follows:

(In thousands of Euro)

DESCRIPTION	2018	2017	Variation
Sales and services revenues	138,377	152,868	[14,491]
Changes in work in progress	35,504	(2,911)	38,414
Changes in product inventories	(760)	[412]	(348)
In-house work	-	357	(357)
Other revenues and income	1,149	1,662	(513)
Total value of production	174,270	151,564	22,706

The item "production costs" is broken down as follows:

(In thousands of Euro)

DESCRIPTION	2018	2017	Variation
Raw and ancillary materials	23,928	23,901	27
Services	120,877	118,190	1,344
Use of third-party assets	3,896	3,323	573
Changes in inventories	1,706	(14,740)	16,446
Total external purchases	150,407	130,674	19,733
Labour costs	13,627	13,377	249
Amortisation, depreciation and write-downs	881	1,122	(271
Other provisions	-	339	(339)
Sundry operating expenses	1,447	1,414	33
Total production costs	166,363	146,925	19,437

The item "value added" is broken down as follows:

(In thousands of Euro)

DESCRIPTION	2018	2017	Variation
Value added	23,863	20,890	2,973
Compensation for work	(13,627)	(13,377)	(250)
Sundry operating expenses	[1,447]	(1,414)	(33)
Other provisions	0	(339)	339
EBITDA	8,789	5,760	3,029
Depreciation	(651)	(922)	271
Amortisation, depreciation and write-downs	(231)	(200)	(31)
EBIT	7,907	4,638	3,269
Financial income and (charges)	7,237	1,833	5,404
Write-downs	[616]	(450)	[166]
Profit before tax	14,528	6,021	8,507
Taxes	(2,588)	(1,108)	[1,480]
Shareholder's net income	11,940	4,913	7,027

The EBITDA trend for the year showed an increase, from 3.80% at 31.12.2017 to 5.04% at 31.12.2018 (+ 33%).

The effects of a more targeted and selective action in the acquisition of works were noted, to which was added the profitable contribution of the margins produced by real estate operations carried out during the year.

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INFORMATION REQUESTED BY THE PROVISIONS OF LEG. DECREE 32/2007, IMPLEMENTING DIRECTIVE 2003/51/EC AMENDING ARTICLE 2428 OF THE ITALIAN CIVIL CODE

INDICATOR	2018	2017
Ratio of current assets to current liabilities Current assets/current liabilities	1,129	1,070
Equity to fixed assets ratio Shareholders' equity/Fixed assets	0,899	0,997
Ratio of fixed assets to total assets Fixed assets/net assets	0,268	0,235
Flexibility of net assets Current assets/net assets	0,732	0,765
Overall debt ratio Shareholders' equity/Total liabilities	0,318	0,306
Debt to equity ratio Shareholders' equity/Net financial position	3,855	(5,011)
Acid test Current assets-stocks/Current liabilities	1,124	1,065
Total debt ration Liabilities/ Shareholders' equity	3,146	3,266
Financial debt/Ebitda Financial position vis-à-vis lenders/gross operating margin	1,172	(1,100)
Ebitda/Financial payables Gross operating margin/financial position vis-à-vis lender	0,854	(0,909)

OPERATING PERFORMANCE THROUGH ASSOCIATED AND CONTROLLED COMPANIES

Investments in consortium companies

The investee consortium companies indicated under the item "Financial assets not held as fixed assets" in the Balance Sheet, represent corporate instruments through which the Group's companies, as principals or contractors of Temporary Business Associations, perform the services deriving from the contracts acquired. As per the operating procedure, the purpose of the consortium companies is to carry out contract work, thus primarily meeting organisational and operational requirements.

The consortium companies take over from the Temporary Business Associations by right, without this constituting a transfer of the contract. As for their responsibilities, in the case of "horizontal" Temporary Business Associations, all the companies, principals and contractors are bound by the bond of solidarity in fulfilment of the obligation (indivisible and unitary) assumed. It follows that, since all the companies are equally co-contractors and jointly liable for the entire contracted work (the proquota quantitative subdivision of the contracted work has merely internal relevance), the contracting entity can legitimately request the entire service from each debtor, with the exception of internal regressions (each company belonging to the TBA can, after complying in full, take action against the other companies according to contractual shareholdings).

On the contrary, in the case of a "vertical" TBA, joint and several liability does not involve all companies, jointly, but the principal company for its share of work and the contractor holding company.

By their nature, consortium companies are non-profit organisations as they act in the exclusive interest of the companies grouped together in the temporary consortium ("A.T.I.") to which they "charge back" the entire amount of their operating costs and charges without any remuneration for their work. The financial and earnings effects of operations are therefore entirely attributed to the participating companies in proportion to their shareholding.

OTHER INFORMATION

Status of the dispute

The progress of the civil litigation in the context of group activities, supported by the assessments of the legal advisors, does not give rise to particular concerns given the pending disputes and their value. With regard to the dispute, worthy of note for the 2018 financial year is the positive out-of-court conclusion of several civil proceedings.

Tax situation

From 17 June to 26 November 2015, an audit of the accounts of Carron Cav. Angelo S.p.A. was conducted by the Guardia di Finanza - Venice Tax Police Unit (Italian financial police – Venice tax police unit) - concerning VAT, income taxes and other taxes, for the 2013 tax period and for the period from 01.01.2014 until the date of access.

In 2018, following the notification of the assessment notices for the objections referring to the year 2012 and the notification with invitation to consent to the objections referring to the year 2013, the company Carron S.p.A. signed the relevant consent agreement, the effect of which was recorded in 2018.

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For the findings relating to the 2014 and 2015 tax years, there are good grounds for believing that these, being findings of a formal nature, will be concluded during the current financial year with a modest economic effect.

Against a tax assessment for the year 2006, a first-instance decision with unfavourable outcome for the Office was made, with a disputed amount for IRES (corporate income tax) purposes of Euro 659,998.00, which was followed by an appeal by the Italian tax agency. To date, the judgement is still pending. Moreover, in connection with the sums collected by the tax authorities as debt instalments, through payment notice, for the amount of Euro 129,695.16, a measure was issued for the total cancellation of the registration of the claim on 20 March 2017, by the Direzione Regione del Veneto – Ufficio Contenzioso (Veneto Region Directorate – Litigation Office), which was followed by the repayment of the initial amount paid of Euro 110,000.00, as well as other sums for accessories, for the total amount of Euro 135,729.99.

Risk management policies

The Group's activity is generally subject to various financial risks:

- Market risk (price of raw materials and fluctuation of share prices)
- Credit risk
- Exchange rate risk
- Interest rate risk
- Liquidity risk

The management of the Group's financial risks is carried out within the framework of specific organisational directives that govern the management of the aforementioned risks and the control of all the operations that have strict relevance in the composition of financial and/or commercial assets and liabilities.

The Group does not have any derivative financial instruments, nor are there any specific financial, price, credit or liquidity risks other than those deriving from operating activities.

The Group has a minimal exposure to interest rate risk, which therefore only affects the return on financial liquidity. There is no exposure to exchange rate risk as operations are carried out and revenues are produced exclusively in Italy, and the main costs incurred are in euros.

The Group does not have particularly significant credit risk areas; the operating procedures allow to control the credit risk, selecting the execution of contracts and/or services on behalf of customers who have an adequate level of credit and guarantees. Therefore, the maximum exposure to credit risk is represented by the book value in the financial statements.

The Group is exposed, to a non-significant extent, to fluctuations in the price of raw materials and services; this risk is managed by the operating companies through the use of a large supplier base enabling the best market conditions and through the conclusion, where possible, of procurement contracts that contain limitation clauses for risks related to the trend of raw material costs.

The risk areas relating to the protection of the health and safety of workers are managed in strict compliance with the laws and regulations.

Quality - Environment - Safety

The tools that allow to increase the efficiency of the quality system have assumed an increasing importance within the company and also in the year 2018 maximum attention was placed on strengthening this aspect by implementing all the measures dictated by the regulations in force.

To this end, the company has completely updated the "Integrated Management System (IMS) - Quality, Environment and Safety". The system therefore complies with the new international standards UNI EN ISO 9001:2015, UNI EN ISO 14001:2015 and BS OHSAS 18001:2007. The three management systems are certified in accordance with the standards for the construction sector, for the following activities:

- Design, construction, renovation and maintenance of construction, infrastructural (road and railway) and hydraulic engineering works;
- Restoration of real estate under protection

The relevant certificates were issued by ASACERT (an independent certification body in accordance with international standards ISO/IEC 17021). Certifications are maintained annually and renewed every three years.

The Group companies operate using the certified Quality Management System, also with regard to the Environment and Safety.

The system has been pre-established in order to achieve general objectives with the aim of:

- Rationalising and optimising both management and executive activities consistent with the new company organisation, by implementing the use of computerised processes;
- Minimising errors:
- Guaranteeing customer satisfaction, namely by assuring customers that the work, in technical and economic terms, is accomplished and maintained with the required quality, and also allowing external verification on the Integrated Management System;
- Orienting corporate culture towards environmentally-friendly behaviour (control and rationalisation
 of the consumption of water and energy resources, correct management and separation of waste
 and waste produced) and operated in compliance with the binding legislation and the voluntary
 regulatory framework (UNI EN ISO 14001);
- Pursuing the best possible conditions in terms of health and safety in the workplace and hygiene of the environments in which the personnel operates, in compliance with the requirements of current legislation and the voluntary framework (BS OHSAS 18001);
- Managing their activities also with the aim of preventing accidents, injuries and work-related diseases and safeguarding the health of workers, company assets, third parties and the community in which the company operates, thereby arranging the purchase, operation and maintenance of machines, plants and equipment, the organisation of workplaces, and the definition of operating methods and organisational aspects, with a view to continuous improvement;
- Ensuring the widest possible dissemination of all information notices regarding health and safety risks in the workplace and the intervention procedures in emergency situations that may harm persons or the environment;
- Reducing the general negative environmental impacts during the performance of company activities through an assessment of the same already in the planning phase and through an accurate selection, assessment and awareness-raising of suppliers and contractors;
- Seeking clear and direct forms of internal and external communication that give evidence of transparent behaviour and are founded on respect and collaboration;
- Seeking the satisfaction of all internal and external stakeholders;
- Maintaining the certification of the company's Integrated Management System.

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The Integrated Management System policy is based on compliance with several general concepts:

- Participation and involvement at all levels, based on the critical nature of the tasks and responsibilities of each operator;
- Continuous improvement, both in terms of satisfying customer requirements and the effectiveness of the Integrated Management System;
- Planning and review of company objectives.

In particular, the objectives and resources used to achieve them are defined yearly on a corporate basis following the review of the Integrated Management System and can be updated in relation to organisational and process changes, or strategic choices relating to the market policy of the company. The achievement of objectives is monitored on the basis of parametric values in order to objectively evaluate the achievement and take decisions based on factual information.

The company pays particular attention to the environmental and safety aspects in the workplace by applying the Management System, with constant actions by all personnel involved, assisted by the Internal Prevention and Protection Service composed of a supervisor and 3 employees.

The main actions are summarised as follows:

- Education, communication and training activities for all workers (office employees, labourers, technicians, supervisors, managers, emergency workers, workers with specific duties, prevention and protection service supervisor and staff, workers' representatives) in compliance with current legislation, including updates and supplementing with appropriate alternative training in order to improve knowledge and apply safety in the workplace;
- Supplier qualification, also and above all, in terms of legality and the absence of mafia infiltrations (through verification of registration to prefectural 'white lists' or through the Unindustria trade association by means of the legality protocol), and qualifying safety with a careful analysis of the documentation for verifying technical and professional suitability and the operational safety plan;
- Continuous maintenance and control of machines and equipment in compliance with current legislation, standards adopted and internal procedures in order to always have efficient machines and equipment and avoid accidents in the workplace;
- Management of chemical products through the acquisition of the relative safety data sheets, their updating, subsequent distribution and application of the requirements set out;
- Analysis of the planned work on site, drafting of the operational safety plans and subsequent updating according to the progress of the site;
- Systematic surveillance and monitoring in the workplace to comply with the provisions of the safety plans and the current legislation on safety in the workplace;
- Investigation of any accidents, injuries and dangerous behaviour or situations in order to establish the causes and implement appropriate preventive and corrective actions.

Human resources

Carron pays constant attention to staff development by dedicating time and customised measures to improving know-how and skills, with the aim of enhancing customer satisfaction and initiating new projects and business areas.

The purpose of HR management is to guarantee the effective and efficient use of resources, with reference to both the quantitative and qualitative aspects of the personnel, providing mutual benefit for the group and its people. For this to be effective, it is necessary to ensure, at the various levels of the organisation, that the individual, professional and organisational skills of those persons holding positions of responsibility correspond to and are consistent with expected performance.

Training and development

The objective of staff training is of significant importance, especially regarding aspects governed by regulations in relation to technical and professional skills and managerial behaviour.

The training activity in 2018 is the result of careful assessments of the needs expressed by the business lines and functions of the Group companies.

The investment made in terms of training hours and personnel involved was significant. Technical training courses, language training courses and refresher courses for personnel in the administration and control department have been provided, in accordance with relevant legislation, its evolution and the practical application of the relative frameworks.

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White list registration

The company is registered in the list of suppliers, service providers and operators not subject to mafia infiltration attempts, operating in the sectors most exposed to risk (the so-called white list) as identified in Article 1, Paragraphs 53 and 54 of Law no. 190 of 6 November 2012 and concerning the following sectors:

- transport of materials to landfill on behalf of third parties;
- extraction, supply and transport of soil and inert materials;
- packaging, supply and transport of concrete and bitumen;
- hiring of machinery with operator;
- supply of wrought iron;
- operated equipment rental;
- road haulage on behalf of third parties;

Registration on the white list, which is voluntary, fulfils the requirements of anti-mafia certification for carrying out the activities for which registration has been ordered and is therefore subject to the following conditions:

- Absence of one of the causes of forfeiture, suspension or prohibition pursuant to Art. 67 of Legislative Decree no. 159 of 6 September 2011 (Anti-mafia Code);
- Absence of any mafia infiltration attempts designed to influence the company's choices and intentions pursuant to Art. 84, Paragraph 3, of the Anti-Mafia Code.

Legality rating

The AGCM defines the company's level of legality reached through a score attributed to the individual applicant companies.

The legality rating is a new tool introduced in 2012 for Italian companies, aimed at promoting and introducing principles of ethical behaviour by assigning a rating on compliance with the law to requesting companies and, more generally, on the level of attention paid to the proper management of business. A sufficient legality rating level can help companies obtain benefits in terms of the granting of public funding and easier access to bank lending.

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BUSINESS OUTLOOK

With regard to the evolution of the group's management, based on the order books and the data and indicators currently available, a production of around Euro 180 million is planned for the year 2019. This figure may be realigned as a result of the favourable outcome of negotiations in progress and commercial operations which, as in the past, are characterised by a lively dynamism in the traditional regional and new contexts, and are considered a harbinger of future profits.

The Board of Directors

The Chairman Arch. Diego Carron





2018 STATUTORY FINANCIAL STATEMENTS

BALANCE SHEET

ASSETS		31.12.2018	31.12.2017
В	FIXED ASSETS		
I)	Intangible fixed assets		
3	Industrial patents and intellectual property rights	53,596	15,086
7	Other	427,519	464,344
	INTANGIBLE FIXED ASSETS	481,114	479,429
II)	Tangible fixed assets		
1	land and buildings	14,070,424	14,278,150
2	plants and machinery	1,330,711	1,475,286
3	industrial and commercial equipment	54,560	25,64
4	Other assets	407,319	473,610
	TOTAL TANGIBLE FIXED ASSETS	15,863,014	16,252,690
III)	Financial fixed assets		
1	equity investments in:		
	a) controlled companies	116,491	126,491
	b) associated companies	13,020	13,020
	b-bis) other companies	440,371	440,371
	Total equity investments	569,882	579,882
2	receivables:		
	a) from associated companies	102,800	17,838
	Total receivables from associated companies	102,800	17,838
	b-bis) from others	12,652,031	10,673,730
	Total other accounts receivable	12,652,031	10,673,730
	Total receivables	12,754,831	10,691,568
3	other securities	1,713,096	2,328,75
	Total other securities	1,713,096	2,328,75
	TOTAL FINANCIAL FIXED ASSETS	15,037,809	13,600,202
	B) TOTAL FIXED ASSETS	31,381,937	30,332,32
C	CURRENT ASSETS		
I)	Inventories		
1	raw, ancillary and consumable materials	13,378,225	15,084,33
3	Contract work in progress	60,361,580	24,858,00
4	finished products and goods	684,875	1,444,70
	TOTAL INVENTORIES	74,424,680	41,387,043
II)	Receivables		
1	trade receivables		
	a) due within one	20,775,393	39,380,550
	b) due after one year	12,785,892	(
	Total trade receivables	33,561,285	39,380,550
2	due to controlled companies		
	a) due within one year	565,045	490,187
	Total receivables due from controlled companies	565,045	490,18
3	due to associated companies		<u> </u>
	a) due within one year	1,900,585	882,137
	Total receivables from associated companies	1,900,585	882,137

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BALANCE SHEET

ATTIV0		31.12.2018	31.12.2017
4	From parent companies		
	a) due within one year	600,610	0
	Total receivables from parent companies	600,610	0
5	From companies subject to the control of parent companies		
	a) due within one year	59,259	0
	Total receivables due to companies subject to the control of parent companies	59,259	0
5-bis	tax credits		
	a) due within one year	2,167,599	2,176,813
	b) due after one year	29,889	30,037
	Total tax credits	2,197,488	2,206,850
5-ter	prepaid taxes	34,093	34,093
	Total prepaid taxes	34,093	34,093
5-quater	due from others		
	a) due within one year	2,766,899	1,488,788
	Total other accounts receivable	2,766,899	1,488,788
	TOTAL RECEIVABLES	41,685,264	44,482,605
III)	Financial fixed assets that do not constitute assets		
1	Equity investments in controlled companies	11,852	11,852
2	Equity investments in associated companies	82,307	82,306
4	Other equity investments	27,796	28,158
	TOTAL CURRENT FINANCIAL ASSETS	121,955	122,316
IV)	Cash and cash equivalents		
1	bank and post office deposits	16,249,704	17,743,863
3	cash and equivalents on hand	49,989	49,173
	TOTAL CASH AND CASH EQUIVALENTS	16,299,693	17,793,036
	C) TOTAL CURRENT ASSETS	132,531,592	103,785,000
D	ACCRUALS AND PREPAYMENTS	670,231	1,363,092
	TOTAL ASSETS	164,583,760	135,480,413

BALANCE SHEET

LIABILI	LIABILITIES		31.12.2017
A	SHAREHOLDERS' EQUITY		
ı	Share capital	10,000,000	10,000,000
III	Revaluation reserves	2,191,552	2,191,552
IV	Legal reserve	942,537	942,537
VI	Other reserves, with corresponding details		
	- Extraordinary reserve	14,621,596	13,708,115
IX	Profit (loss) for the year	11,939,589	4,913,483
	A) TOTAL SHAREHOLDERS' EQUITY	39,695,274	31,755,688
В	PROVISIONS FOR LIABILITIES AND CHARGES		
2		E02.0E/	000.05
	Provision for taxes, also deferred	592,856	898,853
4	other provisions	950,200	1,047,310
	B) TOTAL PROVISIONS FOR LIABILITIES AND CHARGES	1,543,056	1.,946,163
С	STAFF SEVERANCE INDEMNITY	654,931	652,363
D	DAVADIEC		
D 4	PAYABLES payables due to banks		
4	a) due within one year	10,568,157	7,146,03
	b) due after one year	16,028,223	4,309,30
	Total payables due to banks	26,596,380	11,455,336
6	advances	20,370,300	11,400,000
	a) due within one year	17,269,381	4,974,55
	b) due after one year	8,125,000	1,771,00
	Total advances	25,394,381	4,974,55
7	trade payables	20,071,001	.,,,,,,,,
	a) due within one year	58,185,560	72,294,140
	Total trade payables	58,185,560	72,294,140
9	payables due to controlled companies	00,100,000	7-,-7-,
-	a) due within one year	4,244,920	3,168,900
	Total payables due to controlled companies	4,244,920	3,168,900
10	payables due to associated companies	1,2 1 1,1 2 2	2,102,102
	a) due within one year	2,927,620	998,119
	b) due after one year	0	1,754,49
	Total payables due to associated companies	2,927,620	2,752,610
12	tax payables	_,,	_,,,,_,,
	a) due within one year	1,184,397	1,098,850
	Total tax payables	1,184,397	1,098,85
13	payables due to pension and social security institutions	, ,	,,,,
	a) due within one year	968,433	950,255
	Total payables due to pension and social security institutions	968,433	950,255

Carron Financial Statements 2018

STATUTORY FINANCIAL STATEMENTS

BALANCE SHEET

LIABILI	LIABILITIES		31.12.2017
14	other payables		
	a) due within one year	3,111,087	4,347,535
	b) due after one year	8,070	72,342
	Total other payables	3,119,157	4,419,877
	D) TOTAL PAYABLES	122,620,849	101,114,529
Е	ACCRUALS AND DEFERRALS	69,650	11,672
	TOTAL LIABILITIES	164,583,760	135,480,413

INCOME STATEMENT

			31.12.2018	31.12.2017
Α		VALUE OF PRODUCTION		
	1	Sales and services revenues	138,376,941	152,867,753
	2	Changes in inventories of work in progress, semi-finished and finished goods	(759,831)	[411,754]
	3	Changes in contract work in progress	35,503,574	(2,910,517)
	4	Increases in fixed assets for in-house production	-	356,552
	5	Other revenues and income	1,149,273	1,662,062
		TOTAL VALUE OF PRODUCTION (A)	174,269,957	151,564,096
В		PRODUCTION COSTS		
	6	For raw and ancillary materials, consumables and goods	23,927,877	23,900,950
	7	For services	120,877,200	118,189,710
	8	For use of third-party assets	3,896,004	3,323,240
-	9	For personnel:		
-		a) salaries and wages	9,936,686	9,713,648
		b) social security contributions	3,061,466	3,033,647
		c) staff severance indemnity	549,387	553,337
		d) other costs	79,020	76,889
		Total personnel costs	13,626,559	13,377,522
	10	amortisation, depreciation and write-downs		
		a) amortisation of intangible fixed assets	49,523	77.,581
		B) depreciation of tangible fixed assets	601,031	844,107
		c) Write-downs of current receivables and of cash and cash equivalents	200,000	200,000
		Total amortisation, depreciation and write-downs	850,554	1,121,688
	11	changes in inventories of raw and ancillary materials, consumables and goods	1,706,106	[14,739,930]
	12	Risk provisions	31,406	-
	13	Other provisions	-	338,509
	14	sundry operating expenses	1,447,490	1,414,068
		TOTAL PRODUCTION COSTS (B	166,363,196	146,925,468
		DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS (A - B)	7,906,761	4,638,628
С		FINANCIAL INCOME AND CHARGES		
	15	Income from equity investments		
		a) controlled companies	5,760,000	400,000
		b) associated companies	100,000	1,592,596
		Total income from equity investments	5,860,000	1,992,596
	16	Other financial income	0,000,000	1,772,070
		c) from current securities other than equity investments		57,602
		d) other income	1,719,309	2,496
		Total other financial income	1,719,309	60,098
	17	interest and other financial charges	.,,,,,,,	55,576
	.,	- from others	(342,590)	[219,272]
		Total interest and other financial charges	(342,590)	(219,272)
		TOTAL FINANCIAL INCOME AND EXPENSES (15 + 16 + 17)	7,236,719	1,833,421
			.,_50,,,,,	.,500,421

Carron Financial Statements 2018

STATUTORY FINANCIAL STATEMENTS

INCOME STATEMENT

		31.12.2018	31.12.2017
D	VALUE ADJUSTEMENTS TO FINANCIAL ASSETS AND LIABILITIES		
19	write-downs:		
	a) of equity investments	(616,016)	(450,167)
	Total write-downs	(616,016)	(450,167)
	TOTAL VALUE ADJUSTEMENTS TO FINANCIAL ASSETS AND LIABILITIES (18 – 19)	(616,016)	(450,167)
	RESULT BEFORE TAXES (A - B + -C + -D)	14.527,464	6,021,882
20	Current, deferred and prepaid income tax for the year		
	- current taxes	(2,893,872)	(2,402,756)
	- deferred and prepaid taxes	305,997	1,294,356
	Total current, deferred and prepaid income tax for the year	(2,587,875)	(1,108,399)
21	Profit (loss) for the year	11,939,589	4,913,483

CASH FLOW STATEMENT

DESCRI	PTION	31.12.2018	31.12.2017
CASH FLOW FROM OPERATING ACTIVITIES (INDIRECT METHOD)			
	Profit (loss) for the year	11,939,589	4,913,483
	Income taxes	2,587,875	1,108,399
	Interest payable/ (Interest receivable)	342,590	219,272
	Other financial charges/ (financial income	(1,719,309)	0
	(Dividends)	(1,240,000)	[1,992,596]
	(Gains)/Losses from the sale of assets	(4,620,000)	C
1	Profit (loss) for the year before income taxes, interest, dividends and gains/losses from disposals	7,290,745	4,248,558
	Adjustments for non-monetary items without an offsetting counterpart in net working capital		
	Allocations to provisions	31,406	339,000
	Amortisation and depreciation of fixed assets	650,553	921,688
	Write-downs due to value impairments	616,016	450,167
	Other adjustments for non-monetary items	[594,369]	(803,276
	Total adjustments for non-monetary items	703,606	907,579
2	Financial flow before changes to net working capital	7,994,351	5,156,137
	Changes to net working capital		
	(Increase) or decrease in inventories	(33,037,636)	[11,417,659]
	(Increase) or decrease in trade receivables	5,819,264	(465,871
	(Increase) or decrease in accrued income and prepaid expenses	692,862	(193,596)
	Increase or (decrease) in trade payables	[14,108,581]	9,789,047
	Increase or (decrease) in advances from customers	20,419,825	[17,364,930]
	Other decreases/ (Other increases) to net working capital	(2,509,720)	14,551,676
	Increase or (Decrease) in accrued liabilities and deferred income	57,978	11,469
	Total changes in net working capital	(22,666,008)	(5,089,864)
3	Financial flow after changes to the net working capital	(14,671,656)	66,273
	Other adjustments		
	Collected/(paid) interest	(342,590)	[219,272]
	Collected dividends	1,240,000	1,992,596
	Other financial income	1,719,309	(
	(Income taxes duly paid)	[3,046,048]	(2,382,910
	Increase or (use) of the staff severance indemnity provision	2,567	(244,532
	Total other adjustments	(426,762)	(854,118)
	FINANCIAL FLOW FROM OPERATING ACTIVITIES (A)	(15,098,419)	(787,845)

Carron Financial Statements 2018

STATUTORY FINANCIAL STATEMENTS

CASH FLOW STATEMENT

DESCRIPTION		31.12.2018	31.12.2017
В	CASH FLOW FROM INVESTMENT ACTIVITY		
	Tangible fixed assets		
	(Investments)	(231,330)	(3,440)
	Divestments	128,330	0
	Intangible fixed assets		
	[Investments]	(51,207)	(13,279)
	Divestments	51,500	0
	Financial fixed assets and other securities		
	[Investments]	(2,063,262)	(4,033,993)
	Divestments	4,630,000	89,186
	Cash flow from investment activity (B)	2,464,031	(3,961,526)
С	CASH FLOS FROM FINANCING ACTIVITY		
	Third-party financing		
	Increase/(Decrease) in short-term payables due to banks and other lenders	3,422,126	2,129,700
	Raising finance	16,859,433	2,000,000
	(Repayment of loans)	(5,140,515)	(5,215,741)
	Equity		
	(Dividends duly paid)	(4,000,000)	0
	CASH FLOW FROM FINANCING ACTIVITY (C)	11,141,044	(1,086,041)
	INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+-B+-C)	(1,493,343)	(5,835,412)
	INITIAL CASH AND CASH EQUIVALENTS	17,793,036	24,628,449
	CASH AND CASH EQUIVALENTS TRANSFERRED WITH THE DMERGER	0	(1,000,000)
	FINAL CASH AND CASH EQUIVALENTS	16,299,693	17,793,036





EXPLANATORY NOTES

TO CARRON SPA FINANCIAL STATEMENTS AT 31.12.2018

INTRODUCTION

Carron Cav. The company Carron Cav. Angelo S.p.A., whose financial statements for 2018 are henceforth analysed, including these explanatory notes which form an integral and substantial part thereof, is subject to the rules on the "management and coordination of companies" under articles 2497 and 2497 – septies of the (Italian) Civil Code. The company Carron Holding S.r.l. carries out the management and coordination activities.

The key figures from the most recent financial statements approved by Carron Holding S.r.l. are not included in this document as the company was only established in 2018 and, as of today, the company's first financial statements have not yet been approved.

SIGNIFICANT FIGURES, NEWS AND EVENTS DURING 2018

For a description of the significant figures, news and events that characterised the company's activities during the year, please refer to the Directors' Report, prepared by the Board of Directors and attached to the financial statements for the year ended 31st December 2018.

STRUCTURE AND CONTENT OF THE FINANCIAL STATEMENTS

The financial statements for the year ended 31st December 2018 have been prepared in accordance with the rules of the Italian Civil Code, as interpreted and supplemented by the accounting principles and criteria developed by the Organismo Italiano di Contabilità (OIC) ("Italian Accounting Board") and, if not provided, by the standards issued by the International Accounting Standards Board (IASB), to the extent that they are not in conflict with Italian rules and accounting principles.

The financial statements have been drawn up on a going concern basis, as there are no doubts regarding this assumption. The financial statements are made up of the balance sheet, income statement, cash flow statement (prepared in accordance with the tables provided by articles 2424 and 2424 bis of the Italian civil code, articles 2425 and 2425 bis of the Italian civil code and article 2425 ter of the Italian civil code, respectively) and these explanatory notes. The purpose of these explanatory notes is to illustrate, analyse and, in some cases, supplement financial statement data; they contain the information required by articles 2427 and 2427 bis of the Italian Civil Code and other provisions of the Italian Civil Code as well as other prior laws. They also provide all the additional information that is considered necessary in order to provide the most transparent and complete representation possible, even if this is not required by specific legal provisions.

For an analysis of the nature of the business and any significant events after 31.12.2018, business outlook and all other information concerning the financial statements, please refer to the Directors' Report. Amounts are expressed in Euro, unless otherwise specified.

EXCEPTIONAL CIRCUMSTANCES PURSUANT TO ARTICLE 2423, FIFTH PARAGRAPH, OF THE (ITALIAN) CIVIL CODE

There were no exceptional circumstances that required recourse to one of the exceptions referred to by article 2423, paragraph 5, of the (Italian) Civil Code.

ACCOUNTING CRITERIA

The most significant accounting criteria used to prepare the financial statements at 31st December 2018, in accordance with article 2426 of the (Italian) Civil Code and the aforementioned accounting standards, are as follows:

Carron Financial Statements 2018

EXPLANATORY NOTES - Carron SPA Financial Statements

INTANGIBLE FIXED ASSETS

Intangible fixed assets are recorded at purchase or production cost, including any ancillary and directly attributable costs, and do not include any financial charges. They are systematically amortised in each financial year on a straight-line basis.

Start-up and expansion costs are amortised over a five-year period, on a straight-line basis. Development costs are amortised over their useful life (5 years); in exceptional cases, where their useful life cannot be reasonably estimated, they are amortised over a period of no more than five years. Until amortisation is complete, dividends may only be distributed if there are sufficient available reserves to cover the amount of non-amortised costs.

Improvements to third-party assets are capitalised and recorded under "other intangible fixed assets" if they are not separable from the assets themselves (otherwise they are recorded under the relevant item of "Tangible fixed assets"); they are systematically amortised either over the period of expected future useful life or the residual lease period, whichever is shorter, taking into account any renewal period, if this is at the discretion of the Company.

If, irrespective of any amortisation already recorded, the value of the asset is impaired, then the asset is written-down accordingly; if, in subsequent years, the reasons justifying the write-down no longer apply, the original value shall be restored, up to the value that the asset would have had if

longer apply, the original value shall be restored, up to the value that the asset would have had if the value adjustment had never occurred, except for the items "Goodwill" and "Long-term Charges" referred to by point 5 of art. 2426 of the (Italian) Civil Code.

TANGIBLE FIXED ASSETS

Tangible fixed assets are recorded at the purchase or internal construction cost, net of the depreciation applied during the current and previous years. The cost includes the ancillary costs and direct and indirect costs for the portion reasonably attributable to the asset, relating to the construction period and up to the moment when the asset can be used. Likewise, the cost may include the financial charges incurred to finance the (internal or external) construction up to the moment when the asset is ready for use, within the limit of its recoverable value. Tangible fixed assets can only be revalued if special laws so require or permit.

Fixed assets recorded at cost in a foreign currency are reported using the exchange rate at the time of their purchase or at the lower exchange rate at the financial year-end, if the reduction is considered to be long-lasting.

Fixed assets are systematically depreciated each year on a straight-line basis, based on the rates established by applicable tax laws, which are considered to reflect the assets' residual useful life. The rates applied are detailed below:

industrial buildings	3.00%
light constructions	12.50%
general equipment	10.00%
operator machinery and specific equipment	15.00%
workshop equipment	10.00%
electrical and electronic instruments and levels	40.00%
excavators and mechanical loaders	20.00%
metal formwork and metal sheet piles	25.00%
miscellaneous minor equipment	40.00%
office furniture and ordinary office equipment	12.00%
electromechanical and electronic office equipment	20.00%

computers and electronic telephone systems	20.00%
transport vehicles	20.00%
cars	25.00%

For fixed assets that came into operation during the year, rates are reduced by 50%, based on the assumption that purchases are evenly distributed throughout the year.

If, irrespective of any depreciation already recorded, the value of the asset is impaired, then the asset is written-down accordingly; if, in subsequent years, the reasons justifying the write-down no longer apply, the original value shall be restored, up to the value that the asset would have had if the value adjustment had never occurred.

Ordinary maintenance and repair costs are fully charged to the income statement. Incremental maintenance costs are attributed to the assets to which they refer and are depreciated in relation to their residual useful life.

Costs incurred to expand, modernise or improve the structural elements of a tangible asset are only capitalised if they produce a significant and measurable increase in the production capacity, safety or useful life of the asset. If these costs do not produce these effects, they are treated as routine maintenance and charged to the income statement

Once intangible fixed assets are destined for sale, they are reclassified in a specific item under current assets and are valued at either their net book value or their realizable value based on market trends, whichever is lower. Assets destined for sale are no longer subject to depreciation.

Spare parts are distinguished between:

- parts with a low unit cost and low total value that are used on a recurring basis, which are recognised as costs at the time of purchase;
- spare parts with a high unit cost that are not used on a recurring basis, which are classified as tangible fixed assets and depreciated over a period of time that is equal to either the residual useful life of the asset to which they refer or their own useful life, calculated by estimating the period of use, whichever is shorter;
- parts with a high unit cost that are used on a very recurring basis, which are included among inventories and charged to the income statement based on consumption.

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Financial Statements 2018

EXPLANATORY NOTES - Carron SPA Financial Statements

INVENTORIES

Inventories are recorded at either the purchase or production cost, calculated based on the specific cost, whichever is lower. Purchase cost means the actual purchase price plus ancillary costs, excluding financial charges.

Buildings to be sold (finished products) are valued at either the cost, calculated as above, or the normal market value, whichever is lower.

Advances and deposits received from the parties to a preliminary agreement are recorded as liabilities in the balance sheet and are recognised as revenues at the time the notarial deed is concluded.

CONTRACT WORK IN PROGRESS

This item includes medium/long-term contracts that are valued based on fees accrued with reasonable certainty, according to the percentage of work completed, applying the cost-to-cost method. Any losses on contracts that are estimated with reasonable approximation are entirely deducted from the value of the work in progress in the year in which they become known. If this loss exceeds the value of the work in progress, the Company makes a special provision for liabilities and charges that is equal to the excess loss. Any likely losses are recognised in the year in which they are foreseeable, on the basis of an objective and reasonable assessment of existing circumstances. Losses are recognised regardless of the stage of completion of the contract. No such losses have been offset with positive margins expected on other contracts. For the purpose of recognising losses, contracts are therefore considered individually. Additional fees are only included among contract revenues if the client has formally accepted the additional charges by the reporting date; or, if there is no formal acceptance, if it is highly probable as at the reporting date that the request for additional fees will be accepted on the basis of the most recent information available and past experience. Sums received from clients while carrying out the work, which are a form of financial advance, are recorded as liabilities in the balance sheet, under a specific "advances from customers" item, while those paid to subcontractors are recorded under this item as "advances".

Contract work in progress is recognised net of any write-down provisions and/or final losses, as well as of the advances on the contract in progress, paid by Clients on the basis of duly accepted Work Progress Reports, the amounts of which are recognised as Revenues.

If the provision for final losses for an individual contract exceeds the value of the work recognised as an asset in the balance sheet, then this excess shall be allocated to the provisions for liabilities and charges.

Future charges for construction contracts related to repairs, penalties, guarantees and risks in general, are quantified and accrued in a specific risk provision.

RECEIVABLES

Receivables are recorded in the financial statements based on the amortised cost method, taking into account the time factor and the presumable realizable value. The amortised cost method is not applied when the effects are irrelevant, i.e. when the transaction costs, commission paid between the parties and any other difference between the initial value and the value upon expiry are not very significant or if the receivables are short-term (meaning that they are due within 12 months).

Trade receivables due after 12 months from the date of initial recognition, without the payment of interest, or bearing interest that is significantly different to market rates, and the related revenues, are initially recorded at the value calculated by discounting future cash flows to the market interest rate. The difference between the initial value recorded for the receivable, calculated in the above way, and the value when due is reported in the income statement as financial income throughout the duration of the receivable, using the effective interest rate criterion.

The value of receivables, as calculated above, may be altered, if necessary, using a bad debt provision, to directly reduce the value of the receivables themselves, in order to adjust them to their presumable realizable value. The write-down amount at the reporting date is equal to the difference between the book value and the value of estimated future cash flows, reduced by the amounts that are not expected to be collected, discounted by the receivables original effective interest rate (i.e. the effective interest rate calculated when the receivable was first recorded).

The write-down amount is recorded in the income statement.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents at year-end are recognized at their nominal value. Cash and cash equivalents in a foreign currency are valued using the year-end exchange rate.

ACCRUALS AND DEFERRALS

The "accruals and deferrals" item includes the portion of costs and revenues that refer to the year but are payable/receivable in future years, as well as the portion of costs and revenues that are paid/collected in the current financial year but actually refer to future years, in accordance with the accrual principle.

PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges are set aside to cover specific losses or payables whose existence is certain or probable, but for which it is not possible to determine either the actual amount or date of occurrence at the financial year-end. The provisions made reflect the best estimate possible on the basis of the information available. Risks for which the occurrence of a liability is only possible are described in the explanatory notes on the provisions, without setting aside any provision for liabilities and charges. Provisions for liabilities and charges are primarily recognised as cost items in the income statement, under the relevant classes (B, C or D). Should it not be possible to make a correlation between the nature of the provision and one of the items to the aforementioned classes, the provisions for liabilities and charges are recognized under items B12 and B13 of the income statement.

The separate item "Other provisions" includes the costs estimated after completing contracts, which normally relate to:

- costs for dismantling the construction site, i.e. costs for removing installations, for bringing the machinery back to our headquarters, for the transport of unused materials to another site or to our headquarters, including any losses on abandoned materials;
- costs for testing the work carried out;
- charges for contractual penalties, for work that is redone according to customer specifications, for settling "claims" made by sub-contractors or sub-suppliers;
- post-delivery maintenance costs relating to the work, if stated in the contract;
- charges for contractual guarantees.

Costs are allocated on the basis of the company's past experiences.

STAFF SEVERANCE INDEMNITY

The item "staff severance indemnity" shows the amount that employees would be entitled to receive if they ceased to be employed at the reporting date. The indemnities for length-of-service represented

Carron Financial Statements 2018

EXPLANATORY NOTES - Carron SPA Financial Statements

by this item, namely the provision for the year and the annual revaluation of the existing provision, are determined in accordance with applicable laws and regulations. Staff severance indemnity is recorded in the relevant liability item and the relative provision is recorded in the corresponding income statement item.

Following the reform of regulations for supplementary pension funds and staff severance indemnity, which came into force on 01/01/2007 through (Italian) Legislative Decree no. 252/2005, this item only increased as a result of the revaluation at 31/12/2006, due to the fact that, after 2007, almost all the indemnities were paid either to supplementary pension funds or to the Treasury Fund held at INPS (Italian National Social Security Institution), depending on the choice made by each individual employee.

PAYABLES

Payables are recorded based on the amortised cost method, taking into consideration the time factor. This criterion is not applied to financial payables that already existed before (Italian) Legislative Decree no. 139/2015 (the so-called "financial statement decree") came into force, which still had an effect as at 1st January. These payables are recorded at their nominal value. The amortised cost method is not applied to payables if their effects are irrelevant. Effects are considered irrelevant for short-term payables (meaning that they are due within 12 months). For more details on the amortised cost method, please refer to the information provided in the section on receivables.

Payables for holidays accrued by employees and for deferred remuneration, inclusive of the amount due to social security institutions, are allocated on the basis of the amount that should be paid out in the event of employment being terminated at the reporting date.

REVENUES

venues generated by the sale of goods are recorded upon substantial and not formal transfer of ownership, taking the transfer of risks and benefits as reference criteria to define "substantial transfer".

Revenues generated by the sale of products and goods or service provision relating to the company's ordinary activities are recorded net of returns, discounts, rebates and bonuses, and net of taxes directly connected to the sale of products and provision of services.

Revenues for the provision of services, or related to services established in contracts, are recognised upon completion and/or accrual, or on the basis of duly approved and certified Work Progress Reports. Transactions with related parties are carried out under normal market conditions.

COSTS

Costs are accounted for on an accrual basis, regardless of the date of collection and payment, net of returns, discounts, rebates and bonuses.

FINANCIAL INCOME AND CHARGES

Financial income and charges are recorded on an accrual basis. Costs for the disposal of receivables in any form (with recourse and without recourse) and of any kind (commercial, financial, other) are recorded in the year to which they refer.

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INCOME TAXES FOR THE YEAR

Income taxes are recorded based on estimated taxable income in accordance with applicable regulations, taking into account any tax exemptions and tax credits to which the company is entitled. Deferred tax assets and liabilities are calculated on the temporary differences between the values of assets and liabilities based on statutory accounting criteria and the corresponding amounts recognised for tax purposes. They are valued by taking into account the presumable tax rate that the Company is expected to pay in the year when these differences shall contribute to the formation of the tax result, considering the tax rates already in force or issued at the reporting date. They are reported, respectively, in the "deferred tax provision" item under liabilities, among the "provisions for liabilities and charges", and in the "receivables for prepaid taxes" item under current assets.

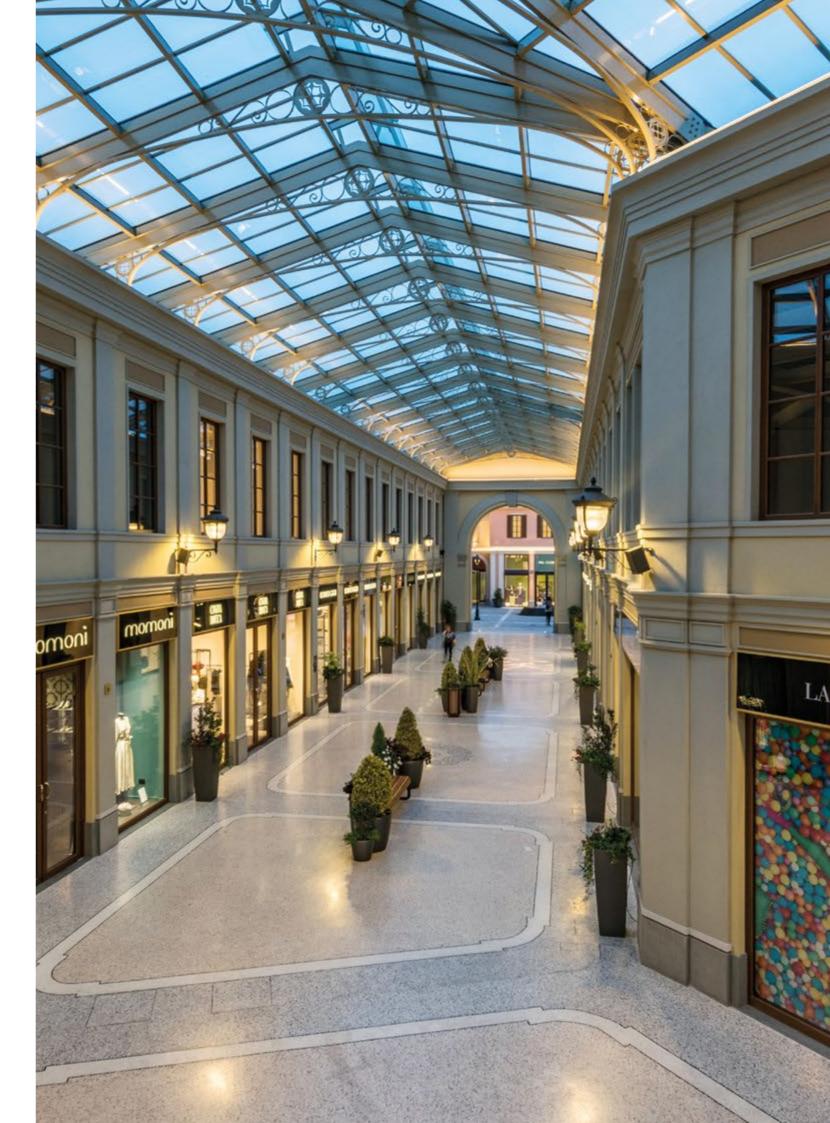
Prepaid tax assets are recognised for all deductible temporary differences, in compliance with the principle of prudence, if there is reasonable certainty that, in the years in which such differences will be reversed, the taxable income will not be less than the differences that they will cancel.

In contrast, deferred tax liabilities are recognised for all taxable temporary differences.

Deferred taxes relating to reserves that are subject to tax upon distribution are not recognised if it is unlikely that said reserves will be distributed to shareholders.

CONSOLIDATED FINANCIAL STATEMENTS

As of 29th June 2018, the shares of the company Carron Cav. Angelo S.p.A. were transferred to Carron Holding S.r.l. which, as the new parent company, shall take on responsibility for drawing up the consolidated financial statements required by applicable legislation, starting from the financial statements for the year ended 31.12.2018.



Information on items in the balance sheet and memorandum accounts and on the changes to corresponding items from the previous year.

FIXED ASSETS

ASSETS

B - FIXED ASSETS

The total value of fixed assets at 31.12.2018 amounted to Euro 31,382 thousand, recording an increase of Euro 1,050 thousand compared with the previous year (Euro 30,332 thousand).

B.I - INTANGIBLE FIXED ASSETS

At 31.12.2018, intangible fixed assets amounted to Euro 481 thousand, recording a net increase of Euro 2 thousand compared with the previous year; they include costs for purchases providing long-term benefits, improvement work carried out on the property held under concession in the town of Asolo ("Villa Freya Stark") as well as improvements to leased assets and costs for the purchase of software.

Description	Rights, patents, use of intellectual property	concessions, Licenses, trademarks and rights similar	Others	Total
(euro)				
Value at the beginning of the year				
Cost	351,779	144	589,364	941,287
(accumulated amortisation)	(336,693)	[144]	(125,020)	(461,857)
Initial book value	15,086	-	464,344	479,430
Changes during the year				
Increases for acquisitions	51,207	-	-	51,207
Changes during 2018	[12,697]	-	(36,826)	(49,523)
Total changes	38,510	-	(36,826)	1,684
Balance at 31.12.2018		-		
Cost	356,286	144	584,564	940,994
Accumulated amortisation	(302,690)	[144]	(157,046)	(459,880)
Book value	53,596	-	427,518	481,114

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Financial Statements 2018

EXPLANATORY NOTES - Carron SPA Financial Statements

B.II - TANGIBLE FIXED ASSETS

At 31.12.2018, tangible fixed assets amounted to Euro 15,863 thousand, down Euro 390 thousand compared with the previous year; they are made up of:

Description	Amount
(euro)	
Land and buildings	14,070,424
Plants and machinery	1,330,711
Industrial and commercial equipment	54,560
Other assets	407,319
Balance at 31.12.2018	15,863,014

A detailed description of the changes that have occurred for each asset category and the changes during the year is presented below.

LAND AND BUILDINGS

Description	Amount
(euro)	
Value at the beginning of the year	
Land and buildings	
Historical cost	15,473,763
Revaluation of assets pursuant to art. 185/2008	2,336,178
Depreciation from previous years	(3,531,791)
Balance at 31.12.2017	14,278,150
Changes during the year	
Purchases during the year	92,153
Amortisation for the year	(300,239)
Total changes during the year	(207,726)
Value at the end of the year	
Historical cost	15,566,276
Revaluations	2,336,178
Depreciation	(3,832,030)
Balance at 31.12.2018	14,070,424

At 31.12.2018, the item "land and buildings" includes the value of land, for Euro 3,892 thousand, which is not subject to depreciation as a result of the tax provisions introduced by (Italian) Decree Law no. 223/2006. This item also includes Euro 2,336 thousand resulting from the revaluation carried out pursuant to (Italian) Legislative Decree no. 185/2008.

PLANTS AND MACHINERY

Description	Amount
(euro)	
Value at the beginning of the year	
Plants and machinery	
Historical cost	3,072,833
Monetary revaluation	10,008
Depreciation from previous years	(1,607,555)
Balance at 31.12.2017	1,475,286
Changes during the year	
Divestments during the year	(526)
Amortisation for the year	[144,049]
Total changes during the year	(144,575)
Value at the end of the year	
Historical cost	3,065,226
Revaluations	8,887
Depreciation	(1,743,402)
Balance at 31.12.2018	1,330,711

ATTREZZATURE INDUSTRIALI E COMMERCIALI

Description	Amount
(euro)	
Value at the beginning of the year	
Industrial and commercial equipment	
Historical cost	1,150,046
Monetary revaluation	128,256
Depreciation from previous years	[1,252,657]
Balance at 31.12.2017	25,645
Changes during the year	
Purchases during the year	60,709
Divestments during the year	(519)
Amortisation for the year	(31,275)
Total changes during the year	28,915
Value at the end of the year	
Historical cost	1,187,070
Revaluations	125,345
Depreciation	[1,257,855]
Balance at 31.12.2018	54,560

Carron Financial Statements 2018

EXPLANATORY NOTES - Carron SPA Financial Statements

ALTRI BENI

Description	Amount
(euro)	
Value at the beginning of the year	
Other assets	
Historical cost	1,918,464
Monetary revaluation	81,041
Depreciation from previous years	(1,525,895)
Balance at 31.12.2017	473,610
Changes during the year	
Purchases during the year	78,107
Divestments during the year	(18,931)
Amortisation for the year	(125,467)
Total changes during the year	[66,291]
Value at the end of the year	
Historical cost	1,903,564
Revaluations	81,041
Depreciation	(1,577,286)
Balance at 31.12.2018	407,319

STATEMENT OF THE REVALUATIONS CARRIED OUT

(art. 10 of Italian Law no. 72/1983)

Book values at 31.12.2018 for the following asset categories include the revaluations carried out in accordance with the Law.

Description	Legal revaluations	Others revaluations
Land and buildings	2,336,178	2,336,178
Plants and machinery	8,887	8,887
Industrial and commercial equipment	125,345	125,345
Other assets	81,041	81,041
Total	2,551,451	2,551,451

AMORTISATION, DEPRECIATION AND WRITE-DOWNS

Amortisation, depreciation and write-downs for 2018 amounted to a total of Euro 851 thousand, of which Euro 50 thousand referring to the amortisation of intangible fixed assets, Euro 601 thousand referring to the depreciation of tangible fixed assets and Euro 200 thousand referring to the provision pursuant to article 106 of the TUIR (Italian Consolidated Law on Income Tax).

B.III - FINANCIAL FIXED ASSETS

At 31.12.2018, financial fixed assets amounted to Euro 15,038 thousand, recording an increase of Euro 1,438 thousand compared with the previous year.

More specifically:

B.III.1 - EQUITY INVESTMENTS

At 31.12.2018, equity investments in controlled, associated and other companies amounted to a total of Euro 570 thousand, recording a net decrease of Euro 10 thousand compared with the previous year.

Equity investments recorded under fixed assets represent the company's long-term and strategic investments in other companies whose activities are strictly linked to its own core business.

Investments that are instrumental to the company's core business include those in special-purpose consortium companies formed to carry out contract work (with other partners in a temporary consortium - "ATI"). These are therefore not long-term investments as they only last for the amount of time it takes to complete the work to which they refer. In consideration of the above, these equity investments are recorded, at their acquisition cost, among the current asset items, to which reference should be made.

Description (euro)	BIII.1.a Equity investments controlled companies	BIII.1.b Equity investments associated companies	BIII.1.c Equity investments other companies	Total	Other securities
Value at the beginning of the year					
Cost	126,491	13,020	440,371	579,882	2,328,751
Book value at 31.12.2017	126,491	13,020	440,371	579,882	2,328,751
Changes during the year					
Increases for acquisitions	70,000	-	-	70,000	
Decreases for disposals	(80,000)	-	-	(80,000)	
Write-downs carried out	-	-	-	-	(615,655)
Total changes	-	-	-	(10,000)	(615,655)
Value at the end of the year					
Cost	116,491	13,020	440,371	569,882	1,713,096
Value at 31.12.2018	116,491	13,020	440,371	569,882	1,713,096

Changes to equity investments during 2018 are analysed in the tables below:

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B.III.1.a - Equity investments in controlled companies

Company name	Value at 31.12.2017	Increases 2018	Transfers 2018	Write-downs	Value at 31.12.2018	
(euro)	31.12.2017	2016 2018		2016	31.12.2018	
Controlled companies						
Carron Swiss	41,291	-	-	-	41,291	
Forte EEIG	5,200	-	-	-	5,200	
Carron Bau S.r.l.	80,000	-	(80,000)	-	-	
Carron Gest S.r.l.	-	70,000	-	-	70,000	
Total	126,491	70,000	(80,000)	-	116,491	

Please note: Carron Gest S.r.l. – Established to carry out Facility management activities, with a 70% stake in the share capital of Euro 100,000.

B.III.1.b - Equity investments in associated companies

Company name	Value at 31,12,2017	Increases 2018	Transfers 2018	Write-downs	Value at 31.12.2018
(euro)	31.12.2017	2010	2010	2010	31.12.2010
Associated companies					
Consorzio Vie del Mare	13,020	-	-	-	13,020
Total	13,020	-	-	-	13,020

B.III.1.d-bis - Equity investments in other companies

Company name	Value at 31.12.2017	Increases 2018	Transfers Write-do	wns 2018	Value at 31.12.2018
(euro)	0111212017	20.0			0111212010
other companies					
Strada del Mare S.p.a.	25,474	-	-	-	25,474
Imprenditori Riuniti S.r.l. in liquidation	2,601	-	-	-	2,601
Parking Piazza Vittoria S.r.l.	97,423	-	-	-	97,423
Consorzio NOG.MA.	30,000	-	-	-	30,000
New Jersey Srl.	9,873				9,873
Ospedal Grando S.r.l.	275,000				275,000
Total	440,371	-	-	-	440,371

INFORMATION REQUIRED BY ART. 2427, POINT 5, OF THE (ITALIAN) CIVIL CODE WITH REGARD TO EQUITY INVESTMENTS

Please find below the detailed list of direct and indirect equity investments in controlled companies, associated companies and other companies, together with the information required by article 2427, point 5, of the (Italian) Civil Code.

Company name	City or country	share capital	Pertinent equity at	profit (loss)	%	Pertinent shareholders'
(euro)		or fund	31.12.18	2018		equity
Controlled companies						
Carron Swiss SA	Switzerland	92,039	27,946	[14,992]	100.00%	27,946
Forte JV (*)	Malta	10,000	10,000	-	52.00%	5,200
Carron Gest U.R.L.(**)	S. Zenone	100,000	100,000	-	70.00%	70,000
Associated companies						
Consorzio Vie del Mare (*)	Mestre (VE)	50,000	50,000	-	26.04%	13,020
Other companies						
Strada del Mare S.p.A. (*)	Jesolo	720,000	555,180	[17,276]	4.45%	25,205
Imprenditori Riuniti S.r.l.	Monselice	15,227	[266,195]	[18,009]	5.00%	(13,310)
Piazza Vittoria S.r.l.	Milan	2,000,000	1,921,397	[13,929]	5.00%	96,069
Consorzio NOG.MA	Mestre	600,000	600,000		7.30%	43,800
New Jersey S.r.l.	Vicenza	150,000	1,579,502	(5,008)	5.08%	80,239
Ospedal Grando S.r.l.	Padua	11,000,000	11,040,554	1,620,478	2.50%	276,014

^(*) The values indicated refer to the financial statements at 31.12.2017

LAW NO. 72 OF 19.03.1983 AND ARTICLE 2427 OF THE (ITALIAN) CIVIL CODE

Pursuant to article 10 of (Italian) Law no. 72 dated 19/03/1983 and article 2427 of the (Italian) Civil Code, it is hereby specified that no economic or monetary revaluations have been carried out on the equity investments held by the company at 31.12.2018.

Controlled companies, associated companies and other companies do not have profit or capital reserves that are subject to restrictions or limitations or that are subject to taxation upon distribution. The "Shareholders' equity" and "Profit (Loss)" values shown in the above table reflect the results of the companies' financial statements at 31.12.2018. The only exceptions are the shareholders' equity and profit or loss of the investee company "Impianti Averau S.r.l." whose values refer to the financial statements at 30/06/2018 and for which no interim results are available at 31.12.2018. In any case, it is hereby specified that, between 1st July 2018 and 31st December 2018, there were no significant changes to the companies' shareholders' equity values.

Equity investments recorded as fixed assets represent long-term investments and are instrumental to the company fulfilling its purpose.

Equity investments in controlled and associated companies are valued in accordance with the principle of continuity of valuation criteria, at purchase cost or subscription costs, including any payments made by shareholders for future share capital increases. Other equity investments are recorded at subscription cost.

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The difference between the purchase cost and the book value of the portion held of shareholders' equity of investee companies is analysed below:

DIFFERENZA TRA COSTO D'ACQUISTO E LA FRAZIONE DI PATRIMONIO NETTO DELLE SOCIETA' PARTECIPATE

Company name	(a) value at 31/12/2018	(b) shareholders' equity at 1/12/2018	(c) profit (loss) 2018	(d) % shareholding	(e) amount of book value (bxd)	difference at 31/12/2018
controlled companies						
Carron Swiss SA	41,291	27,946	[14,992]	100.00%	27,946	(13,345)
Forte JV (*)	5,200	10,000	-	52.00%	5,200	-
Carron Gest S.r.l. (**)	70,000	100,000	-	70.00%	70,000	-
Total	116,491	137,946	(14,992)	-	103,146	(13,345)
associated companies						
Consorzio Vie del Mare (*)	13,020	50,000	-	26.04%	13,020	-
Total	13,020	50,000	-	-	13,020	-
other companies						
Strada del Mare S.p.A. (*)	25,474	555,180	[17,276]	4.45%	25,205	(768)
Imprenditori Riuniti S.r.l. in liquidation	2,601	(266,195)	(18,009)	5.00%	(13,310)	(15,911)
Parch. Piazza Vittoria S.r.l.	97,422	1,921,387	[13,929]	5.00%	96,069	(1,353)
Consorzio NOG.MA. in liquidation	30,000	600,000	-	7.30%	43,800	13,800
New Jersey	9,873	1,579,502	(5,008)	5.08%	80,239	70,366
Ospedal Grando S.r.l.	275,000	11,040,554	1,620,478	2.50%	276,014	1,014
Total	440,371	15,430,429	1,566,256	-	508,017	67,148

^(*) The values indicated refer to the financial statements at 31.12.2017

^{**)} The financial statements of Carron Gest S.r.l. were not available at the time of drawing up these financial statements. The company did not carry out any activities during 2018 and, in any case, its results for the year, despite not being available, are not likely to influence the investee companies' income statement, balance sheet or financial position in any way.

^[**] The financial statements of Carron Gest S.r.l. were not available at the time of drawing up these financial statements. The company did not carry out any activities during 2018 and, in any case, its results for the year, despite not being available, are not likely to influence the investee companies' income statement, balance sheet or financial position in any way.

B.III.2 - RECEIVABLES

At 31.12.2018, receivables recorded under financial fixed assets amounted to Euro 12,755 thousand, recording an increase of Euro 2,063 thousand compared with the figure at 31.12.2017, and are broken down as follows:

Description	value at 31.12.2017	Increases 2018	Decreases 2018	Riclassifi- cations	value at 31.12.2017
(euro/1000)					
receivables from associated companies					
Consorzio Vie del Mare	18	13	-	-	31
Trento Tre S.c.r.l.	-	-	-	72	72
Total	18	13	-	72	103
receivables due from others					
Immobilmarca S.r.l.	9,775	99	-	-	9,874
Pieve Srl.	800	80	(630)	-	250
New Jersey Srl.	99	-	-	-	99
Manus Srl.	-	2,329	-	-	2,329
Galileo Srl.	-	-	-	100	100
Total	10,674	2,508	(630)	100	12,652
TOTAL	10,692	2,521	(630)	172	12,755

The receivable due from Immobilmarca S.r.l. mainly refers to loans granted to the former controlled company while work was being carried out. This receivable is expected to be repaid gradually over the course of 2019-2021, awaiting the results to sell the debtor's real estate assets forming part of the commercial centre in Silea (TV), or the results of said company's activities to develop real estate for residential use in Riese Pio X (TV), currently ongoing, and in Silea (TV), due to start in 2019.

Likewise, a total of Euro 12,786 thousand is expected to be returned for the remaining work contract fee, as described below in the notes for the item "C.2 – "Current RECEIVABLES", meaning total repayments of Euro 22,660 thousand during the three-year period 2019 – 2021.

Changes and due date of non-current receivables

Description (euro/1000)	Due from associated companies	Due from other companies	Total receivables Non-current
Final value at 31.12.2017	18	10,674	10,692
Changes during 2018	85	1,978	2,063
Value at the end of 2018	103	12,652	12,755
Amount due after 2018	103	12,652	12,755

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B.III.3 - OTHER SECURITIES

The value of other non-current securities amounted to Euro 1,713 thousand, recording a decrease of Euro 616 thousand compared with the previous year. This item is broken down as follows:

(euro/1000)	
Geminus investment fund (formerly Sansovino)	713
Salute 2 fund	1,000
Total	1,713

Other securities refer to shares in the "Geminus" real estate investment fund and the "SALUTE 2" real estate investment fund. The investment in the Geminus fund recorded a decrease of Euro 616 thousand compared with 31.12.2017, due to a write-down of the shares to reflect the N.A.V. at 30th June 2018.

C - CURRENT ASSETS

Current assets at 31.12.2018 amounted to a total of Euro 132,532 thousand, recording an increase of Euro 28,747 thousand compared with the previous year; the changes to this item are analysed in detail in the following tables.

Changes to the composition of current assets

C.I - INVENTORIES

At 31.12.2018, inventories amounted to Euro 74,425 thousand, recording an increase of Euro 33,038 thousand compared with the previous year. More specifically:

Description (euro 1000)	31.12.2018	31.12.2017	CHANGES
inventories			
raw, ancillary and consumable materials	13,378	15,084	(1,706)
contract work in progress	60,362	24,858	35,504
finished products and goods	685	1,445	[760]
Total	74,425	41,387	33,038

Raw and ancillary materials

At 31.12.2018, raw and ancillary materials amounted to a total of Euro 13,378 thousand. This item includes the value of two pieces of land, at a purchase cost of Euro 12,817 thousand, where work will begin to construct two buildings at the start of 2019. The legal-contractual configuration of the two operations, due to the fact that they are linked to contractually agreed work as a single unit, shall become relevant for the purposes of point 5] of accounting standard no.23 issued by the OIC (Italian Accounting Board) and shall instead be included among "contract work in progress" in the financial statements.".

Contract work in progress

At 31st December 2018, the value of "contract work in progress" (Euro 60,362 thousand) and the "change" during the year (Euro 35,504 thousand) compared with the values recorded at 31.12.2017 (Euro 24,858 thousand) are summarised below:

Description (euro 1000)	31.12.2018	31.12.2017	CHANGES
Value of unfinished contracts	472,177	477,514	(5,337)
revenues recorded	(411,816)	(452,656)	40,840
work in progress yet to be recorded	60,362	24,858	35,504

Details of work in progress yet to be recorded

Description	31.12.2018	31.12.2017
AUTONOMOUS PROVINCE OF TRENTO - Castel Caldes	47	47
AUTONOMOUS PROVINCE OF TRENTO - Paneveggio	32	32
NUMERIA SGR S.p.A Residential initiative in Arese - Milan	549	-
AUTONOMOUS PROVINCE OF TRENTO - Via Piave - Trento	-	21
NUOVA UNIVERSITA' VALDOSTANA S.r.l R. Battisti barracks - Aosta	183	351
VENETO REGION Ulss (local health care unit) no. 9 - Healthcare District - Treviso	2,294	1,045
UNIVERSITY OF PADOVA - Former Geriatric Hospital - Padua	2,292	2,338
AUTONOMOUS PROVINCE OF TRENTO - Trento Railway - Malè in Lavis	500	833
ETRA S.p.A Cittadella Purifier	831	955
PROVINCE OF BOLOGNA - Vignola Variant	1,138	565
CITY LIFE S.p.A.	-	330
BULGARI GIOIELLI S.p.A Valenza production plant	-	44
INVESTIRE IMM.RE S.G.R. S.P.A Figino Assisted Livin	-	185
SVILUPPO RESID. ITALIA S.G.R. S.p.A. MIA - Viale Boezio Milano	-	2,706
COIMA S.G.R. S.p.A Viale Sarca - Milan	395	821
ARS MARCHE - Fermo Hospital	-	262
LA CARINATESE S.r.l Viale Cadorna - Treviso	-	222
KRYALOS S.G.R. S.p.A Piazza Cordusio - Milan	-	123
G.R.E. S.G.R. S.p.A Via Chiese - Milan	-	212
PROVINCE OF MANTUA former S.S. Goitese Guidizzolo - MN	868	3,252
FINAQUILA S.r.l Hotel Locarno - Rome	-	722
AUTONOMOUS PROVINCE OF TRENTO - Trento Purifier	1,538	1,649
WESTINVEST - Via Carducci - Milan	1,075	1,116
FRANCIACORTA RETAIL S.r.l Franciacorta Outlet - Brescia	-	403
ALLIANZ S.p.A Hotel Piazza Repubblica - Trieste	692	72
ALLIANZ S.p.A Largo Irneri - Trieste	1,326	2,808
CITY LIFE S.p.A Maintenance	200	892
LA CARINATESE S.r.l Viale Cadorna - Treviso	1,300	380

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FIVE - FINECO – Maintenance San Leonardo - Treviso	-	65
BNL - Restructuring - Piazzale Repubblica - Rome	2,881	467
BVK - Piazza Cordusio 2 - Milan	2,108	230
H-CAMPUS - Roncade	16	395
PIZZATO S.p.A. – Company headquarters - Marostica	6,952	1,315
REAM S.G.R. S.p.A Torino Via Marochetti	10,291	-
REAM S.G.R. S.p.A Torino Via Marochetti	16,768	-
IMMOBILMARCA S.r.l. – residential complex -Riese Pio X – Treviso	865	-
ZAMBON IMMOBILIARE S.p.A Bresso (MI)	3,171	-
KRYALOS S.G.R. S.p.A Via Gattamelata - Milan	343	-
KRYALOS S.G.R. S.p.A Viale Sarca - Milan	716	-
Colony Star - " I villini" - Rome	67	-
Savills - Cortile della Seta - Milan	686	-
PR.IN Via Pronda - Turin	169	-
R.S.A Nichelino	69	-
HOTEL LIDO 1 S.r.l Standard Rooms	1	-
Total	60,362	24,858

The "Value of unfinished contracts" includes the fees for services provided as at 31.12.2018 as well as finished contracts for which contract provision shall remain outstanding in the accounting records until the Customers complete the relative testing. Once the work has been tested, the contracts are to be considered fulfilled and the Customers are obliged to declare that the work has been formally delivered and that they have taken possession of the constructions. At this point, the contractor records the work under revenues. In most cases, these refer to contracts spanning several years.

In 2018, work began on the real estate complex purchased in Turin at the end of 2017, classed among "Inventories" at 31/12, under the item "raw, ancillary and consumable materials", at the purchase cost of Euro 14,594 thousand. This project involves the redevelopment of the complex, after a restructuring and radical transformation, for its use as a care home for the elderly with 400 beds. The value of the work in progress at 31.12.2018 amounted to Euro 27,059 thousand and this significantly contributes to the increase in the value referring to 31.12.2017 (Euro 35,504 thousand).

C.II - RECEIVABLES

At 31.12.2018, current receivables, analysed in detail in the below tables, amounted to Euro 41,685 thousand, recording a decrease of Euro 2,797 thousand compared with the previous year. More specifically:

Description (euro 1000)	31.12.2018	31.12.2017	CHANGES
Trade receivables due within 12 months	20,775	37,871	(17,095)
Trade receivables due after 12 months	12,786	1,510	11,276
Receivables due from controlled companies within 12 months	565	490	75
Receivables due from associated companies within 12 months	1,901	882	1,019
Receivables due from parent companies within 12 months	601	-	601
Receivables due from companies subject to the control of parent companies within 12 months	59	-	59
Tax credits within 12 months	2,168	2,177	[9]
Tax credits after 12 months	30	30	-
Receivables for prepaid taxes	34	34	-
Receivables due from others within 12 months	2,767	1,489	1,278
Total	41,685	44,483	(2,797)

The receivable due after twelve months, for Euro 12,786 thousand, refers to the residual fee for the contract work carried out by the company vis-à-vis the associated company Immobilmarca S.r.l., which no longer belongs to the company's scope of consolidation following the spin-off completed in 2017.

This receivable is due to be repaid gradually over the course of 2019-2021, awaiting the results of the plan to sell the debtor's (Immobilmarca S.r.l.) real estate assets, or the results of said company's activities to develop real estate for residential use in Riese Pio X (TV), currently ongoing, and in Silea (TV), due to start in 2019.

Together with the repayment of the fee for Euro 12,786 thousand connected to the contract work, the amounts granted as a loan to Immobilmarca S.r.l. while work was being carried out are also expected to be repaid, for a total of Euro 9,874 thousand, as described in these notes for the item "B.III.2 – "Non-Current RECEIVABLES". This is why total repayments during the three-year period 2019 – 2021 should amount to a total of Euro 22,660 thousand.

Pursuant to article 2427, first paragraph, point 6, of the (Italian) Civil Code, Italy is the only geographic area of reference for the receivables.

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More specifically, trade receivables are broken down as follows:

Description (euro 1000)	31.12.2018	31.12.2017	CHANGES
Trade receivables			
Trade receivables for issued invoices	31,909	39,389	(7,480)
Trade receivables for invoices and credit notes yet to be issued	3,139	1,292	1,847
Bad debt provision	[1,486]	(1,300)	(186)
Total	33,561	39,381	(5,820)

BAD DEBT PROVISION

At 31.12.2018, the bad debt provision reported the following changes:

Description (euro 1000)	CHANGES
Balance at 31.12.2017	1,300
Use for losses on receivables	(13)
Allocation for the year	200
Total at 31.12.2018	1,486

RECEIVABLES FROM CONTROLLED COMPANIES

At 31.12.2018, receivables from controlled companies amounted to Euro 565 thousand, recording an increase of Euro 75 thousand compared with the figure at 31.12.2017. This item is broken down as follows:

Description (euro 1000)	31.12.2018	31.12.2017	CHANGES
Receivables from controlled companies			
Within twelve months			
For issued invoices	201	195	6
For invoices yet to be issued	366	233	133
Other receivables/(payables) from/(to) controlled companies	(2)	63	(65)
Total	565	491	75

Receivables for invoices issued or to be issued refer to Beato Pellegrino S.c.r.l., for Euro 201 thousand and Euro 365 thousand respectively, and to Carron Gest S.r.l. for Euro 0.7 thousand.

RECEIVABLES FROM ASSOCIATED COMPANIES

At 31.12.2018, receivables from associated companies amounted to Euro 1,901 thousand, recording an increase of Euro 1,018 thousand. This item is broken down as follows:

Description (euro 1000)	31.12.2018	31.12.2017	CHANGES
Receivables due from associated companies within twelve months			
For issued invoices and advances	198	107	91
For invoices yet to be issued	27	32	(5)
Other receivables	1,675	743	932
Total	1,901	883	1.018
More specifically:			
- For issued invoices and advances	Euro 198 thousand	from Trento Tre	S.c.r.l.
- For invoices yet to be issued	Euro 14 thousand	from Trento Tre S.c.r.l.	
- For invoices yet to be issued	Euro 14 thousand	from Arese Sud S.c.r.l.	
- For other receivables	Euro 27 thousand	from Caserme VDA S.c.r.l.	
- For other receivables	Euro 705 thousand	from Sansovino	S.c.r.l.
- For other receivables	Euro 943 thousand	from Trento Tre S.c.r.l.	

RECEIVABLES FROM PARENT COMPANIES

At 31.12.2018, receivables from parent companies amounted to Euro 601 thousand. This item is broken down as follows:

Description (euro 1000)	31.12.2018	31.12.2017	CHANGES
For invoices issued to Carron Holding S.r.l.	1	-	1
Other receivables due from Carron Holding S.r.l.	600	-	600
Total	601	-	601

RECEIVABLES FROM COMPANIES SUBJECT TO THE CONTROL OF PARENT COMPANIES

t 31.12.2018, receivables from companies subject to the control of parent companies amounted to Euro 59 thousand. This item is broken down as follows:

Description (euro 1000)	31.12.2018	31.12.2017	CHANGES
Carron Bau S.r.l. for issued invoices	33	-	33
Carron Bau S.r.l. for invoices yet to be issued	27	-	27
Total	59	-	59

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TAX CREDITS

At 31.12.2018, tax credits amounted to Euro 2,197 thousand, down Euro 10 thousand compared with the figure at 31.12.2017. This item is broken down as follows:

Description (euro 1000)	31.12.2018	31.12.2017	CHANGES
Tax credits			
Within twelve months			
IRAP (regional income tax) credit (greater advance paid)	-	133	(133)
VAT credit	2,158	2,034	124
Credit for withholding taxes	2	-	2
Credit for deductions on interest income	-	1	[1]
Credit for deductions on GSE contributions (Italian electricity services provider)	8	9	(1)
Total receivables within twelve months	2,167	2,177	(10)
After twelve months			
Credit for the reimbursement of investee company taxes	30	30	-
Total receivables after twelve months	30	30	-
Total tax credits	2,197	2,207	(10)

PREPAID TAXES

At 31.12.2018, prepaid taxes amounted to Euro 34 thousand, remaining unchanged compared with the figure at 31.12.2017.

Description (euro 1000)	31.12.2018	31.12.2017	CHANGES
Tax credits for prepaid taxes			
Within twelve months			
Prepaid tax credit	34	34	-
Total	34	34	-

Prepaid taxes refer to deductible temporary differences; they are described in the relative table in the last section of these explanatory notes.

RECEIVAVBLES DUE FROM OTHERS

At 31.12.2018, receivables due from others, under various different names, amounted to Euro 2,767 thousand, recording an increase of Euro 1,278 thousand compared with the figure at 31.12.2017. This item is broken down as follows:

Description (euro 1000)	31.12.2018	31.12.2017	CHANGES
receivables due from others			
within 12 months			
Receivables due from various entities (INAIL, Construction Workers' social security fund, C.I.G., FASI, Wages Guarantee Fund)	56	82	(26)
Advances to employees	-	5	(5)
From suppliers for advances and deposits	1,469	988	481
From directors	11	-	11
Security deposits	77	51	26
Other sundry receivables	1,153	363	790
Total within twelve months	2,767	1,489	1,278

C.III - CURRENT FINANCIAL ASSETS

Current financial assets refer to equity investments in the companies indicated in the relevant Balance Sheet item and are represented in more detail in the following table.

These are investments in consortium companies specifically set up to carry out the work, pursuant to the provisions of article 2602 et seq. of the (Italian) Civil Code. These companies are non-profit as they are specifically set up to perform work contracted out by public entities, together with other associates.

The Consortium Companies therefore implement a shared organisation of the member companies for the purpose of regulating and performing the work covered by the contract.

In accordance with the provisions of the Articles of Association governing the consortium companies, all direct and indirect costs incurred by said companies in carrying out their activities are charged to the member companies, in proportion to the share held by each of them during the period.

The other equity investments recorded in this category, also listed

in the following table, are shown net of the bad debt provision set aside to adjust their book value.

At 31.12.2018, these amounted to Euro 122 thousand, and are made up of the following:

Description (euro 1000)	31.12.2018	31.12.2017	CHANGES
equity investments in special-purpose consortium companies to carry out public contracts			
Controlled companies			
Vallenari s.c.r.l.	5	5	-
Beato Pellegrino s.c.r.l.	7	7	-
Total	12	12	-
Associated companies			
Valdastico 14 s.c.r.l.	3	3	-
Sansovino s.c.r.l.	5	5	-
Caserme VDA s.c.r.l.	7	7	-

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Farro S.r.l.	55	55	-
Trento Tre s.c.r.l.	8	8	
Arese Sud s.c.r.l.	5	5	-
Total	82	82	-
Other equity investments			
La Quado s.c.r.l. (in liquidation)	1	1	-
Impianti Sportivi Aquapolis S.r.l.	15	15	-
Aquapolis s.s.d. S.r.l.	5	5	-
Pedemontana Veneta (in liquidation)	7	7	-
Total	28	28	-
Total	122	122	-

C.IV – CASH AND CASH EQUIVALENTS

Cash and cash equivalents refer to the balances of the accounts held with credit institutions as well as cash and equivalents on hand. At 31.12.2018, they amounted to Euro 16,300 thousand, down by Euro 1,493 thousand compared with the figure at 31.12.2017. This item is broken down as follows:

Description (euro 1000)	31.12.2018	31.12.2017	CHANGES
Cash and cash equivalents			
Within 12 months			
Bank and post office deposits	16,250	17,744	[1,494]
Cash and other equivalents	50	49	1
Total	16,300	17,793	(1,493)

D.- ACCRUED INCOME AND PREPAID EXPENSES

Accrued income and prepaid expenses were determined in compliance with the accrual principle. At 31.12.2018, they amounted to Euro 670 thousand, down Euro 693 thousand compared with the previous year. More specifically:

Description (euro 1000)	31.12.2018	31.12.2017	CHANGES
Accrued income and prepaid expenses			_
Interest receivable	-	1	[1]
Prepaid expenses for leasing fees	56	60	[4]
Prepaid expenses for insurance premiums	427	906	[479]
Other prepaid expenses	152	387	(235)
Prepaid expenses for surety guarantees	34	9	25
Total	670	1.363	(693)

There are no accruals or deferrals with a duration of over five years.



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LIABILITIES AND SHAREHOLDERS' EQUITY

A. SHAREHOLDERS' EQUITY

At 31.12.2018, the company's shareholders' equity amounted to Euro 39,695 thousand, recording an increase of Euro 7,940 thousand compared with the figure at 31.12.2017. This item is broken down as follows:

Description (euro 1000)	31.12.2018	31.12.2017	CHANGES
Shareholders' equity			
Share capital	10,000	10,000	-
Revaluation reserves	2,192	2,192	_
Legal reserve	943	943	-
Extraordinary reserve	14,622	13,708	914
Profit for the year	11,940	4,913	7,026
Total	39,695	31,756	7,940

DETAILS OF CHANGES TO SHAREHOLDERS' EQUITY COMPONENTS:

Details are provided below on the changes that occurred to shareholders' equity, with specific reference to the effects of the demerger completed on 02/10/2017, which led to the transfer of the real estate business to the beneficiary FIVE S.r.l. and the transfer of the equity investment business to MANUS S.r.l.:

Description	Share capital	Legal reserve	Revaluation reserve	Extra- ordinary	Profit for the year	TOTAL
(euro 1000)	сарпас	reserve	reserve	reserve	tile year	
At the beginning of 2017	10,000,000	2,085,929	4,850,125	41,502,059	2,515,557	60,953,670
Changes to share capital						
- Increases	5,304,650	-	-	(5,304,650)		-
Allocation of the 2016 result						
- to the extraordinary reserve	-	-	-	2,515,557	(2,515,557)	-
Other changes						
- decreases	(5,304,650)	[1,143,392]	(2,658,573)	(25,004,850)		(34,111,456)
- 2017 result for the year					4,913,483	4,913,483
At the end of 2017	10,000,000	942,537	2,191,552	13,708,116	4,913,483	31,755,687
- allocation of the 2017 result				4,913,483	(4,913,483)	-
- profits distributed				(4,000,000)		(4,000,000)
2018 result for the year	-	-	-	-	11,939,589	11,939,589
At the end of 2018	10,000,000	942,537	2,191,552	14,621,599	11,939,589	39,695,276

A.I.- SHARE CAPITAL

The share capital, fully subscribed and paid-up, is made up of 10,000,000 ordinary shares, each with a value of one Euro.

Classification of reserves by origin, use, possibility of distribution and use in the three previous years.

In the following table, shareholders' equity items are broken down by origin, possible uses, possibility of distribution and actual uses during the previous three years.

Description	Amount	Useful life (see key)	Available share	Used in the three previous	Note
(euro)				years	
reserve classification					
Share capital	10,000,000	В	-	-	-
Revaluation reserve pursuant to (Italian) Decree Law no. 185/2008	2,191,552	A - B - C	2,191,552	-	-
Legal reserve	942,537	В	942,537	-	-
Extraordinary reserve	15,321,597	A - B - C	15,321,597	4,400,000	dividends 2016/2018
(other reserves)	(700,000)		(700,000)		
Total other reserves	14,621,597				
				400,000	2016
				4,000,000	2018
Profit for the year	11,939,589	-	11,939,589	-	-
Total	39,695,275	-	29,695,275	4,400,000	-
Non-distributable amount	-	-	(942,537)	-	-
(legal reserve)	-	-	[942,537]	-	-
(start-up costs)	-	-	-	-	-
Residual distributable amount	-	-	28,752,738	-	-

key:

Additional information in compliance with the provisions of accounting principle no. 28 concerning Shareholders' Equity

A.III.- REVALUATION RESERVE

This amounted to Euro 2,192 thousand. The reserves arising from application of (Italian) Law no. 342/2000, as recorded in the financial statements for the years 2001, 2003 and 2005, for a total amount of Euro 5,503 thousand, were used in full to increase the share capital. The reserve arising from the revaluation carried out in 2008 pursuant to (Italian) Decree Law no. 185/2008, for a total amount of Euro 8,780 thousand, was used, for Euro 3,952 thousand, to increase the share capital in 2009, with

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Euro 21 thousand being recovered on property sale transactions. As part of the demerger completed on 2nd October 2017, the reserve was split, with Euro 2,659 thousand being transferred to the beneficiaries Manus s.r.l. (Euro 1,415 thousand) and Five s.r.l. (Euro 1,243 thousand). At 31st December 2018, the reserve amounted to Euro 2,192 thousand.

The following table shows the changes to the revaluation reserve over time:

Description (euro 1000)	Total
revaluation reserve	
01 - revaluation pursuant to (Italian) law no. 342/2000	4,137
[-] 19% substitute tax	(786)
revaluation reserve recorded in the financial statements at 31.12.2001	3,351
2003 - revaluation pursuant to (Italian) law no. 342/2000	1,362
(-) 19% substitute tax	(259)
revaluation reserve recorded in the financial statements at 31.12.2003	1,104
2005 - revaluation pursuant to (Italian) law no. 342/2000	1,190
(-) 19% substitute tax	(143)
revaluation reserve recorded in the financial statements at 31.12.2005	1,048
total revaluation reserves accrued	5,503
(-) use of the reserve for share capital increase in 2002	(1,984)
(-) use of the reserve for share capital increase in 2006	(2,471)
residual reserves pursuant to (Italian) law no. 342/2000 at 31/12/2008	1,048
2008 - revaluation reserve pursuant to (Italian) law no. 185/2008	8,780
[-] 2009 - use of reserve pursuant to (Italian) law no. 342/2000 for share capital increase	(1,048)
(-) 2009 - use of reserve pursuant to (Italian) law no. 185/2008 for share capital increase	(3,952)
Total reserves at 31.12.2016	4,850
(-) transferred to the beneficiary MANUS S.r.l. due to demerger – deed dated 02/10/2017	(1,415)
(-) transferred to the beneficiary FIVE S.r.l. due to demerger – deed dated 02/10/2017	[1,243]
TOTAL AT 31.12.2018	2,192

For tax purposes, in the event of distribution, the taxable amount is the revaluation amount gross of substitute tax.

Reserves that are included in the company's taxable income in the event of distribution

Shareholders' equity includes revaluation reserves which, if they were distributed, would be included in the company's taxable income, regardless of the period in which they originated. More specifically, this refers to the revaluation reserve pursuant to (Italian) Decree Law no. 185/2008, recorded in the financial statements for a total of Euro 2,192 thousand, of which Euro 397 thousand are free from limitations and would therefore not be included in the company's taxable income in the event of distribution.

Description (euro 1000)	Amount
Revaluation reserve pursuant to (Italian) Decree Law no. 185/2008	1,795
Total	1,795

[&]quot;A" for capital increase

B" to cover losses

[&]quot;C" for distribution to shareholders

Reserves incorporated into the share capital

The following reserves have been used for free share capital increases and, regardless of the period in which they originated, they would contribute to the company's taxable income in the event of distribution.

Description (euro/1000)	Amount
reserves incorporated into the share capital	
2001 - use of reserves pursuant to (Italian) law no. 342/2000	1,984
2006 - use of reserves pursuant to (Italian) law no. 342/2000	2,471
2009 - use of reserves pursuant to (Italian) law no. 342/2000	1,048
total incorporated reserves pursuant to (Italian) law no. 342/2000	5,503
2009 - use of reserves pursuant to (Italian) law no. 185/2008	3,952
Total reserves used to increase the share capital	9,455
(-) transferred to the beneficiary MANUS S.r.l. – deed dated 02/10/2017	(2,526)
(-) transferred to the beneficiary FIVE S.r.l. – deed dated 02/10/2017	(2,490)
TOTAL AT 31.12.2018	4,439

B.- PROVISIONS FOR LIABILITIES AND CHARGES

At 31.12.2018, provisions for liabilities and charges amounted to a total of Euro 1,543 thousand, decreasing by Euro 403 thousand compared with the figure at 31.12.2017. These provisions are made to cover taxes, including deferred taxes, costs for tax disputes regarding pending proceedings vis-à-vis the tax authorities, legal disputes, estimated costs and charges to be incurred after completing contracts and costs that may potentially arise after work is tested.

Description (euro/1000)	31.12.2017	Increases 2018	Decreases 2018	31.12.2018
Tax provisions				
provision for taxes, also deferred	624	314	(620)	318
risk provision for tax disputes	275	-	-	275
total	899	314	(620)	593
other provisions				
for future contract charges	402	195	(257)	340
for post-testing costs	585	31	(66)	550
for legal disputes	60	-	-	60
total	1,047	226	(323)	950
Total	1,946	540	(943)	1,543

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In particular:

B.2- TAX PROVISIONS

At 31.12.2018, tax provisions amounted to Euro 593 thousand, down Euro 306 thousand compared with the previous year as a result of the following changes:

Description (euro/1000)	Amount
tax provision	
balance at 31.12.2017	899
allocation for temporary differences in 2018	314
use in 2018	[620]
Balance at 31.12.2018	593

The allocated amount includes Euro 275 thousand for the risk related to disputed tax assessments and Euro 314 thousand for estimated deferred taxes, recorded with reference to the financial statements at 31.12.2018.

B.3- OTHER PROVISIONS

At 31.12.2018, other provisions amounted to Euro 950 thousand, recording a decrease of Euro 97 thousand compared with 2017; they include the provision to cover costs to be incurred after the completion of contracts (Euro 550 thousand), the provision to cover future charges on completed contracts (Euro 340 thousand) and the provision to cover the costs of legal actions brought by and against third parties (Euro 60 thousand).

C.- STAFF SEVERANCE INDEMNITY

At 31.12.2018, net of advances paid to employees, the staff severance indemnity provision amounted to Euro 655 thousand, up Euro 3 thousand compared with the figure at 31.12.2017, as a result of the following changes:

Description (euro/1000)	Amount
Net staff severance indemnity provision at 31.12.2017	652
staff severance indemnity provision for 2018 and adjustment for previous periods	30
staff severance indemnity paid in 2018	(27)
net staff severance indemnity provision at 31.12.2018	655

The final amount is sufficient to fulfil contractual and legal obligations. The amount of staff severance indemnity relating to terminated employment contracts at 31.12.2018 that has not yet been paid, is recorded under D.13 of balance sheet liabilities, under the item "Other payables".

D.- PAYABLES

At 31.12.2018, total payables amounted to Euro 122,621 thousand, up Euro 21,506 thousand compared with the previous year.

Changes to items making up "payables":

Description (euro/1000)	31.12.2018	31.12.2017	CHANGES
payables			
within 12 months			
due to banks	10,568	7,146	3,422
for advances	25,394	4,975	20,419
trade payables	58,186	72,294	[14,108]
due to controlled companies	4,245	3,169	1,076
due to associated companies	2,928	998	1,930
for tax payables	1,184	1,099	85
due to pension and social security institutions	968	950	18
for other payables	3,111	4,348	[1,237]
Total	106,584	94,979	11,605
after 12 months			
due to banks	16,028	4,309	11,719
due to associated companies	0	1,754	(1,754)
for other payables	8	72	[64]
Total	16,036	6,135	9,901
Total	122,620	101,114	21,506

At 31.12.2018, payables due to banks within twelve months amounted to Euro 10,568 thousand, recording an increase of Euro 3,422 thousand compared with the previous year. This item includes the short-term portion of medium/long-term loans and the balances for use of short-term credit facilities granted, in the forms set out in the table below:

Description (euro/1000)	31.12.2018	31/12/2017	CHANGES
payables due to banks			
within twelve months			
short-term portion of loans	4,156	5,013	(857)
other payables for financing	6,412	2,133	4,279
Total	10,568	7.,146	3,422

At 31.12.2018, payables due to banks after twelve months amounted to Euro 16,028 thousand, recording an increase of Euro 11,719 thousand compared with the previous year.

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The breakdown of this item over time is as follows:

Description (euro/1000)	31.12.2018	31.12.2017	CHANGES
after twelve months and up to five years	16,028	4,267	11,761
after five years	-	42	[42]
Total	16,028	4,309	11,719

The position reflects the amounts due for loans, mortgage loans and other medium/long-term financing granted to the company.

Loans and mortgage loans referring to real estate assets are secured by a first priority mortgage.

D.6 - ADVANCES

At 31.12.2018, advances amounted to Euro 25,394 thousand, recording an increase of Euro 20,419 thousand compared with the previous year.

They represent the amount paid by customers by way of advance on contract work in progress. This item is broken down as follows:

Description (euro/1000)	31.12.2018	31.12.2017	CHANGES
within twelve months			
advances on contract work in progress	6,514	4,905	1,609
deposits on property sales	3,282	70	3,212
advances from customers on property sales	7,473	-	7,473
after twelve months			
deposits on property sales	4,563	-	4,563
advances from customers on property sales	3,562	-	3,562
Total	25,394	4,975	20,419

Advances related to contract work in progress, paid by Customers while work is still being carried out and normally ascertained through Work Progress Reports, are recorded under the item "revenues".

D.7 – TRADE PAYABLES

At 31.12.2018, trade payables amounted to Euro 58,186 thousand, recording a decrease of Euro 14,109 thousand compared with the previous year. This item is broken down as follows:

Description (euro/1000)	31.12.2018	31.12.2017	CHANGES
within twelve months			
trade payables for issued invoices	44,529	61,983	(17,454)
trade payables for invoices and credit notes yet to be received	13,657	10,311	3,346
Total	58,186	72,294	(14,109)

Trade payables are recorded net of discounts and rebates.

D. 9 - PAYABLES DUE TO CONTROLLED COMPANIES

These are made up of trade payables and, at 31.12.2018, amounted to Euro 4,245 thousand, recording an increase of Euro 1,076 compared with the previous year. This item is broken down as follows:

Description (euro/1000)	31.12.2018	31.12.2017	CHANGES
Beato Pellegrino s.c.r.l. for invoices to be issued and to be received	3,856	2,667	1,189
Beato Pellegrino Scrl financial account	389	502	(113)
Total	4,245	3,169	1,076

D. 10 - PAYABLES DUE TO ASSOCIATED COMPANIES

These are made up of trade payables and, at 31.12.2018, amounted to Euro 2,928 thousand, recording an increase of Euro 175 thousand compared with the previous year. This item is broken down as follows:

Description (euro/1000)	31.12.2018	31.12.2017	CHANGES
within twelve months			
Valdastico 14 S.c.r.l.	42	41	1
Sansovino S.c.r.l.	0	[41]	41
Caserme VDA S.c.r.l.	0	846	[846]
Arese S.c.r.l.	191	152	39
Trento Tre S.c.r.l.	166	-	166
Valdastico 14 S.c.r.l. – credit notes to be received	[6]	-	[6]
Sansovino S.c.r.l invoices to be received	12	-	12
Trento Tre S.c.r.l invoices to be received	2,220	-	2,220
Arese Sud S.c.r.l invoices to be received	303	-	303
Total	2,928	998	1,930
after twelve months			
Consorzio Vie del Mare	-	7	[7]
Sansovino S.c.r.l.	-	58	(58)
Trento Tre S.c.r.l.	-	1,539	(1,539)
Caserme VDA S.c.r.l.	-	5	(5)
Arese Sud S.c.r.l.	-	146	[146]
Total	-	1,754	(1,754)
Total	2,928	2,753	175

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D.12 - TAX PAYABLES

At 31.12.2018, tax payables amounted to Euro 1,184 thousand, recording an increase of Euro 86 thousand compared with the previous year. This item is broken down as follows:

Description (euro/1000)	31.12.2018	31.12.2017	CHANGES
within twelve months			
IRES (corporate income tax) for the year	440	463	(23)
IRAP (regional income tax) for the year	132	-	132
VAT	4	4	-
withholding taxes relating to employees	590	567	23
withholding taxes relating to self-employed workers	15	60	(45)
withholding taxes relating to salary-backed loans to employees	1	3	[2]
taxes on staff severance indemnity revaluation	2	2	-
Total	1,184	1.099	86

D.13 - PAYABLES DUE TO PENSION AND SOCIAL SECURITY INSTITUTIONS

At 31.12.2018, payables due to pension and social security institutions amounted to Euro 968 thousand, recording an increase of Euro 18 thousand compared with the previous year. This item is broken down as follows:

Description (euro/1000)	31.12.2018	31.12.2017	CHANGES
within twelve months			
I.N.P.S. – I.N.A.I.	461	460	1
I.N.P.S. – I.N.A.I. – for accruals	346	355	[9]
Construction workers' social security fund	40	29	11
Pension funds for transfer of staff severance indemnity	122	107	15
Total	968	951	18

D.14 - OTHER PAYABLES

At 31.12.2018, other payables amounted to Euro 3,119 thousand, recording a decrease of Euro 1,300 thousand compared with the previous year. This item is broken down as follows:

Description (euro/1000)	31.12.2018	31.12.2017	CHANGES
within twelve months			
salaries and other staff entitlements	1,745	1,797	(52)
remuneration to directors	47	39	8
other payables	27	30	(3)
payables due to others	149	199	(50)
payables to associates in temporary consortiums ("A.T.I.s")	-	854	(854)
payables to insurance companies	1,143	1,429	[286]
total payables due within twelve months	3,111	4,348	[1,236]
after twelve months			
security deposits payable	8	72	[64]
total payables due after twelve months	8	72	[64]
Total	3,119	4,420	(1,300)

Breakdown of payables by geographic area

Pursuant to article 2427, first paragraph, point 6, of the (Italian) Civil Code, Italy is the geographic area of reference for payables, amounting to a total of Euro 122,621 thousand, as shown below:

Description [euro/1000]	31.12.2018
Payables due to banks	26,596
Advances	25,394
Trade payables	58,185
Payables due to controlled companies	4,245
Payables due to associated companies	2,927
Tax payables	1,184
Payables due to pension and social security institutions	968
Other payables	3,119
Total	122,621

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E. - ACCRUED LIABILITIES AND DEFERRED INCOME

At 31.12.2018, accrued liabilities and deferred income amounted to Euro 70 thousand, recording an increase of Euro 58 thousand compared with the previous year.

Description (euro/1000)	31.12.2018	31.12.2017	CHANGES
accrued interest payable	70	3	67
miscellaneous deferred income	-	8	(8)
Total	70	12	58

There are no accrued liabilities or deferred income with a duration of over five years..

COMMITMENTS, GUARANTEES, RISKS AND CONTINGENT LIABILITIES

Pursuant to article 2427, paragraph 1, point 9, of the (Italian) Civil Code, the following table summarises any off-balance-sheet commitments, guarantees and contingent liabilities, specifying the nature of the collateral provided.

In accordance with accounting standard no. 12 issued by the OIC (Italian Accounting Board), the sureties issued to third parties in the interest of the company are reported below:

Description (euro/1000)	31.12.2018	31.12.2017	CHANGES
insurance guarantees for contractual advances	1,573	2,317	(744)
insurance guarantees on work being carried out properly	20,277	23,051	(2,774)
other insurance guarantees	793	181	612
bank guarantees on work being carried out properly	38,614	38,788	(174)
bank guarantees for contractual advances	1,741	5,365	(3,624)
bid bonds issued by banks	950	6,750	(5,800)
bank guarantees for advances/deposits regarding "closed real estate" transactions	450	-	450
other bank guarantees	787	5,096	[4,309]
Total	65,185	81,548	(16,363)
surety guarantees in the interest of third parties	2,543	41,407	[38,864]
surety guarantees in the interest of related parties	37,753	-	37,753
surety guarantees in the interest of controlled companies by the parent company	637	-	637
surety guarantees in the interest of other compa- nies and consortium companies	477	1,617	(1,140)
Pledge of company shares	619	619	-
Total at 31.12.2018	107,214	125,191	(17,977)

Ad esTo further explain the content of the items, it is hereby specified that:

- the item "bank guarantees on work being carried out properly" includes the 18 million guarantee issued to the concessionaire Ospedal Grando Srl for the performance of work at the Cittadella Sanitaria ("Healthcare District") in Treviso; the value, included in the overall total of Euro 42 million shown in the table, is reported net of the bank guarantee of Euro 6 million, as this has the same content and was issued in our favour by another member of the temporary consortium, Apleona S.p.A., as its pro rata part.
- with regard to "surety guarantees in the interest of related parties", the amount of Euro 37.8 million
 refers to guarantees given to companies that were subject to a demerger on 28/10/2017 and are
 in addition to the first priority mortgage guarantees issued by the investee companies on assets
 belonging to them in favour of the lenders; these guarantees therefore represent a second, ancillary
 quarantee;
- with regard to surety guarantees in the interest of investee companies and consortium companies, the amount of Euro 0.5 million refers to the actual exposure of guarantees issued to back lines of credit for the same amount granted to investee companies.

With regard to the following payables recorded in the financial statements under the item "Advances", it is hereby specified that the following bank guarantees have also been issued:

Monte dei Paschi di Siena

a guarantee for the advance paid by REAM S.G.R. S.p.A. regarding the preliminary sale contract for a "property yet to be built" in Turin, Via Marochetti Euro 4,875,000.00

UNICREDIT

guarantee for the deposit and advance paid by REAM S.G.R. S.p.A. regarding the preliminary sale contract for a "property yet to be built" (R.S.A.) in Turin, Via Marochetti Euro 6,549,000.00

a guarantee for the advance paid by DIMAR S.p.A. regarding the preliminary sale contract for a "property yet to be built" (for commercial use) in Turin, Via Pronda Euro 1,830,000.00

a guarantee for the advance paid by REAM S.G.R. regarding the preliminary sale contract for a "property yet to be built" (for residential use) in Turin,
Via Pronda Euro 4,558,000.00

a guarantee for the deposit paid by ICADE S.A. regarding the preliminary sale contract for a "property yet to be built" (R.S.A.) in Nichelino (TO) Euro 2,500,000.00.

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OTHER INFORMATION REQUIRED BY ARTICLE 2427 OF THE (ITALIAN) CIVIL CODE

- Details of the equity investments held by the company in controlled and associated companies at 31.12.2018 are indicated and specified in the relevant sections of these Explanatory Notes.
- Financial payables due after five years, in place at 31.12.2018 and backed by real guarantees on company assets, are indicated and specified in the relevant section of these Explanatory Notes; the company does not have any residual receivables that are due after five years.
- At 31.12.2018, the company had no assets or transactions exposed to significant effects from exchange rate fluctuations after the reporting date.
- At 31.12.2018, the company had no receivables or payables related to transactions involving repurchase agreement obligations for the buyer.
- The breakdown of the items "accrued income and prepaid expenses", "accrued liabilities and deferred income" and "other provisions" in the balance sheet, and the breakdown of the item "other reserves" are shown in the relevant sections of these Explanatory Notes
- Shareholders' equity items and their origins are indicated and specified in the dedicated table in the relevant section of these Explanatory Notes.
- At 31.12.2018, the company had not attributed any financial charges to any value recorded under assets in the balance sheet.
- The total amount of off-balance-sheet commitments, guarantees and contingent liabilities, with indication of the nature of the collateral provided, is provided in the relevant section of these Explanatory Notes.
- At 31.12.2018, there were no commitments regarding pension liabilities and similar obligations, nor any commitments undertaken vis-à-vis controlled companies, associated companies, parent companies or companies subject to the control of parent companies.
- The breakdown of sales and services revenues by category and by geographic area is shown in the relevant section of these Explanatory Notes.
- The financial statements at 31.12.2018 do not include income from equity investments, other than the dividends referred to by article 2425, no. 5, of the (Italian) Civil Code.
- The breakdown of interest and other financial charges relating to 2018, as referred to by article 2425, no. 17, of the (Italian) Civil Code, are indicated in the relevant section of these Explanatory Notes. The financial statements at 31.12.2018 do not include any revenue or cost items of exceptional size or incidence.
- The temporary differences that led to prepaid taxes being recorded are reported in the relevant section of these Explanatory Notes, with indication of the tax rate applied, any changes compared with the previous financial year and their amount.
- The average number of employees, broken down by category, is shown in the relevant section of these Explanatory Notes.
- The remuneration paid to statutory auditors and the fees payable to the firm appointed to carry out the statutory audit of accounts are reported in the relevant section of these Explanatory Notes. No advances or credits were granted to statutory auditors.
- The company did not issue any financial instruments.
- Transactions carried out with related parties are disclosed in the relevant section of these Explanatory Notes.
- There are no off-balance-sheet economic agreements in place.
- Carron Holding S.r.l. with registered office in San Zenone degli Ezzelini (TV), Via Bosco 14/1, controls the company and shall draw up the first consolidated financial statements at 31st December 2018, pursuant to the law. Said consolidated financial statements will be available at the latter's registered office.
- No significant events affecting the balance sheet, financial position or income statement occurred after the reporting date.
- The proposal for the allocation of profit is presented in the final section of these Explanatory Notes.

EMPLOYMENT FIGURES

The average headcount, broken down by category, is presented below:

Categories	31.12.2018	31.12.2017	CHANGES
Senior managers	5	5	-
Junior managers	5	-	5
White-collar workers	136	136	-
Blue-collar workers	46	56	[10]
Total	192	197	(5)

The labour contract that governs relationships with employees is the one for the construction industry and similar industries in force at the reporting date.

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EXPLANATORY NOTES - Carron SPA Financial Statements

INFORMATION AND CLARIFICATIONS ABOUT THE INCOME STATEMENT

Before analysing the individual items, please note that comments on overall performance are provided in the Directors' Report, pursuant to article 2428 of the (Italian) Civil Code.

Given the analytical presentation of revenues and costs in the Income Statement and the previous comments on balance sheet items, only the main items are commented on below

INCOME STATEMENT SUMMARY

Description	2018		2017	
(euro/1000)	amount	% weighting	amount	% weighting
value of production	174,270	100.00	151.564	100.00
production costs				
raw, ancillary and consumable materials	(23,928)	(13.7)	(23,901)	(15.8)
services	(120,877)	(69.4)	(118,190)	(78.0)
use of third-party assets	(3,896)	(2.2)	(3,323)	(2.2)
personnel costs	(13,627)	(7.8)	(13,377)	(8.8)
amortisation, depreciation and write-downs	(851)	(0.5)	(1,122)	(0.7)
changes in inventories of raw materials	1,706	1.0	14,740	(9.7)
risk provisions	(31)	(0.0)	-	-
other provisions	-	0.0	(339)	(0.2)
sundry operating expenses	[1,447]	(0.8)	(1,414)	(0.9)
total production costs	[166,363]	(95.5)	(146,925)	(96.9)
ebit	7,907	4.5	4,639	3.1
financial income and (charges)	7,237	4.2	1,833	1.2
value adjustments to financial assets	(616)	(0.4)	(450)	(0.3)
result before taxes	14,527	8.3	6,022	4.0
income taxes	(2,588)	(1.5)	(1,108)	(0.7)
profit for the year	11,940	6.9	4,913	3.2

A.- VALUE OF PRODUCTION

The item "value of production" is broken down as follows:

Description (euro 1000)	31.12.2018	31.12.2017	CHANGES
sales and services revenues	138,377	152,868	[14,491]
changes in product inventories	(760)	(412)	[348]
changes in contract work in progress	35,504	(2,911)	38,414
in-house work	-	357	(357)
other revenues and income	1,149	1,662	(513)
Total	174,270	151,564	22,706

Please refer to the Directors' Report for further information on the reasons behind these changes.

The breakdown of revenues by category of activity is shown below:

Description (euro 1000)	31.12.2018
revenues from contract work	131,394
revenues from the sale of materials	1,002
miscellaneous revenues and income	5,804
rental income	177
Total	138,377

B.- PRODUCTION COSTS

At 31.12.2018, production costs amounted to a total of Euro 166,363 thousand, recording an increase of Euro 19,438 thousand compared with the previous year; the details of production costs are provided in the following tables.

Description (euro 1000)	31.12.2018	31.12.2017	CHANGES
raw and ancillary materials, consumables and goods	23,928	23,901	27
services	120,877	118,190	2,687
use of third-party assets	3,896	3,323	573
personnel costs	13,627	13,377	249
amortisation, depreciation and write-downs	851	1,122	(271)
changes in inventories of raw materials	1,706	(14,740)	16,446
risk provisions	31	-	31
other provisions	-	338	(338)
sundry operating expenses	1,447	1,414	33
Total production costs	166,363	146,925	19,437

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EXPLANATORY NOTES - Carron SPA Financial Statements

B.6 - Raw and ancillary materials, consumables and goods

At 31.12.2018, these amounted to Euro 23,928 thousand, recording an increase of Euro 27 thousand compared with the previous year.

Description (euro 1000)	31.12.2018	31.12.2017	CHANGES
raw materials	10,575	8,774	1,801
land and buildings	12,630	14,270	(1,640)
other materials	114	208	(94)
office supplies	45	57	(12)
fuels and lubricants	492	484	8
other	71	108	(37)
Total	23,928	23,901	27

The item "land and buildings" includes the fees for the purchase of two building plots in Turin to be used for the construction of two real estate complexes, one for residential use and one for commercial use, and another to be used for a care home for the elderly, which will be sold to economic operators once work is complete, based on preliminary sale contracts referring to "properties yet to be built".

B.7 - For services

At 31.12.2018, these amounted to Euro 120,877 thousand, recording an increase of Euro 2,687 thousand compared with the previous year. The main services purchased include:

Description (euro 1000)	31.12.2018	31.12.2017	CHANGES
work outsourced for construction sites	93,273	97,327	(4,054)
services provided by investee consortium companies	12,550	7,400	5,150
professional services	7,290	4,471	2,819
travel, board and lodging	1,237	1,158	79
miscellaneous services	1,113	1,221	(1,220)
miscellaneous insurance and premiums on insurance guarantees	1,158	1,297	(139)
remuneration to directors and statutory auditors	985	931	54
cleaning services	370	412	[42]
waste disposal	686	512	174
security services	501	474	27
electricity	365	523	(158)
legal and notarial consulting services	278	277	1
tax and administration consulting services	193	163	30
advertising expenses	86	149	(63)
telephone expenses	143	124	19
car maintenance and repair	108	101	7
water and gas	49	77	(28)
recruitment and training	41	74	(33)
surety expenses	451	435	16

B.8 - For use of third-party assets

At 31.12.2018, these amounted to Euro 3,896 thousand, recording an increase of Euro 573 thousand compared with the previous year. This item is broken down as follows:

Description (euro 1000)	31.12.2018	31.12.2017	CHANGES
rental of machinery and equipment	3,171	2,513	658
rent payable	552	703	(151)
operating leases	138	86	52
maintenance and repair of third-party assets	35	21	14
total	3,896	3,323	573

B.9 - Personnel costs

At 31.12.2018, personnel costs amounted to Euro 13,627 thousand, recording an increase of Euro 249 thousand compared with the previous year. This item is broken down as follows:

Description (euro 1000)	31.12.2018	31.12.2017	CHANGES
employee salaries	9,937	9,714	223
pension and social security contributions	3,063	3,034	29
staff severance indemnity	549	553	[4]
other personnel costs	78	77	1
total	13,627	13,377	249

This item includes all expenses for employees, including merit-based pay rises, promotions, cost-of-living adjustments, paid holidays accrued but not taken and provisions required by laws and labour contracts.

B.10 – Amortisation, depreciation and write-downs

At 31.12.2018, these amounted to a total of Euro 850 thousand, down Euro 271 thousand compared with the previous year.

B.10.a - Amortisation of intangible fixed assets

At 31.12.2018, amortisation amounted to a total of Euro 50 thousand, broken down as follows:

Description (euro 1000)	31.12.2018	31.12.2017	CHANGES
software costs	13	31	[18]
other intangible fixed assets	37	47	(10)
total	50	78	(28)

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EXPLANATORY NOTES - Carron SPA Financial Statements

B.10.b - Depreciation of tangible fixed assets

At 31.12.2018, depreciation amounted to a total of Euro 601 thousand, broken down as follows:

Description (euro 1000)	31.12.2018	31.12.2017	CHANGES
buildings and light constructions	300	550	(250)
plants and machinery	144	65	79
industrial and commercial equipment	31	29	2
other tangible assets	125	125	_
photovoltaic system	-	75	(75)
total	601	844	(243)

B.10.d - Write-downs of current receivables and of cash and cash equivalents

This item refers to the provision for losses on receivables recognised on the basis of tax laws and is considered to reasonably represent the actual potential occurrence of such losses.

Description (euro 1000)	31.12.2018	31.12.2017	CHANGES
write-down of current receivables	200	200	-
total	200	200	-

B.11 - Changes in inventories of raw and ancillary materials, consumables and goods

The change in the value of inventories led to an increase in production costs of Euro 1,706 thousand, given by the difference between the initial value of inventories (Euro 15,084 thousand) and the end value (Euro 13,378 thousand).

Please refer to the notes on the item "inventories" for a better explanation of the transaction relating to the purchase of the real estate complexes in Turin, which contribute to the change in the value shown under item B.11 of the Income Statement.

B.13 - Risk provisions and other provisions

Provisions made at 31.12.2018 include only the adjustment of the provision for estimated final losses on construction sites whose activities were complete as at the reporting date. No further amounts were set aside for risk provisions as the latter were considered sufficient at 31.12.2018, even taking into account the uses of the provision recorded during the year.

B.14 - Sundry operating expenses

At 31.12.2018, these amounted to Euro 1,447 thousand, and are broken down as follows:

Description (euro 1000)	31.12.2018	31.12.2017	CHANGES
(deductible) duties and taxes	39	26	13
I.M.U. (property tax) - TASI (Italian council tax)	146	85	61
registration, mortgage, cadastral, certification fees	87	172	(85)
membership fees	20	17	3
donations	-	33	(33)
other duties and taxes (occupation of public land, contract registration and miscellaneous others)	451	389	62
state concessions	14	15	[1]
ordinary capital losses	14	174	[160]
non-recurring expenses	9	173	[164]
expenses in the interest of society	27	-	27
fines and penalties	37	68	(31)
repeatable expenses	373	93	280
others	231	169	62
total	1,447	1,414	33

C. - FINANCIAL INCOME AND CHARGES

At 31.12.2018, these amounted to a total of Euro 7,237 thousand, broken down as follows:

Description (euro 1000)	31.12.2018	31.12.2017	CHANGES
income from equity investments	5,860	1,993	3,867
other income (interest income from bank accounts and receivables)	1,719	60	1,659
interest and other financial charges	[342]	(219)	[123]
Total	7,237	1,833	5,403

Income from equity investments refers to dividends and capital gains on the sale of equity investments. More specifically:

Description (euro 1000)	31.12.2018
Capital gain on the sale of the equity investment in Capital Carron Bau S.r.l.	4,520
Capital gain on the sale of shares in the fund "Salute Due"	100
Total capital gains	4,620
Dividends from Carron Bau S.r.	1,240
Total	5,860

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EXPLANATORY NOTES - Carron SPA Financial Statements

The capital gain relating to the equity investment in Carron Bau S.r.l. reflects the value calculated by an expert appraisal completed as part of its sale to the newly-established Carron Holding S.r.l. and to SIMA S.r.l., completed in June 2018. A capital gain of Euro 4,030 thousand was recorded in relation to the sale of the equity investment in Carron Bau S.r.l. to Carron Holding S.r.l., for the 70% shareholding, and of Euro 490 thousand in relation to the sale to SIMA S.r.l., for the 10% shareholding.

Breakdown of income from equity investments

(Ref. article 2427, first paragraph, no. 11, of the Italian Civil Code)

Description (euro 1000)	Controlled companies	Others	Total
Capital gains on the sale of equity investments	4,520	100	4,620
Dividends	1,240	-	1,240
Total	5,760	100	5,860

C.16 - Other financial income

At 31.12.2018, other financial income amounted to a total of Euro 1,719 thousand, broken down as follows:

Description (euro 1000)	31.12.2018	31.12.2017	CHANGES
interest receivable on bank accounts	-	2	[2]
interest receivable on tax credits	-	58	(58)
Other income	1,719	-	1,719
Total	1,719	60	1,659

This item refers to income from the redemption of cumulative insurance policies in favour of the company, that have expired.

C.17 - Interest and other financial charges

At 31.12.2018, these amounted to a total of Euro 343 thousand, broken down as follows:

Description (euro 1000)	31.12.2018	31.12.2017	CHANGES
interest and commissions payable to institutions	114	59	55
interest payable to suppliers and others	9	7	2
interest payable on loans	65	153	(88)
Other financial charges	154	-	154
Total	343	219	123

Other financial charges are made up of commissions payable to lender institutions for granting the loans in place.

D. – VALUE ADJUSTMENTS TO FINANCIAL ASSETS

D.19 a) WRITE-DOWN OF EQUITY INVESTMENTS

A total of Euro 616 thousand was recorded, referring to the write-down of the following equity investments:

Description (euro 1000)	31.12.2018	31.12.2017	CHANGES
Write-downs			
for losses of controlled companies			
Carron Swiss	-	14	[14]
total	-	14	(14)
other securities			
Geminus Fund	616	435	181
total	616	435	181
Total	616	450	166

The write-down of the shares held by the company in the Geminus Fund was carried out based on the NAV at 30/06/2018.

20. INCOME TAXES FOR THE YEAR

At 31.12.2018, income taxes amounted to Euro 2,588 thousand, broken down as follows:

Description (euro 1000)	31.12.2018	31.12.2017	CHANGES
current taxes	(2,894)	(2,403)	(491)
(IRES - corporate income tax)	(2,675)	(2,351)	[324]
(IRAP - regional income tax)	[416]	(281)	(135)
(IRES on non-taxable non-recurring income)	197	229	[32]
deferred (prepaid) taxes	306	1,294	(988)
deferred (IRES - corporate income tax)	306	1,294	(988)
Total	2,588	1,109	(1,479)

STATEMENT OF IRES CALCULATION

Description	Tax base	Tax amount
result before taxes	14,527,464	
increases	3,998,154	
decreases	(7,377,391)	
taxable amount	11,148,227	
current income taxes for the year	24.00%	2,675,574

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EXPLANATORY NOTES - Carron SPA Financial Statements

STATEMENT OF IRAP CALCULATION

Description	Tax base	Tax amount
difference between value and costs of production	21,764,726	
irrelevant costs for IRAP purposes	1,363,297	
total	23,128,023	
increases	323,534	
decreases	[12,142,612]	
gross value of production	10,661,877	
deductions pursuant to art. 11, paragraph 1, letter a) of (Italian) legislative decree no. 446	-	
IRAP taxable amount	10,661,877	
current IRAP for the year	3.90%	415,813

DEFERRED TAXES

Prepaid tax assets are recorded if there is reasonable certainty that, in the years in which the deductible temporary differences will be reversed, in relation to which the prepaid taxes were recorded in the first place, the taxable income will not be less than the differences that they will cancel.

No entries were made in relation to deferred taxes that may result from distribution to shareholders of the reserve set up with the revaluation surplus. This is in accordance with Accounting Standard no. 25 according to which deferred taxes may not be recognised if it is considered highly unlikely for said payable to arise.

"Deferred" taxes are shown in more detail below:

Description	year ending 31.12.2018	year ending 31.12.2018	year ending 31.12.2017	year ending 31.12.2017
	temporary differences IRES	Tax effect IRES	temporary differences IRES	temporary differences IRES
Deferred taxes				
Recoveries for short-term contracts pursuant to article 92 of the TUIR	1,274,989	305,997	5,393,151	1,294,356
Rate 24%				
Total	1,274,989	305,997	5,393,151	1,294,356
Net deferred (prepaid) taxes		305,997		1,294,356
Details of taxable temporary differences	;			
Description	Amount at 31.12.2017	Changes during 2018	Amount at 31.12.2018	Tax effect Ires Rate 24,00%
Recoveries for short-term contracts pursuant to article 92 of the TUIR	5,393,151	4,118,162	1,274,989	305,997

FINANCIAL LEASING TRANSACTIONS

The company has a financial leasing contract in place, the summary of which is provided below, pursuant to article 2427, point 22, of the (Italian) Civil Code:

OIC (Italian Accounting Board) RECLASSIFICATION

Α	ASSETS	
	A) Ongoing contracts	
	a1) Value of leased assets at the end of the previous year	
	of which gross value	426,212
	of which accumulated depreciation	(115,350)
	of which adjustments	-
	of which value reinstatements	=
	Total	310,862
	a2) assets purchased during the year	209,566
	a3) assets for which purchase option was exercised during the year	-
	a4) share of depreciation for the year	115,508
	a5) adjustments for the year	-
	a6) value reinstatements during the year on assets	-
	a7) Value of leased assets at the end of the current year	
	of which gross value	635,778
	of which accumulated depreciation	(230,858)
	of which adjustments	-
	of which value reinstatements	-
	Total	404,920
	a8) reversal of prepaid expenses for financial leasing transactions	57,580
В	Assets for which the purchase option is exercised	
	b1) difference in value of assets for which the purchase option is exercised, calculated according to the "finance lease" method, compared to their net book value at the end of the year	-
С	LIABILITIES	
	c1) lease liabilities at the end of the previous year	
	of which due during the next year	84,666
	of which due between 1 and 5 years	171,435
	of which due after 5 years	-
	Total	256,101
	c2) lease liabilities arising during the year	188,608
	c3) reductions for capital repayment	104,571
	c4) reductions for purchase options exercised during the year	-
	c5) lease liabilities at the end of the year	
	of which due during the next year	129,403
	of which due between 1 and 5 years	210,735
	of which due after 5 years	
	Total	340,138
	c6) reversal of accruals on financial leasing fees	-
D	total gross effect at year-end	7,202
Е	net tax effect	7,259
F	effect on shareholders' equity at year-end	(57)

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EXPLANATORY NOTES - Carron SPA Financial Statements

INCOME STATEMENT	
Reversal of fees on financial leasing transactions	134,131
Depreciation recorded on contracts in place	115,508
Depreciation recorded on assets for which purchase option was exercised	-
Financial charge on leasing transactions recorded	5,131
Adjustments / value reinstatements on leased assets	=
Effect on pre-tax result	13,492
Tax effect recorded	8,279
Effect on the result for the year	5,213

OTHER INFORMATION

Transactions with related parties pursuant to art. 2427 no. 22-bis of the (Italian) civil code

Transactions carried out by the company between "related parties", as identified by Accounting Standard no. 12 issued by the OIC (Italian Accounting Board), referred to by article 2427, no. 22-bis of the (Italian) Civil Code, were completed under normal market conditions.

Significant events after 31st December 2018

As at the reporting date, there were no significant events that require particular mention. The company has carried out its activities normally, with a certain focus on real estate projects, defined above as "closed real estate" transactions, which are expected to generate positive results in future years based on the good levels of performance achieved during 2018.

Production activities continued normally on all construction sites, in line with the plans and time frames stated by the relative contracts.

No facts or events arose after the reporting date that may otherwise alter the company's balance sheet, income statement or financial position.

It is also hereby specified that:

- The company does not own any treasury shares, neither directly nor through a trust company or third party;
- over the course of the year, the company did not buy or sell treasury shares, neither directly nor through a trust company or third party.

Information pursuant to art. 1, paragraph 125 of (Italian) law no. 124 dated 4th August 2017

In relation to the transparency obligations introduced by (Italian) law no. 124 dated 4th August 2017, article 1, paragraph 125, the company has not received any grants, subsidies, paid positions or, in any case, any kind of economic benefits from the public administration or similar entities.

Off-balance-sheet agreements

The company has no off-balance-sheet agreements in place affecting its balance sheet amounts or financial position, other than those already disclosed in the Directors' Report.

Remuneration due to Directors, Statutory Auditors and the independent audit firm in charge of the statutory audit of accounts

Please find below the total remuneration paid to the directors, the members of the Board of Statutory Auditors and to the independent audit firm in charge of the statutory audit of accounts:

Position	Remuneration
To the board of directors	820,758
To the board of statutory auditors	51,429
To the audit firm appointed to carry out the statutory audit of accounts	47,454
Total	919,641

These financial statements, which consist of the Balance Sheet, Income Statement, Cash Flow Statement and Explanatory Notes, provide a true and correct representation of the company's balance sheet and financial position as well as the result for the year, and correspond to the results of accounting entries.

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EXPLANATORY NOTES - Carron SPA Financial Statements

Dear Shareholders,

Lastly, we would like to submit for your examination and approval the financial statements at 31st December 2018, the main figures of which are summarised below

- value of production of Euro 174,3 mln, up 15% compared with 2017;
- EBITDA of Euro 8,8 mln, accounting for 5.04% of the value of production (3.80% in 2017);
- depreciation of tangible fixed assets, amortisation of intangible fixed assets and other write-downs and provisions for Euro 0,9 mln (Euro 1,1 mln in 2017);
- EBIT of Euro 7,9 mln, accounting for 4.54% of the value of production (3.06% in 2017);
- pre-tax profit of Euro 14,5 mln (Euro 6 mln in 2017) which, net of taxes for Euro 2,6 mln (Euro 1,1 mln in 2017), results in a net profit of Euro 11,9 mln (Euro 4,9 mln at 31.12.2017);
- a net financial position vis-à-vis the banking system Euro Euro 10,3 mln (+ Euro 6,3 mln at 31.12.2017).

If you agree with the criteria used to prepare the financial statements and with the accounting standards and procedures applied, then we propose that you pass the following resolutions:

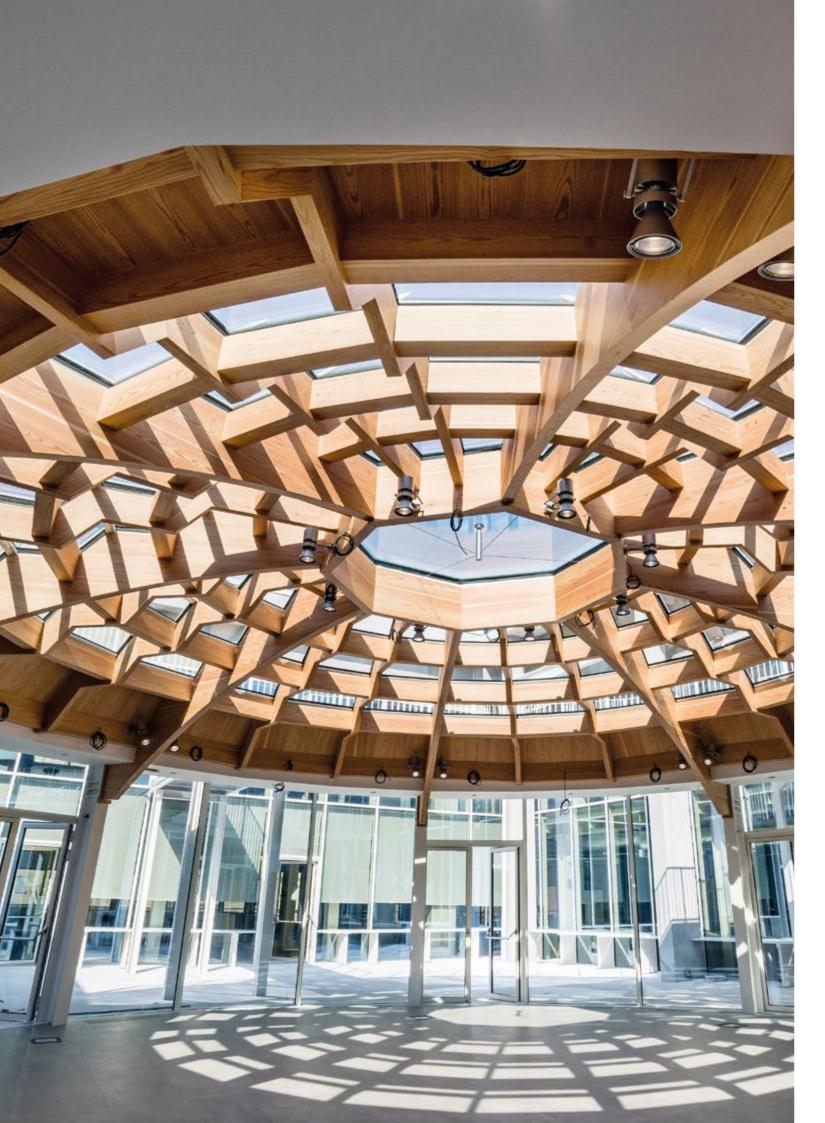
The Shareholders' Meeting,
having examined the company's financial statements at 31st December 2018,
considering the report by the Board of Statutory Auditors to the Shareholders' Meeting,
hereby resolves

to approve the company's financial statements for the year ended 31st December 2018, as a whole and with regard to the individual items, and to allocate the profit for the year, equal to Euro 11,939,589.00, as follows:

- 5%, corresponding to Euro 596,979.00, to the legal reserve;
- 95%, corresponding to Euro 11,342,609.00, to the extraordinary reserve.

The Chairman of the Board of Directors

Arch. Diego Carron



BOARD

OF STATUTORY AUDITORS' REPORT CARRON SPA FINANCIAL STATEMENTS

CARRON CAV. ANGELO SPA with sole shareholder

REPORT OF THE SUPERVISORY BODY

Annual financial statements at 31.12.2018

To the Shareholders' meeting of CARRON CAV. ANGELO S.p.A.

Introduction

Dear Shareholders, given that, in accordance with the current Bylaws, your company assigned to the Supervisory Body only administrative supervision tasks, while the statutory auditing function was assigned to the auditing company Deloitte & Touche SpA, this report shows the work performed in terms of statutory auditing.

Report to the Shareholders' meeting pursuant to art. 2429, par. 2, (Italian) Civil Code - Administrative supervisory activities

Over the course of the year closed on 31st December 2018, we based our work on legal provisions and the rules of conduct for the board of statutory auditors issued by the Italian Board of Professional Accountants and Auditors, on the basis of which we carried out a self-assessment, with a positive result, for each member of the board.

Supervisory activities pursuant to article 2403 et seq. of the (Italian) Civil Code

The draft financial statements for the year ended 31.12.2018, which the Administrative Body sent us pursuant to art. 2429 of the Civil Code for the due examination, was drafted according to the provisions of Legislative Decree no. 127/91 and consists of:

- Balance sheet
- Income statement
- Cash flow statement
- Explanatory notes
- Directors' Report

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STATUTORY AUDITORS' REPORT

The result for the year shows a profit of Euro11,939,589, as clearly shown in the summary data here below

BALANCE SHEET

Description	2018 financial year	2017 financial year	Deviation
FIXED ASSETS	31,381,937	30,332,322	1,049,615
CURRENT ASSETS	132,531,592	103,785,000	28,746,592
ACCRUALS AND DEFERRALS	670,231	1,363,092	- 692,861
TOTAL ASSETS	164,583,760	135,480,413	29,103,347

Description	2018 financial year	2017 financial year	Deviation
SHAREHOLDERS' EQUITY	39,695,274	31,755,687	7,939,587
PROVISIONS FOR LIABILITIES AND CHARGES	1,543,056	1,946,163	- 403,107
STAFF SEVERANCE INDEMNITY	654,931	652,363	2,568
PAYABLES	122,620,849	101,114,528	21,506,331
ACCRUALS AND DEFERRALS	69,650	11,672	57,978
TOTAL LIABILITIES	164,583,760	135,480,413	29,103,347

INCOME STATEMENT

Description	2018 financial year	2017 financial year	Deviation
VALUE OF PRODUCTION	174,269,957	151,564,096	22,705,861
SALES AND SERVICES REVENUES	138,376,941	152,867,753	- 14,490,812
PRODUCTION COSTS	166,363,196	146,925,468	19,437,728
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A-B)	7,906,761	4,638,628	3,268,133
PROFUT (LOSS) BEFORE TAXES (A-B+-C+-D)	14,527,464	6,021,883	8,505,581
CURRENTE, DEFFERRED AND PREPAID INCOME TAXES FOR THE YEAR	2,587,875	1,108,400	1,479,475
PROFIT (LOSS) FOR THE YEAR	11,939,589	4,913,483	7,026,106

We made sure that the company complied with laws and the articles of association and that it respected correct management principles.

We attended the Shareholders' meetings and Board of Directors meetings, in relation to which, based on the information available, there were no violations of the law or of the articles of association to report, nor were there any transactions that were manifestly imprudent, risky, involving a potential conflict of interest or such as to jeopardise the integrity of the company's assets.

During the meetings held, the Supervisory Body provided us with information on the general running of the company and the foreseeable business outlook, as well as on the most significant transactions carried out by the company, in terms of their size or their characteristics. Based on the information we have obtained, we do not have any particular observations to report.

We received information from the person in charge of the legal audit and no significant data or information has emerged that needs to be highlighted in this report.

We took care of the relationship with the Supervisory Body duly set up and functioning pursuant to Leg. Decree 231/2001 and we do not have any particular observations to report.

For the areas falling under our scope of responsibility, we acquired knowledge of the company's organisational structure and made sure that it is appropriate and works correctly, also by gathering information from department supervisors. In this regard, we have no particular observations to report.

For the areas falling under our scope of responsibility, we acquired knowledge of the company's administration-accounting system and made sure that it is appropriate and works correctly, as well as overseeing its reliability to correctly represent facts regarding management activities, by obtaining information from department supervisors and examining company documentation. In this regard, we have no particular observations to report.

No complaints were received from shareholders pursuant to art. 2408 of the (Italian) Civil Code. Over the course of the year, the Board of Statutory Auditors did not issue any legally-required professional opinions.

During the supervisory activities described above, no other significant facts emerged that are such as to require mention in this report.

Carron
Financial Statements 2018

STATUTORY AUDITORS' REPORT

Observations regarding the financial statements

As far as we know, when preparing the financial statements, the directors did not make any exceptions to laws pursuant to article 2423, fifth paragraph, of the (Italian) Civil Code.

The company is subject to "management and coordination activities" pursuant to articles 2497 and 2497 septies (Italian) Civil Code, performed by Carron Holding S.rl., which was established in 2018 and which, at the draft financial statements date, had not approved its first financial statements.

With regard to the revaluation of assets performed pursuant to art. 11, par. 3, Law no. 342 of 21st November 2000, we attest to the fact that it does not exceed the value actually attributable to the it pursuant to art. 11, par. 2, Law no. 342 of 21st November 2000.

The results of the audit that we carried out on the financial statements are contained in the "External Auditors' report pursuant to art. 14 of Leg. Decree 39/2010" issued by Deloitte & Touche S.p,a, on today's date.

Observations and proposals regarding approval of the financial statements

Considering the results of the activities that we have carried out, we hereby propose that the Shareholders' Meeting approve the financial statements at 31st December 2018, as prepared by the Directors.

The Board also agrees with the Directors' proposal in the explanatory notes on the allocation of the result for the year.

THE BOARD OF STATUTORY AUDITORS

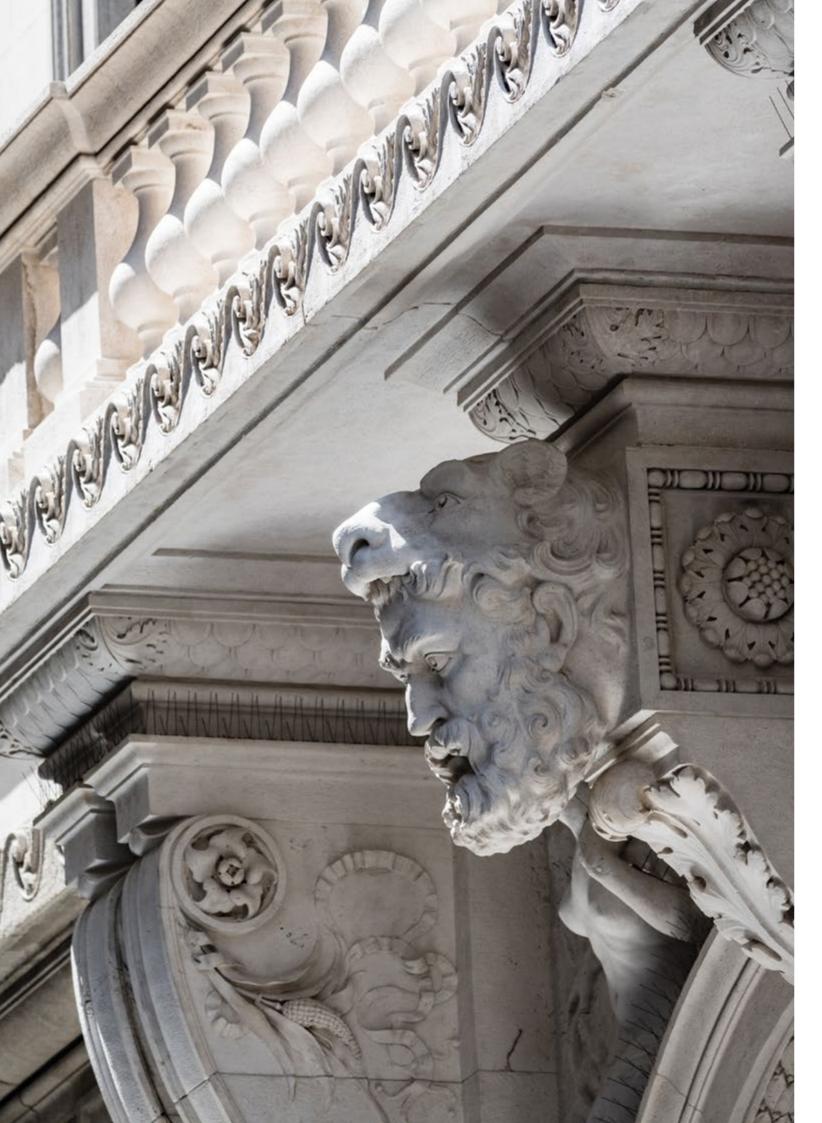
San Zenone degli Ezzelini, 27th May 2019

DR. MARCO CONTESSOTTO

DR. ALBERTO DA DALTO

DR. PRIMO CEPPELLINI





EXTERNAL AUDITOR'S REPORT

TO CARRON SPA FINANCIAL STATEMENTS



Deloitte & Touche S.p.A. Via Fratelli Bandiera, 3 31100 Treviso Italia

Tel: +39 0422 587.5 Fax: +39 0422 587812 www.deloitte.it

EXTERNAL AUDITOR'S REPORT PURSUANT TO ART. 14 OF LEG. DECREE NO. 39 OF 27TH JANUARY 2010

To the Sole Shareholder of Carron Cav. Angelo S.p.A.

EXTERNAL AUDITORS' REPORT TO THE AUDITING OF THE FINANCIAL STATEMENTS

Professional opinion

We have carried out the audit of Carron Cav. Angelo S.p.A. (the Company) financial statements, made up of the balance sheet at 31st December 2018, the income statement, the cash flow statement for the financial year closed on the same date and the explanatory notes.

In our opinion, the financial statements provide a true and correct representation of the company's balance sheet and financial position at 31st December 2018 and of the result and the cash flows for the year closed on the same date, in compliance with the Italian regulations that govern their preparation criteria.

The basis of this professional opinion

We carried out the audit on the financial statements in accordance with the International Standards on Auditing (ISA Italia). Our responsibilities pursuant to these standards are further described in the section "Responsibility of the audit firm for the audit of the financial statements" in this report. We are independent from the Company in compliance with the regulations and standards regarding ethics and independence that apply to the audit of financial statements in Italy. We believe we obtained sufficient and appropriate evidence on which to base our professional opinion.

Responsibility of Directors and of the Board of Statutory Auditors for the financial statements

The Directors are responsible for the preparation of the financial statements, ensuring that they provide a true and correct representation, in accordance with the Italian regulations disciplining their preparation criteria and within the legal deadlines. The Directors are also responsible for internal audit activities deemed necessary in order to allow the financial statements to be drawn up without any significant errors caused by fraud or unintentional behaviour or events.

The Directors are responsible for assessing the Company's ability to continue operating as a going concern and, when drawing up the financial statements, for the appropriate use of the assumption that the company is a going concern, as well as for providing adequate information in this regard.

The Directors shall draw up the financial statements based on the assumption that the Company is a going concern, unless they have judged the conditions to be in place for the Company to be liquidated or for company activity to be stopped or if there are no realistic alternatives to these choices.

The Board of Statutory Auditors is responsible for monitoring, within the legal deadlines, the preparation of the financial reporting of the Company.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Verona

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 kv.

Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239 | Partita IVA: IT 03049560166

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O Deloitte & Touche S.p.A.

Deloitte

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Responsibility of the audit firm for the audit of the financial statements

Our objectives are to obtain a reasonable degree of certainty that the financial statements do not contain significant errors, caused by fraud or unintentional behaviour or events, and to issue an audit report that includes our professional opinion. "Reasonable degree of certainty" means a high level of certainty which, however, does not guarantee that a financial audit carried out in compliance with the International Standards on Auditing (ISA Italia) will always identify a significant error, if one exists. Errors may be caused by fraud or unintentional behaviour or events and are considered significant if it can be reasonably expected that they, whether individually or collectively, may be able to influence users' economic decisions based on the financial statements.

As part of the financial audit carried out in compliance with the International Standards on Auditing (ISA Italia), we used our professional judgement and maintained professional skepticism throughout the audit. Furthermore:

We identified and assessed the risks of significant errors in the financial statements, caused by fraud or unintentional behaviour or events; we defined and carried out audit procedures in response to said risks; we obtained sufficient and appropriate evidence on which to base our professional opinion. The risk of not identifying a significant error caused by fraud is higher compared with the risk of not identifying a significant error caused by unintentional behaviour or events, as fraud may imply collusion, forgery, intentional omissions, misleading representations or forcing internal controls;

We gained an understanding of the internal audit processes that are relevant for the purposes of the audit of the financial statements, with the aim of defining appropriate audit procedures for the circumstances and not to express an opinion on the effectiveness of the Group's internal audit function;

We assessed the appropriateness of the accounting standards used and the reasonableness of the accounting estimates made by the Sole Director, including the relative information provided;

we reached a conclusion as to whether the Sole Director has appropriately assumed that the company is a going concern and, based on the evidence obtained, regarding the potential existence of significant uncertainty over events or circumstances that may cause doubts to arise on the Group's ability to continue operating as a going concern. If there is any significant uncertainty, we are obliged to draw attention in our audit report to the relative information provided in the financial statements, or, should said information be inadequate, to reflect this situation when forming our professional opinion. Our conclusions are based on the evidence obtained up to the date of this report. However, subsequent events or circumstances may mean that the Group ceases to operate as a going concern;

We assessed the presentation, structure and content of the financial statements as a whole, including the information provided, and we assessed whether the financial statements represent the underlying transactions and events in such a way as to provide a correct representation;

We obtained sufficient and appropriate evidence on the financial information of the companies or the different economic activities performed within the Group in order to express our professional opinion. We are responsible for coordinating, supervising and carrying out the Group's audit process. We are the solely responsible for the audit opinion on the financial statements.

We informed the individuals in charge of governance activities, identified at appropriate levels as required by ISA Italia standards, of, among other things: the scope and time frames planned for the audit and the significant results that emerged, including any significant shortcomings that were identified during the internal audit of the financial statements.

Deloitte.

REPORT ON OTHER LEGAL PROVISIONS AND REGULATIONS

Opinion pursuant to art. 14. Par. 2, point e), of Leg. Decree 39/10

The Directors of Carron Cav. Angelo S.p.A. are responsible for drawing up the Company's Directors' report at 31st December 2018, and for ensuring that it complies with the financial statements and legal provisions. We have carried out the procedures indicated in auditing standard (ISA Italia) no. 720B in order to provide our opinion on the consistency of the Director's report with the financial statements at 31st December 2018 and with legal provisions, as well as to issue a statement on any significant errors.

In our opinion, the Director's report is consistent with the financial statements at 31st December 2018 and has been drawn up in compliance with legal provisions in force.

With reference to the statement pursuant to art. 14, par. 2, point e) of Leg. Decree 39/110, issued based on the knowledge and understanding of the company and the context in which it operates that we obtained during our audit activity, no other significant facts emerged that are such as to require mention in this report.

DELOITTE & TOUCHE S.p.A

Giorgio Moretto

Partner

Treviso, 27th May 2019



CARRON HOLDING S.R.L. FINANCIAL STATEMENTS

KEY DATA OF CARRON HOLDING S.R.L. FINANCIAL STATEMENTS AT 31ST DECEMBER 2018

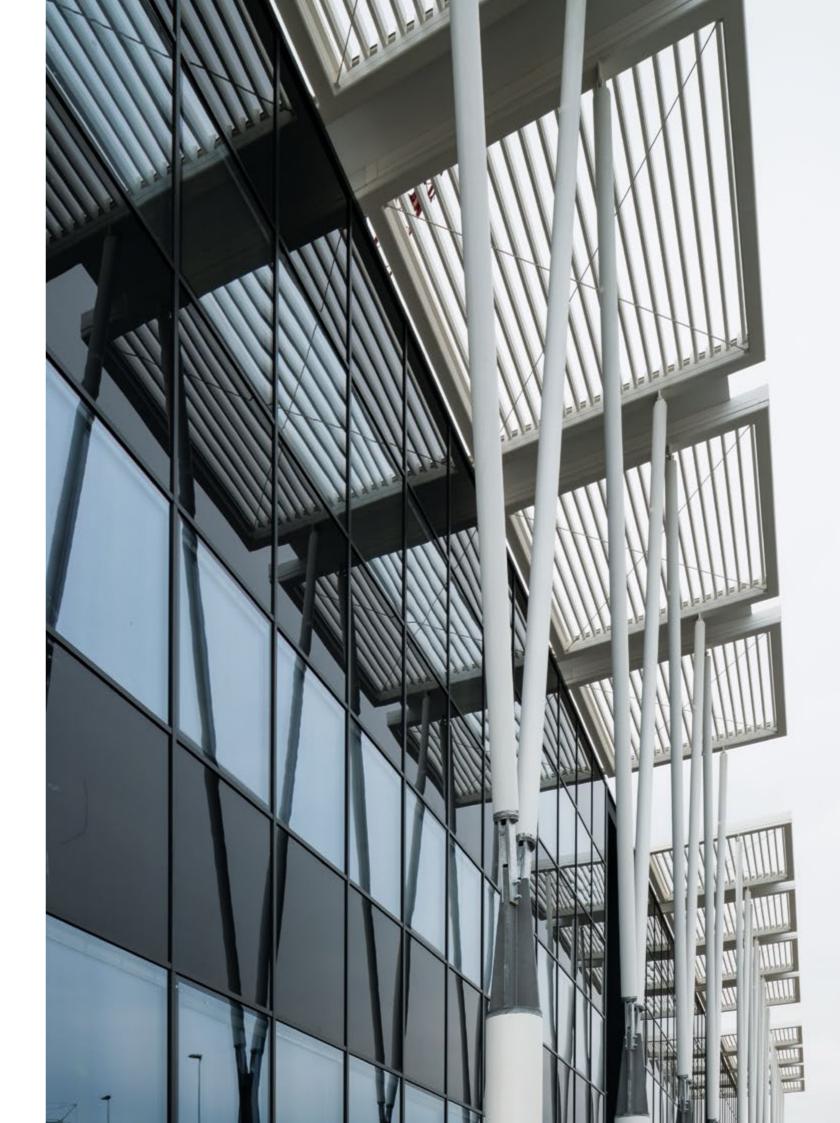
The key data of the parent company Carron Holding S.r.l., shown in the following summary table, have been extracted from the relevant financial statements for the year ending on 31st December 2018.

In order to adequately and thoroughly understand Carron Holding S.r.l.'s (parent company) balance sheet and financial position at 31 December 2018 and of the net result for the financial year closed on the same date, please refer to the financial statements which are available, supplemented by the report of the independent auditors, in the forms and manner required by law.

Income statement	2018
Value of production	0
Production costs	15,023
Operating profit	(15,023)
Financial income and charges	4,000,017
Result before taxes	3,984,994
Income taxes	[44,399]
Net result	3,940,595
Balance sheet	
Assets	
Financial fixed assets	4,855,064
Current assets	732,286
Total assets	5,587,350
Liabilities	
Shareholders' equity	4,940,596
Payables	646,754
Total liabilities	5,587,350

The Sole Director

dott.ssa Marta Carron



CARRON BAU S.R.L. – G.M.B.H.'S FINANCIAL STATEMENTS

BALANCE SHEET

ASSETS		31.12.2018	31.12.2017
В	FIXED ASSETS		
I)	Intangible fixed assets		
1)	start-up and expansion costs	0	659
3)	industrial patents and intellectual property rights	7,026	3,552
7)	Others	86,407	20,547
	Total	93,433	24,758
II)	Tangible fixed assets		
3)	industrial and commercial equipment	16,502	18,871
4)	Other assets	149,564	80,031
	Total	166,066	98,902
III)	Financial fixed assets		
2)	receivables:		
	d-bis) from others	1,450,000	(
3)	Other securities	1,050,000	(
	Total	2,500,000	(
	TOTAL FIXED ASSETS (B)	2,759,499	123,660
•	CURRENT ACCETS		
C	CURRENT ASSETS		
1)	Inventories	/0.507	// 011
1)	raw, ancillary and consumable materials	69,587	44,215
3)	contract work in progress	6,999,557	6,618,983
5)	advances	0	((() () () ()
II)	Total Receivables	7,069,144	6,663,198
1)	trade receivables		
1)	a) due within one year	2,716,233	1 510 40
	Total	2,716,233	1,518,60
4)	from parent companies	2,716,223	1,518,607
5)	from companies subject to the control of parent companies	0	
5-bis)	tax credits	1,137,323	1,148,24
5-bis) 5-ter)	prepaid taxes	67,714	60,514
5-quater)	due from others	07,714	00,512
o-quater)	a) due within one year	336,901	649,242
	b) due after one year	304,672	
	Total receivables	4,562,833	3,440,813
IV)	Cash and cash equivalents	4,302,033	3,440,010
	bank and post office deposits	9,757,077	7,572,462
3)	cash and equivalents on hand	16,869	11,763
3)	Total cash and cash equivalents	9,773,946	7,584,225
	TOTAL CURRENT ASSETS (C)	21,405,923	17,688,236
	TOTAL DESIGNATION (S)	21,400,720	17,500,200
D	ACCRUALS AND PREPAYMENTS	336,570	211,860
	TOTAL ASSETS	24,501,992	18,023,756

Carron Financial Statements 2018

CARRON BAU S.R.L. – G.M.B.H.'S FINANCIAL STATEMENTS

BALANCE SHEET

LIABILITI	<u></u>	31.12.2018	31.12.2017
A	SHAREHOLDERS' EQUITY		
I	Share capital	1,500,000	600,000
IV	Legal reserve	120,000	20,000
VI	Other reserves		
	- Extraordinary reserve	1,854,019	1,588,994
	- Euro rounding difference	0	2
VIII	Profits (losses) carried forward	0	(
IX	Profit (loss) for the year	2,986,323	2,815,025
	TOTAL SHAREHOLDERS' EQUITY (A)	6,460,342	5,024,021
В	PROVISIONS FOR LIABILITIES AND CHARGES		
2)	Provision for taxes, also deferred	129,599	(
4]	other provisions	247,200	200,000
	TOTAL PROVISIONS FOR LIABILITIES AND CHARGES (B)	376,799	200,000
С	STAFF SEVERANCE INDEMNITY	112,391	64,199
D	PAYABLES		
4]	payables due to banks	0	(
6]	advances	8,412,496	4,908,449
7)	trade payables	8,131,143	6,921,647
11)	payables due to parent companies	0	124,927
11-bis)	payables due to companies subject to the control of parent companies	56,620	(
12)	tax payables	290,358	325,949
13)	payables due to pension and social security institutions	198,522	153,243
14]	other payables	463,321	301,321
	TOTALPAYABLES (D)	17,552,460	12,735,538

STATUTORY INCOME STATEMENT

		31.12.2018	31.12.2017
A	VALUE OF PRODUCTION		
1)	sales and services revenues	33,800,304	32,148,284
3)	Changes in contract work in progress	380,574	169,394
4]	Increases in fixed assets for in-house production	87,606	0
5)	other revenues and income	60,877	118,633
	TOTAL VALUE OF PRODUCTION (A)	34,329,361	32,436,311
В	PRODUCTION COSTS		
6)	For raw and ancillary materials, consumables and goods	4,983,793	2,767,910
7)	For services	19,822,784	21,382,491
8)	For use of third-party assets	1,631,567	1,569,449
9)	For personnel:		
	a) salaries and wages	2,676,791	2,041,852
	b) social security contributions	923,254	677,552
	c) staff severance indemnity	123,053	107,168
	d) other costs	11,398	13,381
	Total	3,734,496	2,839,953
10)	Amortisation, depreciation and write-downs		
	a) amortisation of intangible fixed assets	34,626	21,059
	b) depreciation of tangible fixed assets	41,836	34,874
	c) Write-downs of current receivables and of cash and cash equivalents	30,813	8,062
	Total	107,275	63,995
11)	changes in inventories of raw and ancillary materials, consumables and goods	(25,372)	3,171
12)	Risk provisions	0	-
13)	Other provisions	57,275	50,000
14)	Sundry operating expenses	83,972	76,728
	TOTAL PRODUCTION COSTS (B)	30,395,790	28,753,697
	DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS (A - B)	3,933,571	3,682,614

Carron Financial Statements 2018

CARRON BAU S.R.L. – G.M.B.H.'S FINANCIAL STATEMENTS

STATUTORY INCOME STATEMENT

		31.12.2018	31.12.2017
С	FINANCIAL INCOME AND CHARGES		
16)	Other financial income		
	d) income other than interest receivable	17,290	10,203
	Total	17,290	10,203
17)	interest and other financial charges		
	- from others	(876)	(195)
	Total	(876)	(195)
17-bis)	Exchange rate gains (losses	0	0
	TOTAL FINANCIAL INCOME AND CHARGES (15 + 16 - 17 - 17 BIS)	16,414	10,008
	PROFIT (LOSS) BEFORE TAXES (A - B + -C +- D)	3,949,985	3,692,622
20)	Income taxes for the year		
	a) current	841,263	897,914
	b) differed	129,599	0
	c) pre-paid	(7,200)	(20,317)
	Total	963,662	877,597
21	Profit (loss) for the year	2,986,323	2,815,025

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Carron Financial Statements 2018

CASH FLOW STATEMENT

DESCRI	DESCRIPTION		31.12.2017	
A	CASH FLOW FROM OPERATNG ACTIVITIES (indirect method)			
	Profit (loss) for the year	2,986,323	2.815.025	
	+ Income taxes	963,662	877.597	
	+/- Interest payable/ (Interest receivable)	[16,414]	(10.008	
	-/+ (Gains)/Losses from the disposal of assets	1,179	(
1	Profit (loss) for the year before taxes and interests	3,934,750	3.682.614	
	Adjustments for non-monetary items without an offsetting counterpart in net working capital			
	+ Provision for staff severance indemnity	53,668	40,243	
	+ Amortisation and depreciation of fixed assets	76,462	55,933	
	+ Allocations to provisions	57,275	50,000	
	Total adjustments for non-monetary items	187,405	146,176	
2	Financial flow before changes to net working capital	4,122,155	3,828,790	
	Changes to net working capital			
	(Increase)/decrease in inventories of raw and ancillary materials	(25,372)	3,17	
	(Increase)/decrease in inventories of work in progress to order	(380.,574)	[169,394	
	(Increase)/decrease in advances		200,26	
	(Increase)/decrease in trade receivables	(1,197,617)	(743,861	
	Increase/(Decrease) in trade payables	1,209,496	(720,883	
	(Increase)/decrease in in tax credits	83,968	(82,121	
	(Increase)/decrease in payables due to parent companies	[124,927]	(101,416	
	(Increase)/decrease in payables due to companies subject to the control of parent companies	56,620	(
	Increase/(Decrease) in accrued income and prepaid expenses	(124,710)	(96,217	
	Increase/(Decrease) in receivables from parent companies	0	289	
	Increase/(Decrease) in receivables from others	71,878	(698,559	
	Increase/(Decrease) in advances from customers	3,504,046	1,435,764	
	Increase/(Decrease) in tax payables	74,794	111,839	
	Increase/(Decrease) in payables due to pension and social security institutions	45,279	43,30	
	Increase/(Decrease) in other payables	162,000	83,520	
	Total changes to the net working capital	3,354,881	(734,299	
3	Financial flow after changes to the net working capital	7,477,036	3,094,491	
	Other adjustments			
	Collected/(paid) interest	16,414	10,008	
	(Income taxes duly paid)	(1,024,698)	(1,303,147	
	(Use of the warranty provision)	(10,075)	(
	(Use of the provision for staff severance indemnity)	(5,476)	(36,781	
	Total other adjustments	(1,023,835)	(1,329,920)	
	INANCIAL FLOW FROM OPERATING ACTIVITIES (A)	6,453,201	1,764,571	

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CARRON BAU S.R.L. – G.M.B.H.'S FINANCIAL STATEMENTS

CASH FLOW STATEMENT

DESCRIPTION		31.12.2018	31.12.2017
В	CASH FLOW FROM INVESTMENT ACTIVITY		
	Tangible fixed assets		
	(Investments)	(109,000)	(20,840)
	Divestments realizable price	0	15,100
	Intangible fixed assets		
	(Investments)	(104,480)	(29,552)
	Financial fixed assets		
	(Investments)	(2,500,000)	0
	Cash flow from investment activity (B)	(2,713,480)	(35,292)
С	CASH FLOS FROM FINANCING ACTIVITY		
	Shareholders' payment (repayment) for future capital increases (Dividends and advances on dividends paid-up)	(1,550,000)	(500,000)
	CASH FLOW FROM FINANCING ACTIVITY (C)	(1,550,000)	(500,000)
	INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+-B+-C)	2,189,721	1,229,279
	01.01.2018 INITIAL CASH AND CASH EQUIVALENTS	7,584,225	6,354,946
	31.12.18 FINAL CASH AND CASH EQUIVALENTS	9,773,946	7,584,225

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