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**FINANCIAL
STATEMENTS**



**FINANCIAL
STATEMENTS**

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REPORT ON OPERATIONS

REPORT ON OPERATIONS

CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018

Dear Shareholders,

The Consolidated Financial Statements for the year ended 31/12/2018 consisting of the Consolidated Statement of Financial Position, the Consolidated Statement of Profit/(Loss) for the year, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the Explanatory Notes to the Consolidated Financial Statements are hereby submitted for your review and approval.

The consolidated financial statements for the year ended 31 December 2018 show a profit for the year of Euro 19,463 thousand.

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

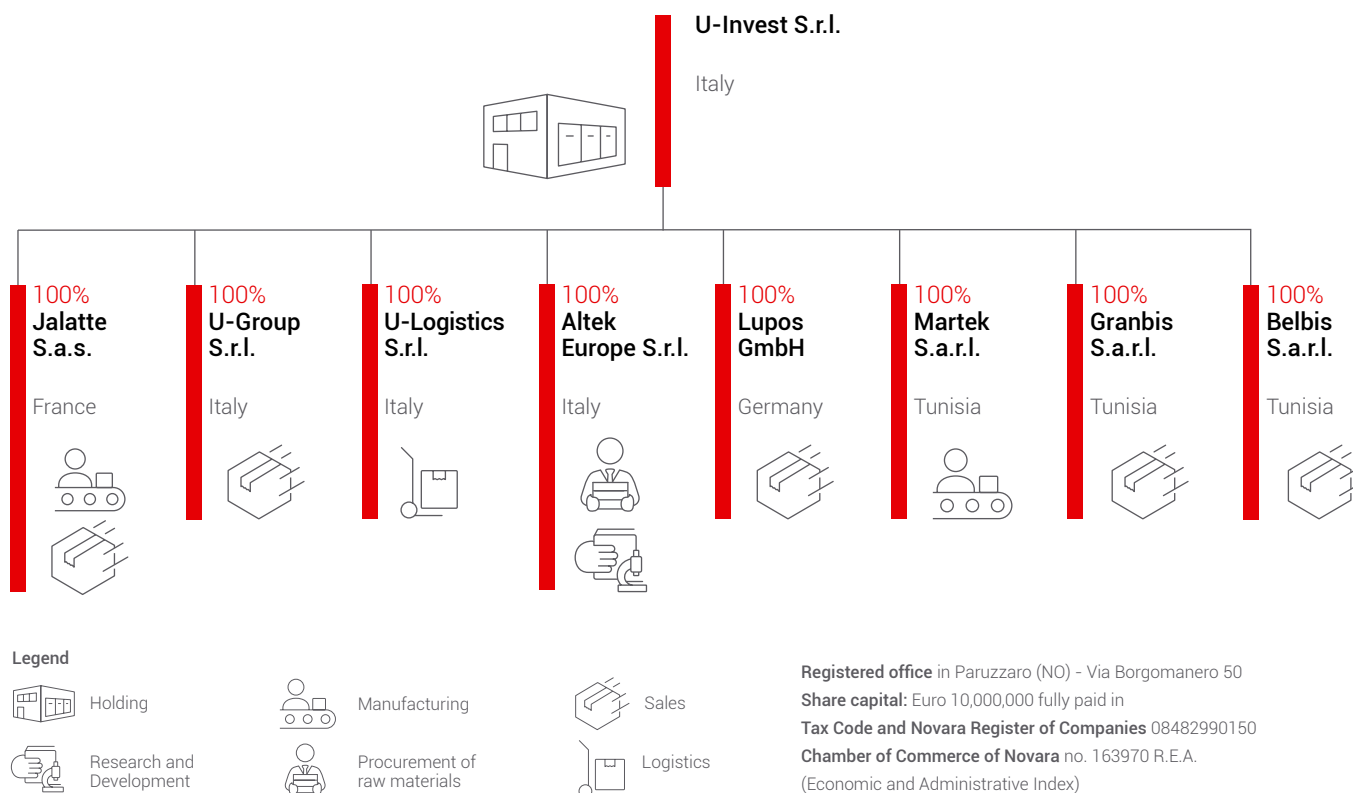
Information regarding the preparation of the aforementioned financial statements is provided in the Explanatory Notes; in this document, in compliance with the provisions of art. 2428 of the Italian Civil Code, information is provided regarding the income, equity, financial and management situation of the U-Invest group. This report has been drawn up with amounts expressed in thousands of Euro.

It should be noted that these consolidated financial statements are submitted to shareholders in the longer term of 180 days (art. 2364 of the Italian Civil Code).

For the year ended 31 December 2018, the Company prepared the Group's Consolidated Financial Statements, as it did not apply the right of exemption envisaged by paragraph 3 of art. 27 Legislative Decree 127/1991.

COMPANY DISCLOSURE

The Group organisation chart as at 31/12/2018 is as follows:



The companies U-Logistics and Lupos were acquired during the year, as described in more detail below.

As is known to you, the Group directly controls the entire value chain of the design, prototyping, production and sales, employing around 3,400 people. The main production plant is a state-of-the-art plant stretching over 100,000 square meters in Tunisia with a local workforce of approximately 3,250 employees, where the Group produces medium/high-end products (90% of production). The group also has a facility in France (~ 4% of production). For basic products, production is outsourced to selected Asian producers (~ 6% of total products).

The brands owned by the Group are mainly the following:



These brands cover almost all product ranges, from the TOP of the range to basic products, but not the low-cost ones as they are not considered profitable.

The possibility of offering complementary products and ranges, combined with the powerful and growing identity of the brands focused on high technical content, quality and design, comfort and after-sales services, allow penetration in the segment to be increased and optimised throughout Europe.

The Group's strategic directions for continuing business growth include:

- Increase in the Group's market shares in the main markets in which it operates through:

- Strengthening the historic U-Power brand, through advertising campaigns,
- Revitalising and developing the acquired brands to their full potential (Jallatte, Aimont, Lupos)
- Introduction of new products and increasingly technologically advanced models with an ever updated design
- Entry into new markets with high growth potential (Eastern Europe and the Middle East)
- Commercial boost in new high-growth markets
- Internalisation of certain functions considered strategic (e.g. logistics)

These objectives are considered to be achievable thanks to products with innovative content and also through marketing and communication strategies aimed at developing brand awareness and strengthening customer loyalty.

OPERATING CONDITIONS AND BUSINESS DEVELOPMENT

The growth in Europe of the personal protection equipment market, and therefore of the safety footwear and clothing market the Group operates in, has been largely driven by the introduction of workplace safety regulations and compliance with the strict regulations that require the use of safety footwear in the workplace.

Demand for these products is strong in sectors with high occupational mortality rates, including production of pharmaceuticals, oil and gas, construction, transport and chemical industries.

Historical data show an upward trend in this market, supported by a homogeneous legislative framework in the EU Member States.

Most safety footwear produced is sold on the European market by European producers, while the basic products are imported from China and India.

The recovery of the European economy in recent years has favoured the development of the Group's market.

SIGNIFICANT EVENTS

Below are some particularly significant events that are deemed useful to highlight.

OPERATING PERFORMANCE

During the year, the growth in turnover, margins, geographical diversification and widespread distribution throughout the territory continued.

The Group's desire for growth is confirmed by the progressive and constant investments made also for the year in question, which concern, among other things, marketing, logistics and the Lupos brand.

The excellent results obtained also thanks to the marketing campaigns carried out in 2017 led to a considerable increase in advertising investments in Italy also in 2018 and to the execution of similar operations in terms of integrated communication both in France (April, June and September 2018) and in Spain and Germany (September 2018). A sponsorship agreement was also signed for the 2018/2019 Serie A football championship with ATALANTA

B.C. in order to achieve greater awareness of the U-Power brand.

The service is an integral part in the creation of product value.

The Group thus decided to internalise its logistics, acquiring the business unit that managed the service from the previous provider, through a new company (U-Logistics Srl), starting to restructure and optimise the processes that have shown, and will show also in the coming years, a reduction in costs against an improvement in the quality of customer service.

The significant potential of the Lupos brand led to the creation of a new entity in Germany, Lupos GmbH, dedicated to it, with its own sales and organisational structure; this first year was dedicated to investments and the development of the sales network, but over the next few years the company is expected to produce significant revenues and very good results.

During the year, the Group also confirmed its focus on the strategic strengthening of owned brands, and this allowed it to increase sales especially of medium-high range products with better margins.

The most significant result was certainly obtained with the Red Lion line, which uses, among other materials, an insert in Infinergy with very high energy return and technologies protected by international patents. Awareness of the highly innovative nature of these products justified even greater investment in integrated media campaigns than in the previous year, not only in Italy, but also in the French, German and Spanish markets, which generated excellent results in terms of both sales and profitability.

Participation with three important stands at the biennial international trade fair in Paris in November 2018 sealed the commercial and technological leadership acquired at European level; in fact, it was an opportunity to present not only the new models, but also the new lines featuring new technologies: first of all, the RED CARPET line, which for the sole uses an anti-fatigue material capable of absorbing and alleviating the stress deriving from prolonged standing at fixed work stations; but also the RED UP line, equipped with a sole composed of high resilience material.

U-Power has become one of the best-selling brands in Europe; likewise, the other brands acquired by the Group at the end of 2013 have achieved important and fully satisfactory results.

Jallatte has once again become the absolute reference brand for the French market: the integrated commercial policies and new products have made it possible to significantly improve margins, now largely positive after the first few difficult years.

Aimont fits perfectly as a complement to the Jallatte and U-Power collections, guaranteeing a comprehensive product range; in particular, on the French market, sales exceeded expectations and therefore created the basis for acquiring significant market shares in the average product ranges in future years.

In this regard, it is important to emphasise that the French associate Jallatte almost reached 30 million in turnover, generating significant profits.

The U-power Workwear division confirmed the growth rate of the previous year, thus proving the synergistic complementarity of the project with respect to the structural distribution of U-Power branded work footwear.

During the year, the implementation continued of the new integrated ERP information system for all the companies of the group (Infor M3), which allows for a better management of the "core" processes such as customer service, administration and control, the supply chain and after-sales assistance, in order to have more effective control over operations, provide customers with increasingly better services and obtain more precise control over all activities. During the year, the liability cycle and the entire management of intercompany flows became operational.

During the year, the Parent Company reorganised its indebtedness in order to reduce short-term liabilities and contain interest expense; to this effect, on 22.06.2018 by a deed of the Notary Public De Vivo in Milan, it resolved:

- a) pursuant to art. 2483 of the Italian Civil Code, the issue of a non-convertible debt security for a total amount of Euro 10,000,000. This Debt Security (Mini-Bond) issued on 28.06.2018 was fully subscribed by Unicredit Spa, which holds the status of qualified investor. The main conditions of the security are as follows:
- issue price and price of redemption at maturity: at par;
 - issue date 28.06.2018
 - maturity date: 4 years from the issue date (28.06.2022)
 - floating interest rate linked to the 3-month Euribor.

The book value of the Debt Security, recorded under the item Bonds, was determined on the basis of the amortised cost criterion.

- b) the subscription of a loan with Unicredit Spa for a total amount of Euro 10,000,000, granted by the same on 28.06.2018. This loan was disbursed in two tranches on 28.06.2018 for Euro 8,000,000 (Line A) and on 21.12.2018 for Euro 2,000,000 (Line B), respectively. The main conditions of this loan are as follows:
- duration: 5 years (A: 30.06.2023; B: 31.12.2023);
 - repayment methods: quarterly instalments with constant principal
 - floating interest rate linked to the 3-month Euribor.

The book value of this loan, recorded under the item Due to banks, was determined on the basis of the amortised cost criterion.

A further loan was taken out with UBI Banca on 15.11.2018 for a total amount of Euro 5,000,000. This 5-year loan (15.11.2023), at a floating rate linked to the 3-month Euribor, will be repayable in 60 constant monthly instalments. The book value was determined on the basis of the amortised cost criterion.

The year 2018 saw the Group generate a result that was still clearly improved compared to the already excellent performances achieved in 2017, both in terms of overall turnover and of profitability (EBITDA). Sales increased by around 21%, while the Gross Operating Margin or EBITDA grew by 45%.

The total amount of revenues amounted to approximately Euro 135.7 million.

Total production costs amounted to Euro 107.5 million; the differential between gross operating costs and revenues (EBITDA) was therefore positive for approximately Euro 28.2 million, equal to approximately 21% of total turnover.

It should also be considered that this EBITDA figure contains non-recurring costs deriving from prudential provisions for risks on contributions to employees of the Tunisian manufacturing company, equal to Euro 2.3 million; without these costs, EBITDA would have amounted to Euro 30.5 million, accounting for 22.5% of revenues.

Amortisation, depreciation and write-downs for the year were accounted for Euro 5.7 million; the item relating to

financial costs amounts to Euro 1.5 million and mainly refers to interest on payables to banks and factoring that financed the normal course of business; they fell sharply compared to the previous year, also thanks to the Mini-Bond issued by the parent company and to the medium / long-term loans started mostly in June and which allowed the closing of more expensive short-term loans in terms of interest rates.

Taxes for the year amounted to approximately Euro 2.3 million. The year ended with a net profit of around Euro 19.6 million, up by 45% compared to the previous year.

In relation to the tax assessment activities of the Italian Revenue Agency carried out in previous years on the subsidiary company U-Group Srl and for which there have already been judgements of the Tax Commission which upheld the appeals of the company, cancelling the notices of assessment, and for which the Office had notified appeals against these judgements and the company appeared before the court filing its counter-arguments, it should be noted that the aforementioned appeals were rejected with a ruling in June, but the Italian Revenue Agency presented its own appeal at the Cassation Court.

The company believes the risk of losing is only possible and therefore has not decided to set aside any provision, in consideration of the reasons it believes it can put forward in the proceedings.

STATEMENT OF FINANCIAL POSITION

For a better understanding of the Company's financial position, a reclassification of the Balance Sheet is provided below.

BALANCE SHEET

(Euro thousand)

ASSETS	2018	%	2017	%
WORKING CAPITAL (A)	88,712	67.84%	72,314	65.78%
Immediate liquidity	8,024	6.14%	2,637	2.40%
Cash and cash equivalents	8,024	6.14%	2,637	2.40%
Deferred liquidity	43,792	33.49%	37,478	34.09%
Short-term current receivables	43,792	33.49%	37,478	34.09%
Inventories	36,896	28.22%	32,199	29.29%
FIXED ASSETS (B)	42,048	32.16%	37,624	34.22%
Intangible assets	5,747	4.40%	6,931	6.30%
Tangible assets	26,818	20.51%	25,515	23.21%
Rights of use assets	3,784	2.89%	-	-
Other non-current assets	46	0.04%	38	0.03%
Deferred tax assets	5,653	4.32%	5,140	4.68%
TOTAL LOANS (C)	130,760	100.00%	109,938	100.00%

The excellent performance of the year led to a significant increase in cash and cash equivalents.

The increase in "short-term current receivables" is closely linked to the sales performance as the item is mainly composed of trade receivables (Euro 38.126 thousand).

The value of inventories, shown net of an obsolescence provision of Euro 6.836 thousand, increased compared to the previous year, in order to support the rising sales and always offer a better service.

The item "Intangible assets" refers mainly to the value of the U-Power, Jallatte, Aimont, Almar and Lupos trademarks, relating to the products sold by the Group in the footwear and safety clothing sector.

The value of the Aimont, Almar, Lupos trademarks and other minor trademarks, totalling Euro 1,489 thousand, corresponds to the purchase value net of the amortisation already incurred.

The value of the U-Power and Jallatte trademarks reported in the financial statements amounts, respectively, to Euro 1,699 thousand and Euro 2,438 thousand, net of amortisation for the year.

As regards trademarks, considered by management as assets with definite useful life and amortised over 10 years, no indicators of impairment or indicators that could identify a different useful life from the current one emerged during the year, based on future plans.

The item "Tangible assets" is net of depreciation and write-downs and is composed of:

- Land and buildings for Euro 13,002 thousand, mainly in Tunisia;

- Plant, machinery and equipment for Euro 12,866, also located mostly in the Tunisian production plants;
- Other assets for Euro 950 thousand.

The company decided to early adopt IFRS 16, set to come into force in 2019, concerning rights of use on property and machinery/equipment; the value recognised in the financial statements amounted to Euro 3,784 thousand, net of amortisation calculated for the financial year.

(Euro thousand)

LIABILITIES	2018	%	2017	%
CURRENT LIABILITIES (D)	48,536	37.12%	66,305	60.31%
Current financial liabilities	7,875	6.02%	31,755	28.88%
Other short-term payables	40,661	31.10%	34,550	31.43%
CONSOLIDATED LIABILITIES (E)	36,690	28.06%	10,416	9.47%
Medium / long-term payables	26,078	19.94%	4,196	3.82%
Deferred taxes	5,486	4.20%	3,704	3.37%
Provisions for risks and charges	4,308	3.29%	1,769	1.61%
Post-employment benefits	818	0.63%	747	0.68%
EQUITY (F)	45,534	34.82%	33,217	30.21%
Group Shareholders' Equity				
Capital	10,000	7.65%	10,000	9.10%
Reserves	11,690	8.94%	11,218	10.20%
Retained earnings (losses)	4,381	3.35%	2,022	1.84%
Profit (loss) for the year	19,463	14.88%	9,977	9.08%
TOTAL SOURCES (G)	130,760	100.00%	109,938	100.00%

As previously described regarding financing, it should be noted that during the year new medium/long-term loans were started for approximately Euro 15 million with a duration of 5 years and constant repayments, and that the parent company issued a Mini-Bond bullet with a value of Euro 10 million at floating rate and maturing on 28 June 2022; with these new resources, other more expensive short-term and long-term loans were repaid.

The new optimisation of loans and the excellent economic results generated a decrease in the level of Indebtedness and a net improvement in the net financial position: total financial payables decreased during the year by Euro 2 million and the NFP increased by Euro 7.6 million.

The item "provisions for risks and charges" is mainly composed of a provision for a risk on employee contributions of the Tunisian branch of approximately Euro 2.3 million, as well as a pension fund and indemnities due to employees of the French branch of approximately Euro 399 thousand and the compensation for termination of agent contracts of Euro 988 thousand of the subsidiary U-Group.

The item post-employment benefits refers to the Italian branches U-Group and Altek Europe and its valuation for IAS purposes follows the method of projection of the present value of the defined benefit obligation with the estimate of the benefits accrued by personnel.

MAIN INDICATORS OF THE EQUITY AND FINANCIAL POSITION

Based on the previous reclassification, the following financial statement ratios are calculated:

RATIO	2018	2017
Hedging of fixed assets - $(E + F) / B$	195.5%	116.0%
Own funds / Net Invested Capital - F/C	34.8%	30.2%
Financial charges on sales	1.1%	2.1%
Availability or liquidity ratio - A/D	182.8%	109.1%

From the table above, it is possible to see that all the ratios are positive and clearly improved compared to the previous year.

In particular, the coverage of fixed assets in relation to consolidated equity and consolidated liabilities increased to approximately 2, the impact of financial charges im-

proved due to the combined effect of the reduction in interest, indebtedness and the increase in turnover, the ratio between own funds and invested capital improved by 16% thanks to the excellent income for the year, and the liquidity ratio also increased by 67% thanks to the reduction in current liabilities.

ECONOMIC SITUATION

To better understand the Company's results of operations, a reclassification of the Income Statement is provided below.

INCOME STATEMENT

(Euro thousand)

Item	2018	%	2017	%
TOTAL REVENUES (H)	135,731	100.0%	112,494	100.0%
- Consumption of raw materials	(48,348)	-35.6%	(45,777)	-40.7%
- Costs for services and the use of third-party assets	(32,921)	-24.3%	(24,469)	-21.8%
ADDED VALUE	54,462	40.1%	42,248	37.6%
- Personnel cost	(22,847)	-16.8%	(20,621)	-18.3%
- Other operating expenses	(3,392)	-2.5%	(2,203)	-2.0%
GROSS OPERATING MARGIN (EBITDA) (I)	28,223	20.8%	19,424	17.3%
- Depreciation, amortisation and impairment	(5,768)	-4.2%	(5,798)	-5.2%
OPERATING PROFIT/LOSS (EBIT) (J)	22,455	16.5%	13,626	12.1%
+ Financial income	159	0.1%	53	0.0%
+ Gains (losses) on exchange rates and derivatives	771	0.6%	1,411	1.3%
- Financial expenses and write-down of other equity investments	(1,535)	-1.1%	(2,344)	-2.1%
PRE-TAX INCOME	21,850	16.1%	12,746	11.3%
- Income taxes for the year	(2,387)	-1.8%	(2,769)	-2.5%
NET INCOME (K)	19,463	14.5%	9,977	8.9%

Total revenues increased by approximately 21% compared to the previous year and, as a result, led to an increase in EBITDA of Euro 8.8 million, i.e. an increase of 45%, with a percentage value of 20.8% in relation to total revenues.

Note that net of the non-recurring costs described above, EBITDA would be Euro 30.5 million, i.e. 22.5% of revenues.

EBIT also recorded a positive trend compared to the previous year, with a 65% increase equal to Euro 8.8 million.

The decrease in financial expenses is essentially due to reorganising the indebtedness as described above.

The increase in the net result is approximately Euro 9.6 million.

MAIN INDICATORS OF THE ECONOMIC SITUATION

Based on the previous reclassification, the following financial statement ratios are calculated:

RATIO	2018	2017
R.O.E. - $K/(F-K)$	74.7%	42.9%
R.O.I. - J/G	17.2%	12.4%
R.O.S. - J/H	16.5%	12.1%
EBITDA - I/H	20.8%	17.3%

As can be seen from the table therein, the financial indicators are all excellent; the R.O.E. increased and reached 75%. The profit level indicator of invested capital and the profit level indicator on sales increased compared to the previous year and stood at around 17%, and the EBITDA percentage also rose from 17% to 21%, which would be 22.5% without non-recurring costs.

These improvements are mainly due to the increase in turnover, which was proportionally more significant than the increase in costs: in particular, the actions taken to contain fixed costs, and the better margins allowed by the sale of higher range products, led to this performance.

INFORMATION PURSUANT TO ART. 2428 OF THE ITALIAN CIVIL CODE

The information specifically required by the provisions of art. 2428 of the Italian Civil Code is analysed below.

RESEARCH AND DEVELOPMENT ACTIVITIES

In a highly competitive market context, the success of the Group depends on the ability to maintain and increase market shares through the launch of innovative products with high quality standards, which consequently guarantee higher levels of profitability.

The Group owns two research and development laboratories in Italy: one located in Paruzzaro (NO) and the other in Trani (BT), which develop new models and collections every year.

An intense research and development activity was also carried out during 2018, which led to creating and launching new models and collections, with an attractive design and at the same time a technologically innovative content, which, as already described above, mainly concern the RED CARPET and RED UP lines.

The expenses incurred for research and development were considered as operating costs and charged entirely to the income statement.

RELATIONS WITH PARENT COMPANIES AND RELATED PARTIES

Transactions with parent companies (also indirectly) and related parties at the end of the year were carried out at market value and are summarized below:

	Receivables	Payables	Revenues	Costs
FIN REPORTER S.r.l. (parent company)	1,235	2,755	54	157
PFU S.r.l. (related company)	701	710	44	586
Grand total	1,936	3,465	98	743

INFORMATION ON THE ENVIRONMENT AND PERSONNEL

It should be noted that the company carries out its activities in compliance with the provisions on the environment and hygiene in the workplace and safety pursuant to Legislative Decree 81/2008.

At present, there is no significant information. This information will be provided every time there are concrete, tangible and significant environmental impacts that are such to generate potential financial and income consequences for the Company.

In relation to personnel, note that during the year:

- no serious accidents occurred in the workplace;
- there were no charges relating to occupational illnesses on employees or former employees and/or other cases for which the Company was declared liable.

MAIN RISKS AND UNCERTAINTIES TO WHICH THE COMPANY IS EXPOSED

Pursuant to and for the purposes of the first paragraph of art. 2428 of the Italian Civil Code, a description of the main risks and uncertainties to which the Company is exposed is provided below:

The liquidity risk is limited thanks to the Group's credibility on the reference financial markets.

A) MARKET RISKS:

Thanks to the policies aimed at increasing penetration on the reference markets and the rationalisation and strengthening of the sales structure, the Group increased sales both in the national and EU markets.

The end markets of company products and the conditions of uncertainty that have characterised them for several years now are constantly monitored in any case.

B) CREDIT RISKS:

With reference to credit risks, it is believed that there are no particular risks on the financial instruments used (bank deposits, cheques, cash and cash equivalents).

Also with regard to credit risk with customers, no particular risks are identified, although it should be noted that delays in collecting receivables remain, as already occurred in previous years, which are considered physiological.

Exposure to customers is in any case broken down into a high number of customers operating in different product sectors and markets.

It should also be noted that the vast majority of the receivables of the French company are covered by credit insurance.

The financial strength of the main customers is in any case monitored regularly through the use of information and customer assessment procedures and any risks are covered in the financial statements by appropriate provisions.

C) LIQUIDITY AND FINANCIAL RISKS

The liquidity risk, understood as the failure to obtain the adequate financial resources needed for operations and for the repayment of payables, including financial ones, as well as for the development of industrial and commercial activities, is to be considered under control.

With regard to loans from the credit system, the response was very positive throughout the year and the Company now has an adequate amount of credit available to be used in case of need to finance the working capital; in any event, actions are underway to increase and improve the credit lines.

On the new medium/long-term loan agreements, the Parent Company has interest rate swaps in place to hedge the interest rate risk, recognised in the financial statements at fair value.

The procurement markets are also outside Europe, with transactions also taking place in US dollars.

The Group's policy does not envisage the assumption of speculative risks, but actions that may limit unwanted fluctuations are evaluated: the financial risks associated with exchange rate fluctuations are constantly monitored and the Group, if necessary, activates specific hedges by signing various forward currency contracts. During the year, it was not considered appropriate to hedge against exchange rate fluctuations.

BUSINESS OUTLOOK AND SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

The Group's desire for growth is confirmed by the progressive and constant investments also for the year, which concern new products and customer service.

The excellent results of 2018 also justify the Group's willingness to confirm the strong advertising investments also for 2019, and to continue with the sponsorship for the 2019/2020 Serie A football championship with ATALANTA B.C.

In light of these considerations, as well as other actions taken in the various markets and the analysis of sales and

profitability figures for the first few months of 2019, results are expected to grow for the current year compared to the already excellent figures of 2018.

The Group thus expects a growth in sales and profitability for the current year, confirming its leadership in the end markets, supported by the undisputed technical expertise and the Italian design of its collections, with a view to continuous enhancement of its brands.

There are no significant events to report which occurred after the close of the year that may affect it.

OTHER INFORMATION

Pursuant to art. 2428, paragraphs 3 and 4 of the Italian Civil Code, it should be noted that the company does not hold, nor did it hold during the year, treasury shares or shares of parent companies.

The Italian subsidiary U-Group also has representative offices in France, Germany, Spain and the United Kingdom.

* * * * *

Paruzzaro, 15 April 2019

The Sole Director
(Pier Franco Uzzeni)

CONSOLIDATED FINANCIAL STATEMENTS

**AS AT AND FOR THE YEAR
ENDED 31 DECEMBER 2018**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

ASSETS

(Euro thousand)

	NOTES	31.12.2018	31.12.2017
NON-CURRENT ASSETS			
Intangible assets	8	5,747	6,931
Property, plant and equipment	9	26,818	25,515
Right-of-use assets	10	3,784	
Deferred tax assets	11	5,653	5,140
Other non-current assets	12	46	38
Total Non-current assets		42,048	37,624
CURRENT ASSETS			
Inventories	13	36,896	32,199
Trade receivables	14	38,126	33,328
Receivables from related parties	15	1,235	2,359
Tax receivables and other receivables	16	4,431	1,791
Cash and cash equivalents	17	8,024	2,637
Total Current assets		88,712	72,314
TOTAL ASSETS		130,760	109,938

EQUITY AND LIABILITIES

(Euro thousand)

	NOTES	31.12.2018	31.12.2017
EQUITY	18		
Share capital		10,000	10,000
Other reserves		3,090	2,618
Capital contributions reserve		8,600	8,600
Retained earnings		4,381	2,022
Profit for the year		19,463	9,977
Total Equity		45,534	33,217
Non-current liabilities			
Employee benefit obligations	19	818	747
Provisions	20	4,308	1,769
Non-current financial liabilities	21	26,078	4,196
Deferred tax liabilities	22	5,486	3,704
Total Non-current liabilities		36,690	10,416
CURRENT LIABILITIES			
Current financial liabilities	21	7,875	31,755
Trade payables	23	29,334	23,706
Payables to related parties	36	2,755	2,880
Income tax payables and other payables	24	8,572	7,964
Total Current liabilities		48,536	66,305
TOTAL LIABILITIES		85,226	76,721
TOTAL EQUITY AND LIABILITIES		130,760	109,938

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED AT 31 DECEMBER 2018

INCOME STATEMENT

(Euro thousand)

	NOTES	31.12.2018	31.12.2017
Revenues	25	134,856	111,096
Other income	26	875	1,398
Total revenues and other income		135,731	112,494
Raw materials, consumables and supplies	27	(48,348)	(45,777)
Personnel costs	28	(22,847)	(20,621)
Cost of services	29	(32,921)	(24,469)
Other operating expenses	30	(3,392)	(2,203)
<i>Of which non-current</i>		<i>(2,268)</i>	
Total operating expenses		(107,508)	(93,070)
Depreciation, amortisation and impairment	8-9-10	(5,768)	(5,798)
Operating profit		22,455	13,626
Financial income	31	159	53
Financial expenses	32	(1,535)	(2,344)
Other financial income and expenses	33	771	1,411
Income (expense) from investments		-	-
Profit before tax		21,850	12,746
Income tax expenses	34	(2,387)	(2,769)
Profit for the year		19,463	9,977

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED AT 31 DECEMBER 2018

(Euro thousand)

	2018	2017
Profit for the year	19,463	9,977
Other comprehensive income		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):</i>		
Net gain/(loss) on cash flow hedges	(159)	
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods (net of tax)	(159)	-
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):</i>		
Remeasurement gain/(loss) on defined benefit plans	12	(1)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	12	(1)
Other comprehensive income/(loss) for the year, net of tax	(147)	(1)
Total comprehensive income for the year, net of tax	19,316	9,976

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2018

(Euro thousand)

	Share capital	Other reserves	Capital contributions reserves	Retained earnings	Profit for the year	Total Equity
As at 1 January 2018	10,000	2,618	8,600	2,022	9,977	33,217
Profit for the year	-	-	-	-	19,463	19,463
Other comprehensive income	-	(145)	-	-	-	(145)
Total comprehensive income	-	(145)	-	-	19,463	19,318
Dividends	-	-	-	(7,000)	-	(7,000)
Allocation of prior year profit	-	617	-	9,359	(9,977)	(1)
As at 31 December 2018	10,000	3,090	8,600	4,381	19,463	45,534

CONSOLIDATED STATEMENT OF CHANGES EQUITY AS AT 31 DECEMBER 2017

(Euro thousand)

	Share capital	Other reserves	Capital contributions reserves	Retained earnings	Profit for the year	Total Equity
As at 1 January 2017	10,000	2,515	8,600	(193)	5,338	26,260
Profit for the year	-	-	-	-	9,977	9,977
Other comprehensive income	-	(1)	-	-	-	(1)
Total comprehensive income	-	(1)	-	-	9,977	9,976
Dividends	-	-	-	(3,018)	-	(3,018)
Allocation of prior year profit	-	104	-	5,233	(5,338)	
As at 31 December 2017	10,000	2,618	8,600	2,022	9,977	33,217

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED AT 31 DECEMBER 2018

(Euro thousand)

	2018	2017
PROFIT FOR THE YEAR	19,463	9,977
Adjustments to reconcile profit to net cash flows:		
Amortisation and impairment of intangible assets	1,262	1,283
Depreciation and impairment of property, plant and equipment	3,513	4,289
Depreciation and impairment of right-of-use assets	656	
Financial income	(931)	(1,464)
Financial expenses	1,536	2,344
Income tax expenses	2,387	2,769
Write-down of current assets	337	226
Change in employee benefit obligations	78	97
Changes in provisions	2,326	(6)
Interest paid	(1,169)	(2,052)
Income taxes paid	(1,091)	(1,063)
Net foreign exchange differences	771	1,335
Changes in working capital:		
Changes in inventories	(4,698)	1,351
Changes in trade receivables	(5,135)	(3,955)
Changes in other non-financial receivables	(2,525)	1,291
Changes in trade payables	5,628	495
Changes in other non-financial liabilities	714	(3,410)
NET CASH FLOWS FROM OPERATING ACTIVITIES	23,123	13,506
Investing activities:		
Investments in intangible assets	(78)	(171)
Investments in property, plant and equipment	(4,816)	(1,554)
Investments in Right-of-use assets	(4,440)	
Increase/(decrease) in non-current financial assets	(9)	40
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(9,343)	(1,685)
Financing activities:		
(Repayment of)/ Proceeds from non-current borrowings	21,683	(2,996)
Net change in other current financial assets/liabilities	(23,076)	(5,317)
Dividends paid	(7,000)	(3,018)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	(8,393)	(11,331)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT	5,387	490
Cash and cash equivalents at the beginning of the year	2,637	2,147
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

U-Invest S.r.l. is a limited liability company, registered and domiciled in Italy.

The registered office is in Paruzzaro (NO), via Borgomanero 50. Note 6 presents information on the Group's structure.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations (IFRIC) in force as at 31 December 2018, as implemented by the European Commission.

The consolidated financial statements have been prepared on a historical cost basis, with the exception of the financial statement items that, according to IFRS have been measured at fair value as indicated in the summary of significant accounting policies.

The book value of recognised assets and liabilities that are hedged items in fair value hedges and that would otherwise be recognised at amortised cost, is adjusted to recognise changes in fair value attributable to the risks that are being hedged.

The consolidated financial statements comprise the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the explanatory notes.

The Company has chosen, from the different options permitted by IAS 1, to present the statement of financial position items according to the "current/non-current" distinction and the income statement by classifying costs by nature. The statement of cash flows is instead prepared using the indirect method.

The consolidated financial statements are presented in Euro and all values are rounded to the nearest thousand Euros, unless indicated otherwise.

The consolidated financial statements provide comparative information relating to the previous year.

2.2. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of U-Invest S.r.l. and its subsidiaries as at 31 December 2018.

Control is achieved when the Group is exposed to or has the right to the variable returns deriving from its involvement with the investee and, at the same time, has the ability to influence these returns by exercising its power over said entity.

Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (or holds valid rights that give it the current ability to direct the relevant activities of the investee);
- exposure or rights to variable returns deriving from its involvement with the investee;
- the ability to exercise its power over the investee to influence the amount of its returns.

Generally, it is presumed that a majority of voting rights results in control. To support this presumption and when the Group holds less than a majority of voting rights (or similar rights) of an investee, the Group considers all relevant facts and circumstances in assessing whether it controls the investee, including:

- Contractual agreements with other holders of voting rights;
- Rights deriving from contractual agreements;
- Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there have been changes to one or more of the three relevant elements of the definition of control. The consolidation

of a subsidiary starts when the Group obtains control of it and ceases when the Group loses control of it. Assets, liabilities, revenues and costs of a subsidiary acquired or disposed during the year are included in the consolidated financial statements from the date the Group obtains control until the date the Group ceases to control the company.

The profit (loss) for the year and each of the other components of comprehensive income are attributed to the shareholders of the parent company and to minority interests, even if that implies that the minority interests have a negative balance. When necessary, the appropriate adjustments are made to the financial statements of the subsidiaries, in order to guarantee compliance with the group accounting policies. All intra-group assets and liabilities, equity, revenues, costs and cash flows relating to transactions between group entities are eliminated in full on consolidation phase.

Changes in the ownership interest of a subsidiary without a loss of control are booked at equity.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, minority interests and other equity's components, while any profit or loss is recognised in the income statement. Any equity investment retained must be recognised at fair value.

2.3. SUMMARY OF THE MAIN ACCOUNTING STANDARDS

2.3.1. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is determined as the aggregate of the consideration transferred, measured at fair value at the acquisition date, and the amount of any minority interest in the acquiree. For each business combination, the Group defines whether to measure the minority interest in the acquiree at fair value or in proportion to the share of the minority interest in the identifiable net assets of the acquiree. Acquisition costs are expensed as incurred in the year and included in administration expenses.

When the Group acquires a business, it assesses the financial assets acquired or the liabilities assumed for appropriate classification and designation in accordance with the contractual terms, the economic circumstances and the other pertinent conditions in place at the acquisition date. This includes the check to establish whether an embedded derivative is required to be separated from the primary contract.

Goodwill is initially recognised at cost, represented by the excess of the total consideration paid and the amount recognised for minority interests with respect to the net identifiable assets acquired and the liabilities assumed by the Group. If the fair value of the net assets acquired exceeds the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all the assets acquired and all the liabilities assumed and reviews the procedures used to determine the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of fair value of net assets acquired over the aggregate consideration transferred, then the difference (profit) is recognised to the income statement.

After initial recognition, goodwill is measured at cost net of accumulated impairment losses.

When goodwill has been allocated to a cash-generating unit (CGU) and part of the assets within that unit is disposed of, the goodwill associated with the disposed asset is included in the book value of the asset when determining the gain or loss on disposal. The goodwill associated with the asset disposed is measured based on the relative values of the disposed asset and the portion of the cash-generating unit retained.

2.3.2. Current versus non-current classification

Assets and liabilities are recognised in the Group's statement of financial position based on current/non-current classification. An asset is current when:

- it is expected to be realised, or intended to be sold or consumed, in the normal operating cycle;
- it is held primarily for trading purposes;
- it is expected to be realised within twelve months after the reporting period; or
- it is comprised of cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for trading purposes;
- it is due to be settled within twelve months after the reporting period; or
- the entity has not an unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

2.3.3. Fair value measurement

The Group measures financial instruments such as derivatives at fair value at the close of each financial year.

Fair value is the price that would be received for the sale of an asset, or that would be paid for the transfer of a liability, in an orderly transaction between market operators at the measurement date. A fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability;
- or
- in the absence of a principal market, in the most advantageous market for the asset or the liability.

The principal market or the most advantageous market must be accessible by the Group.

The fair value of an asset or liability is measured using the assumptions that market operators would use when pricing the asset or liability, assuming that they act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market operator's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market operator that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which the fair value is measured or recognised in the financial statements are categorised according to the fair value hierarchy, as described below:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1, that are observable for the asset or the liability directly or indirectly;
- Level 3: valuation techniques for which the input data for the asset or the liability are not observable.

The fair value measurement is classified entirely in the same level of fair value hierarchy of the lowest level input of the hierarchy used for measurement.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between the

levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

2.3.4. Revenues recognition

Revenues are recognised to the extent to which it is likely that the economic benefits will be achieved by the Group and the relevant amount can be reliably determined, regardless of the date of collection. Revenues are measured at fair value equal to the consideration received or to be received, taking account of the contractually defined payment terms and excluding taxes and duties. It should be noted that the Group operates on its own behalf in all sale contracts given it is the primary debtor, has discretionary power over pricing and is also exposed to inventory and credit risks.

For the purpose of recognising revenues, the following specific recognition criteria must be respected:

Sale of assets

Revenue is recognised when the company has transferred to the purchaser all significant risks and benefits connected with ownership of the asset, generally on the date of delivery of the good.

Revenue is measured at fair value equal to the consideration received or to be received, net of returns and rebates, trade discounts and volume reductions.

Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available for sale, interest income is recognised using the effective interest rate, which is the rate that discounts future collections, estimated over the expected life of the financial instrument or a shorter period, when necessary, with respect to the net book value of the financial asset. Interest income are classified within financial income in the statement of profit/(loss) for the year.

Dividends

Dividends are recognised when the Group's right of payment has been established, which normally corresponds to the Shareholders' Meeting approval.

2.3.5. Income tax expenses

Current income taxes

Current income tax assets and liabilities for the year are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax law used to compute the amount are those issued, or substantially in

force, at the reporting date in the countries where the Group operates and generates its taxable income.

Current income taxes relating to items recognised directly in equity are also recognised in equity and not in the statement of profit/(loss) for the year. Management periodically evaluates the position adopted in the income tax return with respect to situations in which the applicable tax regulations are subject to interpretations and allocates the necessary provisions, where appropriate.

Deferred taxes

Deferred taxes are calculated by applying the "liability method" to the temporary differences between the tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, with the following exceptions:

- when deferred tax liabilities arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, does not affect either the accounting result or the taxable result;
- when the reversal of taxable temporary differences, associated with equity investments in subsidiaries, associates and joint ventures, can be controlled, and it is probable that it will not materialise in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, unused tax credits and unused tax losses that can be carried forward, to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset associated with deductible temporary differences derives from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, does not affect either the accounting result or the taxable result;
- in respect of deductible temporary differences associated with equity investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and that sufficient taxable income will be available to allow these temporary differences to be recovered.

The carrying value of deferred tax assets is reviewed at each reporting date and reduced to the extent it is no longer probable that sufficient taxable income will be available in the future to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable income will be sufficient to allow these deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured on the basis of the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the tax rates that have been enacted and those already issued, or substantially enacted, at the reporting date.

Deferred taxes relating to items recognised outside of the income statement are also recognised outside of the income statement and, therefore, in equity or in the statement of comprehensive income, consistently with the element to which they refer.

Deferred tax assets and deferred tax liabilities are offset where there is legal right that allows current tax assets and current tax liabilities to be offset, and the deferred taxes refer to the same taxpayer and same tax authority.

Tax benefits acquired following a business combination, but which do not meet the criteria for separate recognition at the acquisition date, are recognised subsequently, if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (up to the amount of the value of goodwill), if it was incurred during the measurement period, or recognised in the income statement, if recorded subsequently.

Indirect taxes

Costs, revenues, assets and liabilities are recognised net of indirect taxes, such as value added tax, with the following exceptions:

- the tax applied to the purchase of goods and services is non-deductible; in that regard, it is recognised as part of the purchase cost of the asset or as part of the cost recorded in the income statement;
- trade receivables and trade payables include the applicable indirect tax.

The net amount of indirect taxes to be recovered from or to be paid to the tax authority is included as part of receivables or payables in the statement of financial position.

It should be noted that the parent company opted for the Group VAT payment, together with the other resident Group companies; the adoption of VAT consolidation allows the consolidating entity (parent company) to aggregate the VAT credit or debit payments of the parent company with those of the consolidated Italian companies.

2.3.6. Foreign currencies

The consolidated financial statements are presented in euros, which is also the parent company's functional and presentation currency. Each Group company defines its own functional currency, which is used to measure the items included in the individual sets of financial statements. The Group uses the direct consolidation method; profit or loss reclassified to the income statement at the time of the disposal of a foreign subsidiary represents the amount that emerges from the use of this method.

2.3.6.1. Tunisian companies included in the scope of consolidation

The Tunisian companies decided to use the Euro as the functional currency as indicated by IAS 21.

IAS 21.8 defines the functional currency as the currency of the main economic environment in which the entity operates, i.e. the one in which the entity generates and spends cash and cash equivalents. IAS 21 outlines a series of factors and indicators that the entity should consider in determining the functional currency.

Management believes that the Euro currency more accurately reflects the economic effects of the underlying events, transactions and conditions based on the following indicators:

- Influence of sale prices of goods and services (which, in the majority of cases, will coincide with the currency in which the sale prices of goods and services are denominated and settled)
- Countries in which competitive forces and regulations primarily determine the sale prices of goods and services
- Influence of the cost of labour, of procurement of materials and other costs of supply of goods and services (which, in the majority of cases, will coincide with the currency in which these costs are denominated and settled).

2.3.7. Dividends and distribution of assets other than cash and cash equivalents

The Parent company recognises a liability in respect of the distribution to its shareholders of cash and cash equivalents or assets other than cash and cash equivalents when the distribution is adequately authorised and it is no longer at the company's discretion. Based on the applicable cor-

porate law in Europe, a distribution is authorised when approved by the shareholders. The corresponding amount is recognised directly in equity.

Distributions of assets other than cash and cash equivalents are measured at the fair value of the assets to be distributed; re-statements of fair value are recognised directly in equity.

At the time of settlement of the dividend payable, any difference between the book value of the assets distributed and the book value of the dividend payable is recognised in the statement of profit/(loss) for the year.

2.3.8. Property, plant and equipment

Property, plant and equipment are recognised at historical cost or production cost, net of the associated accumulated depreciation and accumulated impairment losses, if any. Such cost includes costs for the replacement of parts of equipment and plants at the time they are incurred, if the recognition criteria are met. Where the periodic replacement of significant parts of plant and equipment is necessary, the Group depreciates them separately based on their specific useful life. Similarly, at the time of significant revisions, its cost is included in the book value of the plant or equipment as a replacement, if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred. The present value of the cost of dismantling and removal of the asset at the end of its use is included in the cost of the respective asset, if the recognition criteria for a provision are satisfied.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Land and buildings	from 3% to 10%
Plant and equipment	from 10% to 15%
Industrial and commercial equipment	from 10% to 15%
Other assets	
• Electronic office machines	from 20% to 25%
• Furnishings	from 10% to 12%

The book value of an item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefit is expected from its use or disposal. Any gain or loss that emerges on the derecognition of the asset (calculated as the difference between the book value and the net disposal proceeds) is recognised in the income statement when the item is derecognised.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed at each reporting date and adjusted prospectively, if appropriate.

2.3.9. Leases and rights of use

The definition of a contractual agreement as a lease (or containing a lease) is based on the substance of the agreement and requires an evaluation as to whether the fulfilment of the agreement depends on the use of one or more identified assets or whether the agreement transfers the right to control the use of such asset. The check on whether an agreement contains a lease is carried out at the start of the agreement.

The Group as a lessee

A lease agreement is classified as a finance lease at the start of the lease itself.

Finance leases are capitalised at the start date of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum payments due. Lease fees are distributed between the principal and interest portions in order to ensure the application of a constant interest rate on the residual balance of the payable. Financial expenses are charged to the income statement.

Leased assets are depreciated on the basis of the asset's useful life. However, where there is no reasonable certainty that the Group will obtain ownership of the asset at the end of the contract, the asset is depreciated over the shorter time period between the estimated useful life of the asset and the duration of the lease agreement.

2.3.11. Rights of use

The Group has already applied, from these financial statements, IFRS 16 for leases. Only leases for "low-value" assets (e.g., personal computers) and short-term leases (e.g. leases expiring in 12 months or less) have been excluded, which continue to be recognised as costs in the income statement on a straight-line basis, according to the duration of the contract.

For leases for properties, equipment, electronic office machines and cars, the right to use the underlying asset for the entire duration of the lease has been booked to 'Rights of use' under assets; this right is determined on the basis of the present value of lease payments. A liability commensurate to the lease payments still due has been recognised, accordingly, under liabilities.

The right of use is amortised based on the residual duration of the contract; at the same time, the interest expense inherent in each lease payment still due and calculated on the basis of a financial repayment plan is recognised.

2.3.12. Financial expenses

Financial expenses directly attributable to the acquisition, the construction or the production of an asset that necessarily takes a substantial period of time to get ready for its intended use, are capitalised as part of the cost of the asset itself. All other financial expenses are recognised in the year in which they occur. Financial expenses consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.3.13. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost, while those acquired through business combinations are recognised at fair value on the acquisition date. Following initial recognition, intangible assets are recognised at cost net of accumulated amortisation and any accumulated impairment losses. Intangible assets produced internally, except for development costs, are not capitalised and are recognised in the income statement for the year in which they were incurred.

The useful life of intangible assets is assessed as either finite or indefinite.

Intangible assets with finite useful life are amortised over their useful life and subject to impairment testing whenever there are indications of a possible loss in value. Amortisation period and amortisation method of an intangible asset with a finite useful life are reviewed at least at the end of each year. Changes in the expected useful life or in the ways in which the future economic benefits associated with the asset will be realised are recognised through the change of amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation of intangible assets with finite useful life are recognised in the statement of profit/(loss) for the year, in the cost category consistent with the function of the intangible asset. Intangible assets with indefinite useful life are not amortised, but are subject to annual impairment testing, both at individual and at cash-generating unit level. The assessment of indefinite useful life is reviewed annually to determine whether this attribution continues to be sustainable, otherwise, the change from indefinite useful life to finite useful life is applied on a prospective basis.

Gains or losses deriving from the elimination of an intangible asset are calculated as the difference between the net revenue from the disposal and the book value of the intangible asset, and are recognised in the statement of profit/(loss) for the year in which the derecognition takes place.

Concessions, licences and trademarks

The item includes the Group's trademarks, partly corresponding to the purchase cost, and partly deriving from the allocation of the positive initial cancellation difference generated at the moment of first-time consolidation up to the limit of the present value of said assets and, nonetheless, for values not exceeding their recoverable value, including therein the deferred tax assets and deferred tax liabilities in respect of the surpluses allocated. Trademarks are amortised on a straight-line basis over a period of 10 years, corresponding, based on the appropriate appraisals drafted by specialists, to the period of production and sale of the products to which they refer.

The item also includes the software booked at purchase cost and is amortised on a straight-line basis over a period of 5 years.

Research and development costs

Research costs are recognised in the income statement for the year in which they are incurred. Development costs on an individual project are recognised as intangible assets when the Group is able to demonstrate:

- the technical feasibility to complete the intangible asset, to ensure it is available for use or sale;
- its intention to complete the asset and its ability and intention to use or sell it;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset;
- the ability to reliably evaluate the cost attributable to the asset during its development.

Following initial recognition of the development costs as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. Development costs are amortised over a period of 5 years. During the development period, the asset is tested for impairment annually (impairment test).

2.3.14. Financial instruments - Recognition and measurement

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

I. Financial assets

The Company measures financial assets at amortised cost if both the following requirements are met:

- the financial asset is held within a business model whose objective is owning the financial assets to collect the contractual cash flows
- and
- the contractual terms of the financial asset make provision, on given dates, for cash flows representing solely payments of principal and interest on the amount of principal to be repaid

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or revalued.

The Company's financial assets at amortised cost include trade receivables, included in other non-current financial assets.

II. Financial liabilities

After initial recognition, loans are subsequently measured at amortised cost, using the effective interest rate method. Gains and losses are recognised in the income statement when the liability is extinguished, as well as through the amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as financial expenses in the statement of profit/(loss).

This category generally includes interest-bearing loans and borrowings.

A financial liability is derecognised when the obligation under the liability is extinguished, cancelled or discharged. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. Any difference in the respective carrying amounts is recognised in the statement of profit/(loss) for the year.

2.3.15. Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as interest rate swaps to hedge the interest rate risk on loans. Such derivative financial instruments are measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

At the inception of a hedge relationship, the Group formally designates and documents the hedging relationship, to which it intends to apply hedge accounting, its risk management objectives and the strategy pursued.

Starting from 1 January 2018, the documentation includes the identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including analysis of the sources of hedge ineffectiveness and how the hedge ratio is determined). An hedging relationship qualifies for hedge accounting eligibility criteria if it meets all the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of the credit risk does not dominate the value changes that result from that economic relationship;
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

As regards cash flow hedges, the Group recognised the portion of gain or loss on the hedging instrument relating to the effective part of the hedge in the "cash flow hedge" reserve in the statement of other comprehensive income, while any ineffective portion is recognised directly in the statement of profit/(loss) for the year. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in the fair value of the hedged item.

2.3.16. Inventories

Inventories are measured at the lower of cost and the net presumed realisable value. Purchase or production cost is determined with the weighted average cost method.

Cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges recognised in other comprehensive income, in respect of the purchase of raw materials. Net presumed realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

When obsolete or slow-moving stocks are recognised, these are written down based on their possibility of being used or realised. Stocks of obsolete or slow-moving inventories are written down to reflect the possibility of use or realisation. The original value is restored during the year in which the reasons for a previous write-down no longer apply.

2.3.18. Impairment of non-financial assets

At each reporting date, the Group evaluates the existence of indicators of impairment of the assets. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable value. The recoverable value is the higher of the fair value of the asset or cash-generating unit, less costs to sell, and its value in use. The recoverable value is determined by individual asset, except when such asset generates cash flows that are not largely independent of those generated by other assets or groups of assets. If the book value of an asset is higher than its recoverable value, this asset has suffered impairment and is subsequently written down to its recoverable value.

In determining the value in use, the Group discounts the estimated future cash flows to the present value using a pre-tax discount rate, which reflects the market evaluations of the present value of money and the specific risks of the asset. In determining the fair value less costs to sell, recent market transactions are taken into account. If such transactions cannot be identify, an appropriate valuation model is used.

The Group bases its impairment test on detailed budgets and forecast calculations, prepared separately for each Group cash-generating unit to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated to project future cash flows beyond the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit/(loss) for the year in the expense categories consistent with the destination of the asset that showed impairment. Fixed assets previously revalued are an exception, with the revaluation taken to other comprehensive income. For such cases, the impairment is recognised in other comprehensive income up to the amount of the previous revaluation.

For assets other than goodwill, at each reporting date, the Group evaluates whether there are indications that previously recognised impairment losses no longer exist (or have decreased) and, if such indications exist, estimates the recoverable value of the asset or CGU. The value of a previously written down asset can be restored only if there have been changes in the assumptions on which the calculation of the recoverable value was based, after the recognition of the last impairment loss. The recovery value cannot exceed the carrying value that would have been determined, net of amortisation/depreciation, if no impairment loss had been recognised in previous years. Such

reversal is recognised in the statement of profit/(loss) for the year unless the fixed asset is carried at its revalued amount, in which case the reversal is treated as a revaluation increase.

Intangible assets with indefinite useful life are subject to impairment test at least annually at cash-generating unit level, as appropriate, and when circumstances indicate that the carrying value may be subject to impairment.

2.3.19. Trade and other receivables

Trade and other receivables are initially recognised at cost, i.e. at the fair value of the consideration received during the course of the transaction; subsequently, receivables that have a pre-established expiry are measured at amortised cost, using the effective interest method, while receivables without fixed expiry are valued at cost.

Receivables are recognised in the financial statements net of provisions for impairment; these provisions are set aside when there is an objective indication (such as, for example, the probability of insolvency or significant financial difficulties of the debtor) that the Company will be unable to recover all the amounts due based on the original sale conditions. The book value of the receivable is reduced through the allocation to an appropriate provision; the receivables subject to impairment are cancelled when their non-recoverability is verified.

2.3.20. Cash and cash equivalents and short-term deposits

Cash and cash equivalents and short-term deposits include cash at banks and on hand and sight deposits and short-term deposits with a maturity of three months or less, which are not subject to significant risks linked to changes in value. For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's liquidity management.

2.3.21. Provision for risks and charges

Allocations to provisions for risks and charges are recognised when the Group has a present obligation (legal or implicit) resulting from a past event, or it is probable an outflow of resources to settle the obligation and it is possible to reliably estimate its amount. When the Group expects some or all of a provision to be reimbursed, for example in the case of risks covered by insurance policies, the reimbursement is recognised as a clearly and separate asset, but only when the reimbursement is virtually certain. In such case, the cost relating to any provision is

presented in the statement of profit/(loss) for the year, net of any reimbursement.

If the effect of the time value of money is significant, provisions are discounted using a pre-tax discount rate that reflects, when appropriate, the risks specific to the liability. When the liability is discounted, the increase in the provision due to the passage of time is recognised as a financial expense.

2.3.22. Employee benefit obligations

Mandatory employee severance indemnity for Italian companies pursuant to art. 2120 of the Italian Civil Code, is deferred remuneration and is related to the duration of the working life of the employees and the remuneration received.

Due to the reform of complementary pensions, amounts of employee severance indemnity accrued up to 31 December 2006 will continue to remain with the company as they represent a defined benefit plan (obligation for benefits accrued subject to actuarial evaluation), while amounts accruing from 1 January 2007 (with the exception of employees in companies with less than 50 employees), due to the decisions made by the employees, are allocated to forms of complementary pension or transferred from the company to the treasury provision managed by INPS (Italian National Social Security Institution), as they represent, from the moment the decision is formalised by the employee, defined contribution plans (no longer subject to actuarial evaluation).

For benefits subject to actuarial evaluation, the liability relating to employee severance indemnity must be calculated by projecting the amount already accrued to the future moment of termination of the employment contract and then discounting the amount at the balance sheet date using the actuarial method known as the "Projected Unit Credit Method". The discount rate used to determine the liability is the one relating to the "Composite" interest rate curves of securities issued by AA rated corporate issuers. From an accounting perspective, through the actuarial evaluation, the interest cost is booked to the income statement under the item "Financial expenses/income", which constitutes the figurative expense that the company would incur in requesting a loan from the market for an amount equal to the employee severance indemnity, and the current service cost is recognised in the item "cost of labour", which defines the amount of rights accrued in the year by employees solely for those Group companies with less than 50 employees and who, therefore, have not transferred the amounts accrued from 1 January 2007 to a complementary pension. Actuarial gains and losses that reflect the effects deriving

from changes in the actuarial assumptions used are recognised directly to equity without ever passing through the income statement and are recognised in the statement of comprehensive income.

2.3.23. Trade and other payables

Trade and other payables are initially recognised at cost, i.e. at the fair value of the consideration paid during the course of the transaction; subsequently, payables that have a pre-established maturity are measured at amortised cost, using the effective interest method, while payables without fixed maturity are valued at cost.

Short-term payables, for which the accrual of interest has not been agreed, are measured at their original value; the fair value of long-term payables is established by discounting the future cash flows: the discount is recognised as a financial expense over the duration of the payable until maturity.

3. DISCRETIONARY EVALUATIONS AND SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make discretionary evaluations, estimates and assumptions that affect the reported amounts of revenues, costs, assets and liabilities and the accompanying disclosure, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a significant adjustment to the book value of such assets and/or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a relevant risk of causing significant adjustments to the book values of assets and liabilities within the next financial year, are described below. The Group based its estimates and assumptions on parameters available when the consolidated financial statements were prepared. However, current circumstances and assumptions about future developments may change due to market changes or circum-

stances arising that are beyond the control of the Group. These changes are reflected in the assumptions when they occur.

Defined benefit plans (pension provisions)

The cost of defined benefit pension plans and other post-employment medical benefits and the present value of the obligation for defined benefits are determined using actuarial evaluations. An actuarial evaluation involves making various assumptions that may differ from actual developments in the future. These assumptions include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity involved in the evaluation and its long-term nature, these estimates are highly sensitive to changes in the assumptions. All assumptions are reviewed on an annual basis.

The parameter most subject to changes is the discount rate. In determining the appropriate discount rate, management considers the interest rate of bonds (corporate bonds) as a reference, in currencies consistent with the currencies of the defined benefit obligations, with at least an AA rating or above, assigned by internationally acknowledged rating agencies, and with average maturity corresponding to the expected term of the defined benefit obligation. The bonds are subject to an additional qualitative analysis and those having excessive credit spread are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent a category of high quality corporate bonds.

The mortality rate is based on publicly available mortality tables for the specific country. These mortality tables tend to change only at intervals in response to a demographic change. Future salary increases and pension increases are based on expected future inflation rates for each country.

Fair value of financial instruments

When the fair value of a financial asset or liability recognised in the statement of financial position cannot be measured based on quoted prices in an active market, their fair value is measured using different valuation techniques, including the discounted cash flow model. The inputs to this model are taken from observable markets, where possible, but if it is not possible, a certain degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating these factors could affect the reported fair value of financial instruments.

Bad debt provision

For the purposes of evaluation of the estimated realizable value of the receivables, the Group draws up forecasts regarding the level of counterparty solvency, taking into account the available information and considering the historical experience acquired. The effective realizable value of receivables may differ from the estimated one due to the uncertainty affecting the conditions forming the basis of the solvency judgments formulated.

Provision for inventory obsolescence

The Group normally draws up forecasts in relation to the realisable value of obsolete, surplus or slow-moving stocks. This estimate is based essentially on historical experience, also taking into account the characteristics of each stock. The effective realisable value of the stocks may differ from the estimated one due to the uncertainty affecting the conditions forming the basis of the estimates adopted.

4. ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE FROM 1 JANUARY 2017

The Group adopted IFRS 9, IFRS 15 and IFRS 16 for the first time. The impact and the nature of the amendments following the adoption of these new accounting standards are described below. Various other amendments and interpretations apply for the first time in 2018, but did not have any impact on the Company's financial statements.

IFRS 9 Financial instruments

In July 2015, IASB issued the final version of IFRS 9 Financial instruments which replaces IAS 39 Financial instruments: Recognition and measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects relating to the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for financial years starting on 1 January 2018.

With the exception of hedge accounting, the standard is to be applied retrospectively, but providing a comparative disclosure is not mandatory. As regards hedge accounting,

the standard generally applies prospectively, with some limited exceptions.

The Group adopted the new standard from the date of entry into force; the application of IFRS 9 did not have significant impacts on the Group's financial position and result, as already outlined at the time of the initial evaluation performed last year.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and introduces a new 5-step model that applies to revenues from contracts with customers. IFRS 15 requires revenues to be recognised for an amount that reflects the consideration to which the entity expects to be entitled in exchange for the transfer of goods or services to the customer. The new standard, which replaces all previous requirements present in the IFRS regarding the recognition of revenues, is effective for financial years starting on or after 1 January 2018, with full retrospective or modified application. The Group applied the new standard from the mandatory effective date, using the modified retrospective method.

The objective of IFRS 15 is to consolidate the vast array of regulations for the recognition of revenues, which has been, up to today, indicated in various rules and interpretations, and to establish standard basic principles that are applicable to all sectors and all categories of active transactions. IFRS 15 determines when and to what extent revenues are recognised. The basic principle is that revenues are recognised upon the transfer of goods and services, for the amount of consideration expected. In addition, IFRS 15 includes guidelines on contracts with multiple elements, as well as new rules on the treatment of service contracts and contractual amendments. IFRS 15 replaces IAS 18 ("Revenues") and IAS 11 ("Construction Contracts"), as with the associated interpretations.

The application of the IFRS did not have significant impacts on the Group's financial position and result.

IFRS 16 Leases

IFRS 16 "Leases" was published in January 2016 and replaces IAS 17, IFRIC 4, SIC-15 and SIC-27. IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases by using a single accounting model in the financial statements, similar to the accounting of finance leases which were governed by IAS 17. The standard provides two recognition exemptions for lessees in relation to leases of "low-value" assets (e.g. personal computers) and short-term leases (for example, leases with a lease term of 12 months or less).

At the start date of a lease, the lessee will recognise, in the statement of financial position, a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term (i.e. the right of use asset). This right of use is determined on the basis of the present value of lease fees. Lessees will be required to separately recognise interest expense on the lease liability and the amortisation of the right of use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the conditions of the lease agreement, a change in the future lease payments resulting from a change in an index or a rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right of use asset. Lessor accounting under IFRS 16 is substantially unchanged from accounting under IAS 17. Lessors will continue to classify all leases using the same classification principles provided by IAS 17 and distinguishing between operating and finance leases.

IFRS 16 is effective for financial years starting on 1 January 2019, with full retrospective or modified application. Early application is permitted, but not before the entity has adopted IFRS 15.

The Group availed itself of the right to apply the new standard from the financial statements for the year ended as at 31.12.2018: the effects of the application of the new standard are highlighted in the comments of these notes.

The following standards and interpretations, which entered into force in 2018, should also be noted:

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters.
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions.
- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts.

- Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice.
 - Amendments to IAS 40 Transfers of Investment Property.
- IFRIC Interpretation no. 22 Foreign Currency Transactions and Advance Consideration.

5. STANDARDS ISSUED BUT NOT YET IN FORCE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements, are disclosed below. The Company intends to adopt these standards when they become effective.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The amendments address the conflict between IFRS 10 and IAS 28 with reference to the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined by IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that decides to early adopts the amendments, must apply them prospectively.

Lastly, other standards or amendments are summarised below:

Description	Endorsed on of these financial statements	Date of effectiveness set forth in the standard
Annual Improvements to IFRS Standards 2015-2017 Cycle (issued in December 2017)	NO	1 January 2019
Amendments to IAS 28: Long-term interests in Associates and Joint Ventures	NO	1 January 2019
Amendments to IFRS 9: Prepayment Features with negative Compensation	NO	1 January 2019
Amendments to IAS 19: Plan amendment, Curtailment or Settlement	NO	1 January 2019
IFRIC 23 Uncertainly over Income Tax Treatment (issued in June 2017)	NO	1 January 2019
Amendments to Ref. to the Conceptual Framework in IFRS Stand.	NO	1 January 2019

6. INFORMATION ON THE GROUP

Information on the subsidiaries

The Group directly controls the entire chain of value of the design, prototyping, production and sales of safety footwear and workwear.

The Group consolidated financial statements include:

Name	Registered office	Type of control	Currency	Functional currency	% equity investment	
					2018	2017
U-Group s.r.l.	Italy	Direct	EUR	EUR	100%	100%
Altek Europe s.r.l.	Italy	Direct	EUR	EUR	100%	100%
U-Logistics s.r.l.	Italy	Direct	EUR	EUR	100%	-
Lupos G.m.b.H.	Germany	Direct	EUR	EUR	100%	-
Belbis Sarl	Tunisia	Direct	TND	EUR	100%	100%
Granbis Sarl	Tunisia	Direct	TND	EUR	100%	100%
Martek Sarl	Tunisia	Direct	TND	EUR	100%	100%
Jallatte SAS	France	Direct	EUR	EUR	100%	100%

As described in note 2.3.7.1, the Tunisian companies have used the Euro as the functional currency.

It should be noted that the companies U-Logistics s.r.l. and Lupos G.m.b.H. were acquired during the year.

Ultimate parent

The ultimate parent of the U-Invest group is Fin Reporter S.r.l., also domiciled in Italy.

7. FAIR VALUE MEASUREMENT

For financial assets and liabilities recorded in the financial statements at fair value, the following table shows the classification, based on the nature of the financial parameters used in determining the fair value, based on the hierarchical scale set forth in the standard:

HIERARCHY OF FAIR VALUE MEASUREMENT FOR ASSETS AND LIABILITIES AS AT 31 DECEMBER 2018:

Financial statements item	Financial statements value	Level 1	Level 2	Level 3	Total Fair Value
Derivative financial instruments	212		212		212

HIERARCHY OF FAIR VALUE MEASUREMENT FOR ASSETS AND LIABILITIES AS AT 31 DECEMBER 2017:

Financial statements item	Financial statements value	Level 1	Level 2	Level 3	Total Fair Value
Derivative financial instruments	24		24		24

8. INTANGIBLE ASSETS

Intangible assets, as detailed in the table below, amounted to Euro 5,747 thousand as at 31 December 2018.

	Concessions, licences and trademarks
Historical cost	
As at 1 January 2018	12,263
Increases/decreases	91
Reclass./Disposals	-
As at 31 December 2018	12,354
Accumulated amortisation	
As at 1 January 2018	(5,332)
Amortisation for the year	(1,262)
Reclass./Disposals	(13)
As at 31 December 2018	(6,607)
Net book value	
As at 1 January 2018	6,931
As at 31 December 2018	5,747

The item "Concessions, licences, trademarks and similar rights" refers mainly to the value of the U-Power, Jallatte, Aimont, Almar and Lupos trademarks, relating to the products sold by the Group in the safety footwear and workwear sector.

The value of the Aimont, Almar, Lupos trademarks and other minor trademarks, totalling Euro 1,489 thousand, corresponds to the purchase value net of the amortisation already incurred.

The value of the U-Power and Jallatte trademarks reported in the financial statements amounts, respectively, to Euro 1,699 thousand and Euro 2,438 thousand, net of amortisation in the year.

As regards trademarks, considered by management as assets with definite useful life and amortised over 10 years, no indicators of impairment or indicators that could identify a different useful life from the current one emerged during the year, based on future plans.

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, as detailed in the table below, amounted to Euro 26,818 thousand as at 31 December 2018.

	Land and buildings	Plant and equipment & Industrial and commercial equipment	Other tangible assets	Total
Historical cost				
As at 1 January 2018	16,999	25,362	1,896	44,257
Increases	22	5,314	941	6,277
Reclassifications/disposals/mergers	(823)	-	(206)	(1,028)
Write-downs	-	-	-	-
As at 31 December 2018	16,198	30,676	2,632	49,506
Accumulated depreciation				
As at 1 January 2018	(2,588)	(14,680)	(1,474)	(18,741)
Depreciation for the year	(661)	(2,606)	(246)	(3,513)
Reclassifications/disposals/mergers	53	(524)	38	(433)
As at 31 December 2018	(3,196)	(17,810)	(1,682)	(22,688)
Net book value				
As at 1 January 2018	14,411	10,682	422	25,515
As at 31 December 2018	13,002	12,866	950	26,818

The majority of plants and equipment are located in the Tunisian production facilities and, only to a marginal degree, in the production facility of the French subsidiary Jallatte. The increases in the year are due primarily to the acquisition of the subsidiary U-Logistics and the acquisitions of plant and equipment for the facilities in Tunisia.

The item "Land and buildings" contains mainly the values relating to buildings located in Tunisia, amounted to Euro

12,811 thousand at 31 December 2018; the remainder amount relates to the buildings of Jallatte.

Industrial and commercial equipment mainly refer to moulds and production equipment in the Tunisian subsidiaries.

The item "Other tangible assets" mainly includes IT material, office furniture and vehicles.

10. RIGHTS OF USE ASSETS

The company decided to early adopt IFRS 16, set to come into force in 2019, concerning rights of use on property and machinery/equipment; the value recognised in the financial statements amounted to Euro 3,784 thousand, net of amortisation calculated for the financial year.

Details are provided in the table below:

	Right of use – Buildings	Right of use - Industrial and commercial equipment	Right of use - Cars	Total
Historical cost				
As at 1 January 2018	-	-	-	-
Increases	3,371	960	108	4,440
As at 31 December 2018	3,371	960	108	4,440
Accumulated amortisation				
As at 1 January 2018	-	-	-	-
Amortisation for the year	(524)	(80)	(51)	(656)
As at 31 December 2018	(524)	(80)	(51)	(656)
Net book value				
As at 1 January 2018	-	-	-	-
As at 31 December 2018	2,847	880	57	3,784

11. DEFERRED TAX ASSETS

Details of deferred tax assets are provided below:

	31.12.2018			31.12.2017		
	Amount of temporary differences	Rate	Tax effect	Amount of temporary differences	Rate	Tax effect
Inventory write-down	1,805	24.00%	433	1,828	24.00%	439
allocation of losses/write-down on receivables	97	24.00%	23	97	24.00%	23
Tax losses - Jallatte	11,254	33.33%	3,751	11,254	33.33%	3,751
Accounting of leases with the financial method	20	27.90%	6	8	27.90%	2
exchange losses from translation	53	24.00%	13	49	24.00%	12
IFRS adjustment of TFR (employee severance indemnity)	95	24.00%	23	104	24.00%	25
TAX AUTH.	457	27.90%	127	587	27.90%	164
Cancellation of property, plant and equipment and intangible assets	61	27.90%	17	166	27.90%	46
consolidation entries	4,332	27.90%	1,210	2,429	27.90%	678
derivatives	209	24.00%	50	2,429	27.90%	678
Total deferred tax assets			5,653			5,140

12. OTHER NON-CURRENT ASSETS

Other non-current assets amounted to Euro 46 thousand and are mainly composed of security deposits and minor equity investments.

13. INVENTORIES

The composition of inventories at the date of year-end is reported below.

Inventories	31 December 2018	31 December 2017
Raw, ancillary and consumable materials	11,678	11,014
Work in progress and semi-finished products	6,815	5,845
Finished products and goods	18,403	15,340
Total	36,896	32,199

The increase in inventories is the result of higher supplies in the last part of the year to cover the increase in sales and to always offer a better service.

The value of inventories is shown net of a provision for obsolescence, whose amount is highlighted in the table below.

	Obsolescence allowances on inventories
As at 1 January 2018	7,133
Increases/decreases	(297)
As at 31 December 2018	6,836

14. TRADE RECEIVABLES

Receivables due from customers at 31 December 2018 totalled Euro 38,126 thousand, net of the associated bad debt provision of Euro 652 thousand. This item is composed entirely of receivables due within the next financial year.

The table below shows the breakdown of receivables due from customers by geographical area:

	31 December 2018	31 December 2017
Italian customers	23,827	18,089
EU customers	12,766	13,605
Non-EU customers	1,533	1,634
Total	38,126	33,328

The increase in receivables due from customers reflects the rise in sales; for detailed comments please refer to the report on operations.

The breakdown by geographical area is in line with previous years.

15. RECEIVABLES FROM RELATED PARTIES

Please refer to point 36 of these notes for details on the receivables in question.

16. TAX RECEIVABLES AND OTHER RECEIVABLES

The breakdown of the item at the date of year-end is reported below.

	31 December 2018	31 December 2017
VAT credits	561	247
Other tax credits	1,424	416
Security deposits	256	198
Other	2,190	930
Total	4,431	1,791

The increase in tax receivables is due to the receivables of the parent company deriving from withholdings on dividends in Tunisia.

The increase in the item 'Other' refers primarily to the receivables due from the Tunisian National Social Security Fund.

17. CASH AND CASH EQUIVALENTS

The breakdown of the item at the date of year-end is reported below.

	31 December 2018	31 December 2017
Bank deposits	7,973	2,629
Cash	51	8
Total	8,024	2,637

The balance represents the cash and cash equivalents and the existence of cash and assets fully available at the date of year-end. The change with respect to the previous year was significant, amounting to Euro 5,387 thousand, and was recorded as a result of the excellent Group performances.

Please refer to the statement of cash flows for an analysis of the movements that occurred.

18. EQUITY

At the date of year-end, the fully subscribed and paid-in share capital amounted to Euro 10,000 thousand.

18.3. RECONCILIATION OF PARENT COMPANY'S EQUITY WITH THE CONSOLIDATED FINANCIAL STATEMENTS

(amounts in thousands of Euro)

	Equity as at 31 December 2018	Profit for the year 2018
As per the statement of financial position and income statement of U-Invest S.r.l.	35,558	9,598
Surplus shareholders' equity, including the results for the year with respect to the carrying values of the equity investments	13,578	18,487
Consolidation adjustments	(3,602)	(3,622)
Elimination of dividends	-	(5,000)
As per consolidated financial statements	45,534	19,463

19. EMPLOYEE BENEFIT OBLIGATIONS

The movement in the provision during the year was as follows:

As at 1 January 2018	747
Provisions	118
Utilization	(45)
Interest	9
Actuarial gains and losses	13
As at 31 December 2018	818

The measurement of Employee severance indemnity for IAS purposes follows the method of projection of the present value of the defined benefit obligation with the estimate of the benefits accrued by personnel.

Following the amendments introduced by Law no. 296 of 27 December 2006 ("2007 Finance Law") and subsequent decrees and implementing regulations, amounts of employee severance indemnity accrued up to 31 December 2006 will continue to remain with the company as they represent a defined benefit plan (obligation for benefits accrued subject to actuarial evaluation), while amounts accruing from 1

January 2007, due to the decisions made by the employees during the year, will be allocated to forms of complementary pension or transferred from the company to the treasury provision managed by INPS (Italian National Social Security Institution), as they represent, from the moment the decision is formalised by the employee, defined contribution plans (no longer subject to actuarial evaluation).

The calculation of employee severance indemnity is therefore the result of the application of an actuarial model, based on various demographic and economic assumptions. The technical-economic bases used are reported in the table below:

	%
Discount rate	1.57
Future salary increases	1.00
Annual rate of increase of Employee severance indemnity	2.625
Inflation rate	1.50

20. PROVISIONS

The item 'Provisions' is detailed hereunder:

	31 December 2018	31 December 2017
Employees severance benefit and similar obligations	1,387	1,357
Other provisions for risks	2,922	412
Total	4,308	1,769

The employees severance benefit and similar obligations refers to the pension provision and compensation to employees of the French branch amounting to about Euro 399 thousand and the provision for the year of the compensation for the termination of agent contracts for Euro 988 thousand of the subsidiary U-Group.

The item 'Other provisions' refers mainly to risks on contributions of employees of the Tunisian branch for around Euro 2.3 million, as well as pending legal proceedings concerning the French company Jallatte, whose risk of being the losing party has been estimated as likely.

21. FINANCIAL LIABILITIES

Financial liabilities are detailed below:

	31 December 2018	31 December 2017
Payables due to banks	6,872	25,222
Payables due to leasing companies	438	276
Payables for rights of use	565	-
Derivative financial instruments	-	24
Payables due to other lenders	-	6,233
Total current financial liabilities	7,875	31,755
Bank bonds	9,857	-
Payables due to banks	11,902	3,590
Payables due to leasing companies	808	606
Payables for rights of use	3,299	-
Derivative financial instruments	212	-
Total non-current financial liabilities	26,078	4,196
Total financial liabilities	33,953	35,951

	Bonds and payables to banks	Payables due to leasing companies	Payables for rights of use	Derivative financial instruments	Payables due to other lenders
As at 1 January 2018	28,811	883	-	24	6,233
Cash flows	(180)	(588)	(573)	-	(6,233)
Reclassification to assets held for sale					
Change in exchange rates					
Change in fair value				188	
New lease agreements		951			
Rights of use			4,437		
Other					
As at 31 December 2018	28,631	1,246	3,864	212	-
of which current	6,872	438	565	-	-
of which non-current	21,759	808	3,299	212	-

21.3. PAYABLES DUE TO BANKS AND BONDS

The balance of payables due to banks and bonds at 31 December 2018 totalled Euro 28,631 thousand, and represents the actual payable in principal, interest and additional charges accrued and due to banks; as better specified in the Report on Operations, these payables were optimised in order to reduce the short-term liabilities and contain interest costs, through the issue of a Mini-Bond of Euro 10 million

(subscribed by Unicredit Spa and reported under the item "bank bonds") and new medium/long-term bank loans of Euro 15 million; thanks to these new resources, the other more costly short-term and long-term loans were repaid.

It should be noted that the aforementioned new contracts are subject to economic/financial parameters; a check is performed annually following approval of the financial statements to ensure the financial covenants are met, and all indicators show that these covenants have been fully respected.

21.4. PAYABLES DUE TO OTHER LENDERS

The amount of payables due to other lenders was composed primarily of payables due to factoring companies, and was eliminated: the company U-Group transformed contracts into non-recourse and the branch Jallatte eliminated the use of recourse factoring and, in 2019, this factoring contract will be terminated.

21.5. PAYABLES FOR RIGHTS OF USE

The item refers to payables relating to rights of use recognised in the financial statements, as required by IFRS 16.

21.6. DERIVATIVE FINANCIAL INSTRUMENTS

In order to hedge the loans in place, the company stipulated derivative contracts in the form of Interest Rate Swaps. These transactions are cash flow hedges of the loans in place, falling within the scope of hedge accounting. For more details relating to derivative financial instruments, please refer to paragraph 7.

22. DEFERRED TAX LIABILITIES

Details of deferred tax liabilities are provided below:

	31 December 2018			31 December 2017		
	Amount of temporary differences	Rate	Tax effect	Amount of temporary differences	Rate	Tax effect
Amortisation of intangible assets - Jallatte	2,437	27.90%	680	2,925	27.90%	816
Amortisation of intangible assets - U-Group	1,699	27.90%	474	2,039	27.90%	569
Depreciation of property, plant and equipment - U-Logistics	1,322	27.90%	369		27.90%	0
Gains from translation	31	24.00%	7	28	24.00%	7
Leasing	6	27.90%	2	122	27.90%	34
Dividends	28,623	10.00%	2,862	15,566	10.00%	1,557
dividends approved and not paid	2,207	27.90%	1,057	7,637	24.00%	722
bonds	143	24.00%	34			0
Total deferred tax assets			5,486			3,704

The provision for taxes is composed primarily of provisions for withholdings at source of the Tunisian companies and taxes on dividends that will be distributed by said companies, plus deferred taxes generated as a result

of the allocation to trademarks of the differences generated during the phase of first-time consolidation on the French (Jallatte) and Italian (U-Group and U-Logistics) branches, and leasing entries.

23. TRADE PAYABLES

Payables due to suppliers are recognised net of trade discounts; cash discounts are instead recognised at the moment of payment. The nominal value of these payables has been adjusted, to the extent corresponding to the amount defined with the counterparty, at the time of returns or rebates.

This item is composed entirely of payables expiring within the next financial year.

The table below shows the breakdown by geographical area:

	31 December 2018	31 December 2017
Italian Suppliers	22,058	17,732
EU Suppliers	3,421	2,953
Non-EU Suppliers	3,855	3,021
Total	29,334	23,706

The increase in trade payables is in proportion to the growth in Group activities.

24. INCOME TAX PAYABLES AND OTHER PAYABLES

The breakdown of the item at the date of year-end is reported below.

	31 December 2018	31 December 2017
VAT	266	66
Taxes and duties	663	737
Tax withholdings	3,313	3,829
Payables due to social security and welfare institutions	1,537	1,286
Payables due to employees	2,405	2,014
Other payables	388	32
Total	8,572	7,964

The increase in the item refers primarily to the payables due to employees and the institutions related to them, which are essentially due to the increase in personnel.

25. REVENUES

The item 'Revenues' is detailed as follows:

	2018	2017
Sales of finished products	134,665	110,885
Other sales	191	211
Total	134,856	111,096

The figure for sales of finished products includes both sales of safety footwear and workwear.

The constant increase in sales in Italy is also the result of advertising campaigns on the main public and private TV channels as well as ongoing football sponsorships. Advertising and sponsorship campaigns also renewed for future years and also extended to the other European countries in which the group operates. Please refer to the Report on Operations for further information on the business performance in 2018.

The breakdown of sales by geographical area, in thousands of Euro, is reported below.

	2018	2017
Italy	40,985	33,763
EU	80,640	66,432
Non-EU	13,231	10,901
Total	134,856	111,096

The increases by geographical area are comparable.

26. OTHER INCOME

Other income came to Euro 875 thousand, and are broken down as follows:

	2018	2017
Transport reimbursements	422	444
Other revenues	372	829
Revenues from employees	81	125
Total	875	1,398

27. RAW MATERIALS, CONSUMABLES AND SUPPLIES

The item 'raw materials, consumables and supplies' is detailed as follows:

	2018	2017
Purchase of raw materials	46,492	39,234
Purchase of finished products	4,443	3,673
Other purchases	2,111	1,519
Change in inventory of raw materials	(1,286)	(1,068)
Change in inventory of finished products	(3,412)	2,419
Total	48,348	45,777

The increase in purchases is directly related to the growth in sales.
For comments on the change in inventories, please refer to paragraph 13.

28. PERSONNEL COSTS

The item 'Personnel costs' is detailed as follows:

	2018	2017
Wages and salaries	19,304	17,387
Social security costs	3,414	3,115
Employee severance indemnity	129	119
Total	22,847	20,621

Personnel costs are related primarily to the costs of the production affiliates in Tunisia. The following table indicates the number of employees, broken down by category at the end of the period:

	2018	2017
Executives	15	13
White-collar employees and Middle Managers	126	120
Blue-collar workers	3,249	3,100
Total	3,390	3,233

New staff were hired during the year, which led to an increase in the associated costs.

29. COST OF SERVICES

Cost of services are detailed as follows:

	2018	2017
Marketing	8,964	4,046
Agent commissions	6,484	4,555
Transport	6,218	5,813
Other expenses	3,235	2,811
Logistics	1,913	2,236
Utilities	1,730	1,470
Advisory services	1,493	1,260
Bank charges	964	986
Travel and transfer expenses	675	354
Maintenance	519	526
Insurance	426	412
Production sub-contractors	300	-
Total	32,921	24,469

Cost of services increased for about Euro 8.4 million compared to the previous year.

The most significant increases were recognised in marketing and agent commissions.

The main increases relating to the item 'marketing' are the result of significant investments in sponsorships and advertising, especially in Italy, on the Mediaset networks, relating to new footwear models, which use an innovative technology in the field of safety footwear: a sole composed of thousands of capsules that hold and return energy with every step.

Agent commissions increased due to both the increase in turnover and the effect of the shifting of product sales towards the higher end bracket, which therefore involve higher commissions.

The increases in transport and other expenses are the direct consequence of the increase in turnover.

Despite the trend in sales, the company managed to reduce logistics costs, also thanks to the investments made in previous years to centralise the stocks of finished products.

30. OTHER OPERATING EXPENSES

Other operating expenses are detailed below:

	2018	2017
Other expenses	255	931
Indirect taxes and duties	454	334
Losses on receivables	1	206
Provisions for risks and charges	2,268	3
Cost for use of third-party assets	414	729
Total	3,392	2,203

Costs for the use of third-party assets fell due to the prospective application of IFRS 16.

Other expenses were also lower than the previous year.

The item 'Provisions for risks and charges' is composed of non-recurring costs deriving from allocations for risks on withholdings of the employees of the Tunisian production company amounting to Euro 2.3 million which, as better specified in the Report on Operations, had a positive impact on EBITDA.

31. FINANCIAL INCOME

Financial income for the year amounted to Euro 159 thousand, and mainly refers to interest income.

32. FINANCIAL EXPENSES

Financial expenses are detailed below:

	2018	2017
Interest and other financial expenses from other companies: interest expense	1,347	2,148
Interest on leasing	179	188
Interest on Employee severance indemnity	9	8
Total	1,535	2,344

The restructuring of the indebtedness described in point 21.3 and the reduction of said indebtedness determined a strong decrease of bank interest expense.

33. OTHER FINANCIAL INCOME AND EXPENSES

Other financial income and expenses are detailed below:

	2018	2017
Net gains/losses on exchange	747	1,378
Interest on derivative financial instruments	24	33
Total	771	1,411

The exchange differences relate to both actual gains/losses realised during the year and gains/losses ascertained at the exchange rate in force at the date of close of the financial statements.

Assets and liabilities in currency mainly concern the Tunisian affiliates, plus the transactions in Pound sterling relating to the UK market and transactions in USD relating to the importing from Oriental markets of basic safety footwear and workwear.

34. INCOME TAX EXPENSES

The item current taxes includes the IRAP (regional business tax) and IRES (corporate income tax) of the parent company and the Italian subsidiaries, plus the taxes due from the French affiliate and the Tunisian branches.

	2018	2017
Current taxes	1,626	1,774
Deferred tax liabilities and deferred tax assets	761	995
Total	2,387	2,769

35. COMMITMENTS AND RISKS

There are no commitments and risks aside from those already reported in the financial statements.

35.3. FINANCIAL LEASES, REDEMPTION COMMITMENTS AND RIGHTS OF USE

The Group signed financial leases and redemption commitments for some vehicles. The Group's obligation resulting from these contracts is guaranteed by the ownership title of the lessor of the leased assets. The lessee company can perform the renewal if it so wishes. The following table details the amount of future lease fees deriving from finance leases and rental contracts:

	2018 Minimum payments	2017 Minimum payments
Within the year	1,002	276
After the year but within 5 years	4,107	606
Value of lease fees	5,110	882

Investment commitments

There are no investment commitments.

Risks

Please refer to the Report on Operations of these financial statements.

Guarantees

The company granted guarantees in favour of RANDSTAD SERVICES Srl for the contract services provided to the subsidiary U-Logistics s.r.l., for a maximum amount of Euro 350 thousand.

The subsidiary U-Group granted a guarantee of Euro 419 thousand in favour of the company Toyota Material Handling Italia Srl for the rental and assistance contract provided to the Group company U-Logistics srl.

Contingent liabilities

There are no contingent liabilities other than those resulting from the financial statements.

36. DISCLOSURE ON RELATED PARTIES

Note 5 reports information relating to the Group structure, including details on the subsidiaries and the parent company. The following table provides the total amount of the transactions with related parties during the year:

(amounts in thousands of Euro)

	Receivables	Payables	Revenues	Costs
Fin Reporter S.r.l. (parent company)	1,235	2,755	54	157
PFU S.r.l. (related company)	701	710	44	586
Total	1,936	3,465	98	743

The company is not subject to management and coordination activities by other entities.

37. EVENTS AFTER THE REPORTING DATE

There are no significant events to report which occurred after the close of the year.

* * * * *

Paruzzaro, 15 April 2019

The Sole Director
(Pier Franco Uzzeni)

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

To the Sole Quotaholder of
U-Invest S.r.l.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of U-Invest Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of U-Invest S.r.l. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The consolidated financial statements of U-Invest Group for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those statements on 13 April 2018.

Responsibilities of the Sole Director and Those Charged with Governance for the Consolidated Financial Statements

The Sole Director is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Sole Director is responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Sole Director prepares the consolidated financial statements on a going concern basis unless he either intend to liquidate the Parent Company U-Invest S.r.l. or to cease operations, or have no realistic alternative but to do so.

The statutory auditor ("Sindaco Unico") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Sole Director;
- we have concluded on the appropriateness of the Sole Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on compliance with other legal and regulatory requirements¹

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Sole Director of U-Invest S.r.l. is responsible for the preparation of the Report on Operations of Group U-Invest as at 31 December 2018, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the consolidated financial statements of U-Invest Group as at 31 December 2018 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of U-Invest Group as at 31 December 2018 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milano, 29 April 2019

EY S.p.A.
Signed by: Gabriele Grignaffini, Auditor

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

¹ *The Report on Operations as at 31 December 2018 is not included in this Offering Memorandum.*

FINANCIAL STATEMENTS

**AS AT AND FOR THE YEAR
ENDED 31 DECEMBER 2018**

BALANCE SHEET ASSETS

(amounts in Euro)

	31.12.2018	31.12.2017
A) SUBSCRIBED CAPITAL UNPAID	-	-
B) FIXED ASSETS		
I - Intangible assets	1,505,680	1,610,785
III - Financial fixed assets	52,172,310	31,594,546
Total fixed assets (B)	53,677,990	33,205,331
C) CURRENT ASSETS		
II - Loans		
Due within the next financial year	17,409,850	13,998,782
Deferred tax assets	50,140	-
Total receivables (II)	17,459,990	13,998,782
IV - Cash and cash equivalents	1,656,095	58,767
Total current assets (C)	19,116,085	14,057,549
D) ACCRUALS AND DEFERRALS	20,529	22,239
TOTAL ASSETS	72,814,604	47,285,119

BALANCE SHEET LIABILITIES

(amounts in Euro)

	31.12.2018	31.12.2017
A) SHAREHOLDERS' EQUITY		
I - Share capital	10,000,000	10,000,000
II - Share premium reserve	3,517,000	3,517,000
IV - Legal reserve	731,797	114,998
VI - Other reserves	8,600,000	8,600,000
VII - Reserve for expected cash flow hedges	(158,777)	(12,445)
VII - Retained earnings (losses)	3,269,694	(1,449,498)
IX - Profit (loss) for the year	9,598,159	12,335,991
Total Equity (A)	35,557,873	33,106,046
B) PROVISIONS FOR RISKS AND CHARGES	1,375,628	734,128
C) EMPLOYEE SEVERANCE INDEMNITY	-	-
D) PAYABLES		
Due within the next financial year	14,424,002	12,434,878
Payable after the next financial year	21,446,264	1,002,993
Total payables (D)	35,870,266	13,437,871
E) ACCRUALS AND DEFERRALS	10,837	7,074
TOTAL LIABILITIES	72,814,604	47,285,119

INCOME STATEMENT

(amounts in Euro)

	31.12.2018	31.12.2017
A) VALUE OF PRODUCTION		
1) Revenue from sales and services	1,923,949	1,703,401
5) Other revenues and income	17,413	101,381
Total value of production	1,941,362	1,804,782
B) PRODUCTION COSTS		
6) For raw materials, consumables and goods	30	-
7) For services	1,604,967	1,404,354
8) for use of third party assets	1,000	1,000
10) depreciation, amortisation and impairment:		
a) Amortisation of intangible assets	124,299	119,124
14) Sundry operating expenses	15,978	22,664
Total production costs	1,746,274	1,547,142
Difference between value and costs of production (A-B)	195,088	257,640
C) FINANCIAL INCOME AND CHARGES:		
15) income from equity investments		
From subsidiaries	5,000,000	14,237,251
16) other financial income:		
a) from receivables recorded under fixed assets		
from parent companies	54,136	29,601
d) income other than the above		
from subsidiaries	145,095	105,152
Other	10,348	3,545,200
Total other financial income	209,579	3,679,953
17) interest and other financial charges		
towards subsidiaries	70,040	153,521
other	405,761	78,627
Total interest and other financial charges	475,801	232,148
Total financial income and charges (C) (15+16-17+-17-bis)	4,733,778	17,685,056

INCOME STATEMENT

(amounts in Euro)

	31.12.2018	31.12.2017
D) VALUE ADJUSTMENTS OF FINANCIAL ASSETS AND LIABILITIES:		
18) Revaluations:		
a) of equity investments	5,365,230	-
19) Write-downs:		
a) of equity investments	-	4,770,070
d) of derivative financial instruments	2,730	-
Total value adjustments to financial assets and liabilities (D) (18-19)	5,362,500	(4,770,070)
Profit (loss) before tax (A-B+-C+-D)	10,291,366	13,172,626
20) Income taxes for the year, current, deferred and prepaid		
Current taxes	218,247	82,851
Taxes relating to previous years	32,661	49,840
Deferred tax liabilities and deferred tax assets	442,299	721,683
Income from tax consolidation	-	(17,739)
Total income taxes for the year, current, deferred and prepaid	693,207	836,635
21) PROFIT (LOSS) FOR THE YEAR	9,598,159	12,335,991

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018 PREPARED IN ABBREVIATED FORM PURSUANT TO ARTICLE 2435 BIS OF THE ITALIAN CIVIL CODE

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018 PREPARED IN ABBREVIATED FORM PURSUANT TO ARTICLE 2435 BIS OF THE ITALIAN CIVIL CODE

1. CORPORATE INFORMATION

U-Invest S.r.l. is a limited liability company, registered and domiciled in Italy.

The registered office is in Paruzzaro (NO), in via Borgomanero 50.

2. MAIN ACCOUNTING STANDARDS

2.1. INTRODUCTION

The financial statements as at 31 December 2018, of which these explanatory notes form an integral part pursuant to article 2423, first paragraph of the Italian Civil Code, correspond to the results of the accounting records duly kept and are drawn up in compliance with articles 2423, 2423-ter, 2424, 2424-bis, 2425 and 2425-bis of the Italian Civil Code, according to the drafting principles compliant with the provisions of Italian Civil Code article 2423 bis, measurement criteria pursuant to article 2426 of the Italian Civil Code.

The financial statements for this year have been prepared in abridged form in compliance with the provisions of article 2435-bis of the Italian Civil Code, as the conditions set forth in paragraph 1 of the aforementioned article have been met. Consequently, in these explanatory notes, the indications set forth in paragraph 1, number 10 of article 2426 and the information required by paragraph 1 of article 2427 limited to the items specified in paragraph 5 of article 2435 bis of the Italian Civil Code, have been omitted.

However, these explanatory notes do not contain the information required by numbers 3) and 4) of art. 2428 of the Italian Civil Code as the company prepared the report on operations pursuant to the aforementioned article.

2.2. DRAFTING PRINCIPLES

In order to prepare the financial statements with clarity and provide a true and fair view of the financial position and the economic result, in accordance with the provisions of article 2423-bis of the Italian Civil Code, steps were taken to:

- assess the individual items prudently and with a view towards the company continuing as a going concern;
- include only the profits actually realised during the year;
- determine the income and costs on an accruals basis and regardless of their financial manifestation;
- understand all risks and losses for the period, even if they become known after the end of the year;
- consider separately, for the purposes of the relative measurement, the heterogeneous elements included in the various items of the financial statements;
- keep the same measurement criteria adopted as the previous year.

The following financial statements assumptions as per OIC 11 paragraph 15 were also complied with:

- a) prudence;
- b) the company continuing as a going concern;
- c) substantial representation;
- d) competence;
- e) consistency in the measurement criteria;

- f) relevance;
- g) comparability.

2.2.1. Company continuing as a going concern

With regard to this standard, the measurement of the financial statement items was carried out on the basis of the company continuing as a going concern and therefore taking into account the fact that the company constitutes a functioning economic complex, destined, at least for a foreseeable future period of time (12 months from the date of the reporting date), to the production of income.

In the forward-looking assessment of the going concern assumption, no significant uncertainties emerged, nor were reasonable alternatives to the termination of business identified.

The financial statements are drawn up in units of Euro. These explanatory notes have been drawn up in thousands of Euro.

2.2.2. Exceptional cases pursuant to article 2423, paragraph 5 of the Italian Civil Code

There were no exceptional events that made it necessary to use the exceptions set forth in the article.

2.2.3. Changes in accounting standards

There were no changes in accounting standards during the year.

2.2.4. Correction of significant errors

There were no significant errors committed in previous years.

2.2.5. Comparability and adaptation issues

The asset and liability items belonging to more than one balance sheet item were specifically mentioned.

Pursuant to article 2423-ter, fifth paragraph of the Italian Civil Code, no problems arose regarding the comparability and adjustment of the items for the current year with those relating to the previous year.

2.3. MEASUREMENT CRITERIA APPLIED

The criteria applied in the measurement of the financial statement items, shown below, comply with the provisions of article 2426 of the Italian Civil Code.

The measurement criteria pursuant to article 2426 of the Italian Civil Code are compliant with those used in the preparation of the financial statements of the previous year.

2.3.1. Intangible assets

Intangible assets are recorded, within the limit of their recoverable value, at purchase or internal production cost, in-

cluding all directly attributable accessory charges, and are systematically amortised on a straight-line basis in relation to the residual useful life of the asset.

In particular, industrial patent rights and intellectual property rights are amortised on the basis of their presumed duration of use, in any case not exceeding that established by the license agreements.

Trademarks are amortised on the basis of their presumed useful life, estimated at 18 years.

Fixed assets whose value at the end of the year is permanently lower than the residual cost to be amortised are recorded at said lower value; this is not maintained if the reasons for the adjustment no longer apply in subsequent years.

The recognition and measurement of the items included in the category of intangible assets was carried out with the consent of the Board of Statutory Auditors, where this is provided for by the Italian Civil Code.

2.3.2. Equity investments

Equity investments are classified under fixed assets or current assets based on their designation.

Initial recognition is made at purchase or acquisition cost, including accessory costs.

Non-current equity investments were measured by attributing the cost specifically incurred to each equity investment. Pursuant to art. 2426, point 3 of the Italian Civil Code, since the cost was adjusted the previous year due to impairment losses, defined and determined on the basis of OIC 21 paragraphs 31 to 41, the cost was adjusted.

During the year, as the conditions that had determined an adjustment in previous years no longer apply, the value was reversed on the basis of OIC 21 paragraphs 42 and 43.

2.3.3. Derivative financial instruments

Derivative financial instruments are recorded at fair value corresponding to the market value, if any, or to the value resulting from measurement models and techniques to ensure a reasonable approximation to the market value. Financial instruments for which it was not possible to use these methods are measured on the basis of the purchase price.

The recognition of the current value is recognised in the balance sheet assets, in the specific item of financial fixed assets or current assets depending on the designation, or in the liabilities in the specific item included among the provisions for risks and charges.

Cash flow hedges are offset by a shareholders' equity reserve, or, for the ineffective part, the income statement.

Changes in the fair value of speculative derivatives and hedging of the price of an underlying asset (so-called fair value hedge) are recognised in the income statement.

2.3.4. Receivables

Receivables are classified under non-current assets or current assets on the basis of their designation / origin with respect to ordinary assets, and are recorded at their estimated realisable value.

The breakdown of amounts payable within and after the financial year is carried out with reference to the contractual or legal maturity, also taking into account facts and events that may determine a change in the original maturity, the realistic capacity of the debtor to fulfil the obligation within the contractual terms and the time horizon in which it is reasonably expected to be able to claim the receivable.

Pursuant to OIC 15 paragraph 84, note that the amortised cost criterion was not adopted in the measurement of the receivables.

Receivables are shown in the financial statements net of the recognition of a bad debt provision to cover bad debts, as well as the general risk relating to the remaining receivables, based on estimates made on the basis of past experience, of the trend of the seniority indices of the past due receivables, the general economic situation, sector and country risk, as well as events occurring after the end of the year that have an impact on the values at the balance sheet date.

The item "Tax receivables" includes certain and determined amounts deriving from receivables for which a right of realisation through reimbursement or set-off has arisen.

The item "Deferred tax assets" includes deferred tax assets determined on the basis of deductible temporary differences or the carrying forward of tax losses, applying the estimated rate in force at the time when these differences are deemed to be reversed.

2.3.5. Cash and cash equivalents

Cash and cash equivalents are stated at their nominal value.

2.3.6. Accruals and deferrals

Accruals and deferrals were recognised on an accruals basis and contain the revenues / costs pertaining to the year and payable in subsequent years and the revenues / costs incurred by the end of the year, but pertaining to subsequent years.

Therefore, only the portions of costs and revenues common to two or more years, the amount of which varies over time, are recorded.

At the end of the year, it was verified that the conditions that led to the initial recognition were met, making the necessary value adjustments, if it was the case, taking into account not only the time element but also the potential recoverability.

Accrued income, similar to receivables for the financial year, was measured at the estimated realisable value, with a

write-down in the income statement if this value was lower than the carrying amount.

Accrued liabilities, similar to payables, were measured at nominal value.

For deferred charges, the future economic benefit related to the deferred costs was measured by making a value adjustment if this benefit was lower than the amount deferred.

2.3.7. Provisions for taxes, including deferred

It includes the liabilities for probable taxes, deriving from non-final assessments and pending disputes, and the liabilities for deferred taxes calculated on the basis of the taxable temporary differences, applying the estimated rate in force at the time when these differences are expected to be reversed.

2.3.8. Payables

The breakdown of the amounts payable within and after the financial year is carried out with reference to the contractual or legal maturity, also taking into account facts and events that may determine a change in the original maturity.

Payables are indicated under liabilities on the basis of their nominal value, considered representative of their settlement value.

Pursuant to OIC 19 paragraph 86, note that the amortised cost criterion was adopted in the measurement of payables. In the initial recognition, the carrying amount is represented by the nominal value of the payable net of transaction costs (e.g. preliminary investigation, commissions, issue costs, etc.). At the end of the year, the value of payables measured at amortised cost is equal to the present value of future cash flows discounted at the effective interest rate.

This criterion was not applied to payables for which the effect is irrelevant with respect to the value determined pursuant to paragraphs 54-57.

Payables arising from acquisitions of assets are recognised at the time the risks, charges and benefits are transferred; those relating to services are recognised at the time the service is provided; financial and other types at the time the obligation to the counterparty arises.

Tax payables include liabilities for certain and determined taxes, as well as withholdings operating as substitutes and not yet paid at the balance sheet date, and, where offsetting is allowed, they are recognised net of advances, withholding taxes and receivables tax.

2.3.9. Currency values

Monetary assets and liabilities denominated in foreign currencies are recognised at the spot exchange rate at the end of the year, with the related exchange gains and losses recognised in the income statement.

Any net gains deriving from the adjustment to exchange rates are recorded, for the part not absorbed by any loss for the year, in a special reserve that cannot be distributed until the moment of realisation.

2.3.10. Costs and revenues

They are stated according to the principle of prudence and accruals.

With reference to "Revenues from sales and services", it should be noted that adjustments to revenues, pursuant to OIC 12 paragraph 50, are recorded as a reduction of the item revenues, with the exception of those referring to previous years and deriving from corrections, errors or changes in accounting standards, recognised, pursuant to OIC 29, on the opening balance of the shareholders' equity.

2.4. OTHER INFORMATION

The specific sections of the explanatory notes illustrate the criteria with which article 2423, fourth paragraph, are implemented in the event of non-compliance with regard to recognition, measurement, presentation and disclosure, when their observance has irrelevant effects on the true and fair representation.

The standards and recommendations published by the Italian Accounting Body (OIC) were complied with, supplemented, where missing, by generally accepted international standards (IAS/IFRS and USGAAP) in order to provide a true and fair view of the equity and financial situation. and the economic result for the year.

3. FIXED ASSETS

Fixed assets amount to Euro 53,678 thousand (Euro 33,205 thousand in the previous year).

The breakdown and changes in the individual items are as follows:

	Intangible assets	Tangible assets	Financial fixed assets	Total fixed assets
Value at the beginning of the year				
Cost	2,087	-	36,960	39,047
Amortisation/Depreciation (accumulated amortisation/ depreciation)	477	-	-	477
Write-downs	-	-	5,365	5,365
Financial statements value	1,611	-	31,595	33,205
Changes during the year				
Increases due to acquisitions	23	-	16,529	16,552
Decreases due to sales and disposals (of the carrying amount)	4	-	1,316	1,320
Revaluations carried out during the year	-	-	5,365	5,365
Amortisation/depreciation for the year	124	-	-	124
Total changes	(105)	-	20,578	20,473
Value at the end of the year				
Cost	2,101	-	52,172	54,274
Amortisation/Depreciation (accumulated amortisation/ depreciation)	596	-	-	596
Financial statements value	1,506	-	52,172	53,678

3.1. INTANGIBLE ASSETS

Intangible assets amounted to Euro 1,506 thousand as at 31 December 2018 and mainly refer to the Aimont and Lupos brands. The change is mainly attributable to amortisation for the year.

3.2. FINANCIAL FIXED ASSETS

Financial fixed assets amount to Euro 52.172 thousand and are broken down as follows:

- Equity investments in subsidiaries for Euro 37,690 thousand (Euro 30,236 thousand as at 31 December 2017);
- Other securities for € 6 thousand (Euro 6 thousand as at 31 December 2017);
- Non-current receivables for Euro 14,476 thousand (Euro 1352 thousand as at 31 December 2017).

3.2.1. Equity investments

Equity investments included in financial fixed assets amount to Euro 37,690 thousand (Euro 30,236 in the previous year). Changes during the year refer to:

- acquisition on 21 March 2018 of 100% of the company Lupos GmbH with registered office in Wettenberg - Germany, with the business purpose of buying and selling safety

shoes and clothing, with share capital of Euro 25 thousand; the carrying amount of Euro 29 thousand includes directly attributable accessory charges;

- acquisition, on 30 March 2018, of 100% of the share capital of U-Logistics Srl with registered office in Paruzzaro (NO), with the purpose of providing logistics services, for the consideration of Euro 1,470 thousand; during the year, the company made shareholder capital contributions for a total of Euro 580 thousand, which, in addition to the accessory purchase costs, were allocated to increase the value of the equity investment.

Lastly, it should be noted that as the reasons for the write-downs made in previous years no longer apply, pursuant to OIC 21 par. 42, the original carrying amount of the following investees was restored:

- Martek Sarl (revaluation of Euro 4,726 thousand);
- Belbis Sarl (revaluation of Euro 44 thousand);
- Jallatte Sas (revaluation of Euro 595 thousand).

The total amount of these revaluations, equal to Euro 5,365 thousand, was recognised in the income statement item D18a) "revaluations of equity investments".

The other securities included in financial fixed assets amounted to Euro 6 thousand, an amount unchanged compared to the previous year.

The breakdown and movements in the individual items are as follows:

	Equity investments in subsidiaries	Other securities
Value at the beginning of the year		
Cost	35,601	6
Write-downs	5,365	-
Financial statements value	30,236	6
Changes during the year		
Increases due to acquisitions	2,089	-
Revaluations carried out during the year	5,365	-
Total changes	7,454	-
Value at the end of the year		
Cost	37,690	6
Financial statements value	37,690	6

The table below shows the data of the subsidiaries relating to the shareholders' equity and the result for the last year approved or in the process of being approved:

(Amounts in Euro)

Name	City, if in Italy, or foreign country	Tax Code (for Italian companies)	Capital in Euro	Profit (loss) for the last year in Euro	Shareholders' equity in Euro	Shareholders' equity stake held in Euro	Shareholding in %	Carrying amount or corresponding receivable
ALTEK EUROPE SRL	Paruzzaro	02020060030	10,000	109,543	824,150	824,150	100	881,726
U-GROUP SRL	Paruzzaro	02041920030	119,000	793,496	10,171,939	10,171,939	100	10,102,631
BELBIS SARL	Tunisia		66,542	708,105	768,639	768,639	100	99,933
GRANBIS SARL	Tunisia		66,542	14,243,723	15,824,568	15,824,568	100	74,336
MARTEK SARL	Tunisia		8,339,167	6,471,439	20,538,941	20,538,941	100	19,680,099
JALLATTE SAS	France		100,000	2,472,223	3,359,351	3,359,351	100	4,762,112
U-LOGISTICS SRL	Paruzzaro	02557020035	110,000	72,828	777,328	777,328	100	2,059,871
LUPOS GMBH	Germany		25,000	(1,018,710)	(993,710)	(993,710)	100	29,123
Total								37,689,831

3.2.2. Non-current receivables

The data relating to the breakdown of receivables by payment due date, pursuant to article 2427, paragraph 1, number 6 of the Italian Civil Code are shown below:

	Value at the beginning of the year	Changes during the year	Value at the end of the year	Portion falling due during the year	Portion falling due after the year	Of which residual duration of more than 5 years
Non-current receivables from subsidiaries	97	14,379	14,476	14,476	-	-
Non-current receivables from parent companies	1,255	(1,255)	-	-	-	-
Total non-current receivables	1,352	13,124	14,476	14,476	-	-

Non-current receivables amounted to Euro 14,476 thousand as at 31 December 2018 and mainly refer to current account financial transactions with U-Group Srl for Euro 13,384 thousand, loans with the companies Martek Srl, Lupos GmbH and U-Logistics Srl. The increase in the year is mainly related to the loan granted to U-Group Srl following the renegotiation of the loans at group level.

4. RECEIVABLES

The data relating to the breakdown of receivables by payment due date, pursuant to article 2427, paragraph 1, number 6 of the Italian Civil Code are shown below:

(Amounts in Euro)

	Value at the beginning of the year	Change during the year	Value at the end of the year	Portion falling due during the year	Portion falling due after the year	Of which with a residual duration of more than 5 years
Receivables from subsidiaries recorded under current assets	13,620	3,447	17,067	17,067	-	-
Receivables from parent companies recorded under current assets	76	15	92	92	-	-
Tax receivables recorded under current assets	221	(96)	125	125	-	-
Deferred tax assets recorded under current assets	-	50	50	-	-	-
Receivables from others recorded under current assets	81	45	126	126	-	-
Total receivables recorded under current assets	13,999	3,461	17,460	17,410	-	-

Receivables from subsidiaries refer to:

- receivables from the companies Belbis Sarl, Martek Sarl and Granbis Sarl for dividends to be collected for Euro 12,643 thousand;
- receivables from U-Group Srl, Jallatte Sas, Altek Europe Srl, Martek Sarl, Granbis Sarl and U-Logistics Srl for royalties and services for a total amount of Euro 3,326 thousand;
- receivables from Martek Sarl, U-Group Srl, Lupos GmbH and U-Logistics Srl for interest accrued on loans for a total of Euro 146 thousand;
- receivables from U-Group Srl for the transfer of the results of the monthly payments as part of the group VAT.

Receivables from the parent company Fin Reporter Srl refer for Euro 54 thousand to interest accrued on the loan paid off in December 2018 and for Euro 37 thousand to the receivable deriving from participation in the tax consolidation scheme.

Tax receivables include the credit balance resulting from the annual group VAT payment of Euro 117 thousand as well as the IRAP credit balance of Euro 8 thousand.

Deferred tax assets refer to derivative instruments subscribed to by the company, which as at 31 December amounted to Euro 212 thousand.

Receivables from others refer mainly to advances to suppliers for Euro 74 thousand.

5. SHAREHOLDERS' EQUITY

The *shareholders' equity* existing at the end of the financial year amounted to Euro 35,558 thousand (Euro 33,106 thousand the previous year).

The following tables show the changes during the year in the individual items that make up Shareholders' equity:

	Capital	Share premium reserve	Legal reserve	Other reserves	Reserve for expected cash flow hedges	Retained earnings (losses)	Profit (loss) for the year	Total Equity
Balance as at 1 January 2017	10,000	3,517	11	8,600	(9)	(399)	2,072	23,791
Profit allocation	-	-	104	-	-	-	(104)	0
Dividends	-	-	-	-	-	(1,050)	(1,968)	(3,018)
Change in cash flow hedge reserve	-	-	-	-	(3)	-	-	(3)
Result for the year 2017	-	-	-	-	-	-	12,336	12,336
Balance as at 31 December 2017	10,000	3,517	115	8,600	(12)	(1,449)	12,336	33,106
Profit allocation	-	-	617	-	-	6,719	(7,336)	-
Dividends	-	-	-	-	-	(2,000)	(5,000)	(7,000)
Change in cash flow hedge reserve	-	-	-	-	(146)	-	-	(146)
Result for the year 2018	-	-	-	-	-	-	9,598	9,598
Balance as at 31 December 2018	10,000	3,517	732	8,600	(159)	3,270	9,598	35,558

5.1. AVAILABILITY AND USE OF SHAREHOLDERS' EQUITY ITEMS

The information required by article 2427, paragraph 1, number 7-bis of the Italian Civil Code relating to the specification of the shareholders' equity items with reference to their origin, possibility of use and distribution, as well as their use in previous years, can be inferred from the tables below:

	Amount	Origin/nature	Possibility of use	Amount available	Summary of uses made in the three previous years - to cover losses	Summary of uses made in the three previous years - for other reasons
Capital	10,000	CAPITAL		0	0	0
Share premium reserve	3,517	PROFITS	A/B/C	3,517	0	0
Legal reserve	732	PROFITS	B	732	0	0
Other reserves	0			0	0	0
Capital contribution payments	8,600	CAPITAL	A/B/C	8,600	0	0
Total other reserves	8,600			8,600	0	0
Reserve for expected cash flow hedges	(-159)	OTHER NATURE		0	0	0
Retained earnings	4,769	PROFITS	A/B/C	4,769	0	1,050
Total	27,459			17,618	0	1,050
Non-distributable portion				4,249	0	0
Residual distributable portion				13,369	0	0

Key:

A: for share capital increase

B: to cover losses

C: for distribution to shareholders

D: for other statutory requirements

E: other

5.2. RESERVE FOR EXPECTED CASH FLOW HEDGES

The information required by article 2427-bis, paragraph 1, number 1, letter b-quater) of the Italian Civil Code relating to the specification of the movements during the year are summarised in the table below:

RESERVE FOR EXPECTED CASH FLOW HEDGES

Value at the beginning of the year	(12)
Changes during the year	0
Increase due to change in fair value	(209)
Decrease due to change in fair value	(10)
Release to the income statement	(3)
Deferred tax effect	50
Value at the end of the year	(159)

This reserve was recognised, pursuant to OIC 32, net of deferred tax effects for a total of Euro 50 thousand; this amount was recognised under Deferred tax assets.

6. PROVISIONS FOR RISKS AND CHARGES

The item "Provisions for risks and charges" is detailed hereunder:

	31 December 2018	31 December 2017
Provision for risks of financial instruments payable	212	12
Provision for deferred taxes	1,164	722
Total	1,376	734

The item Provision for risks of financial instruments payable includes the value as at 31 December 2018 of hedging derivatives in the form of Interest Rate Swaps entered into by the company, to hedge the cash flows of existing loans, which were measured on the basis of the provisions of OIC 32; for further details please refer to paragraph 19.

For a comment on deferred taxes, please refer to paragraph 12.1.

7. PAYABLES

The data relating to the breakdown of payables by due date, pursuant to article 2427, paragraph 1, number 6 of the Italian Civil Code are shown below:

	Value at the beginning of the year	Change during the year	Value at the end of the year	Portion falling due during the year	Portion falling due after the year	Of which with a duration of more than 5 years
Bonds	-	9,857	9,857	-	9,857	-
Payables due to banks	2,108	12,085	14,193	2,604	11,589	-
Payables to suppliers	31	16	47	47	-	-
Payables to subsidiaries	10,284	363	10,646	10,646	-	-
Payables to parent companies	973	(257)	717	717	-	-
Tax payables	42	1	43	43	-	-
Other payables	-	367	367	367	-	-
Total payables	13,438	22,432	35,870	14,424	21,446	-

The company, on 22 June 2018, by document drawn up by Notary De Vivo in Milan, resolved:

a) pursuant to art. 2483 of the Italian Civil Code, the issue of a non-convertible debt security for a total amount of Euro 10,000 thousand. This Debt Security issued on 28 June 2018 was fully subscribed by Unicredit Spa, which holds the status of qualified investor. The main conditions of the security are as follows:

- issue price and price of redemption at maturity: at par;

- issue date 28 June 2018
- maturity date: 4 years from the issue date (28 June 2022)
- floating interest rate linked to the 3-month Euribor rate.

The carrying amount of the Debt Security, recorded under the item *Bonds*, was determined on the basis of the amortised cost criterion.

b) the subscription of a loan with Unicredit Spa for a total amount of Euro 10,000 thousand, granted by the same on 28 June 2018.

This loan was disbursed in two tranches on 28 June 2018 for the amount of Euro 8,000 thousand (tranche A) and on 21 December 2018 for the amount of Euro 2,000 thousand (tranche B) respectively. The main conditions of this loan are as follows:

- duration: 5 years (A: 30.06.2023; B: 31.12.2023);
- repayment methods: quarterly instalments with constant principal
- floating interest rate linked to the 3-month Euribor rate.

The carrying amount of this loan, recorded under the item *Due to banks*, was determined on the basis of the amortised cost criterion.

Payables to banks include an additional loan granted by UBI Banca on 15 November 2018 for a total of Euro 5,000 thousand. This 5-year loan (15 November 2023), at a floating rate linked to the 3-month Euribor rate, will be repayable in 60 constant monthly instalments.

The carrying amount was determined on the basis of the amortised cost criterion.

Payables to subsidiaries mainly include:

- payables to U-Group Srl for interest for Euro 146 thousand and for loans for services for Euro 2,495 thousand;

- payables to the company Martek Srl for interest of Euro 78 thousand;
- payables to the company Belbis Srl for interest of Euro 59 thousand;
- payables to Altek Europe Srl for the transfer of the results of the monthly payments as part of the group VAT.

Payables to the parent company refer, for Euro 468 thousand, to dividends resolved during the year and not yet paid and, for Euro 248 thousand, to the payable deriving from participation in the tax consolidation scheme.

Tax payables refer to the payable to the tax authorities for withholdings on income from self-employment and collaboration.

Other payables refer to the residual portion of the payable relating to the acquisition of the equity investment in U-Logistics Srl; at the date of preparation of these explanatory notes, the debt had been fully paid off.

Pursuant to art. 2427, paragraph 1, number 6 of the Italian Civil Code, it should be noted that there are no payables with a duration of more than five years and no payables secured by collateral on company assets:

8. REVENUES FROM SALES AND SERVICES

Revenues from sales and services amount to Euro 1,924 thousand and refer to the provision of services carried out centrally by the parent company for the group companies for Euro 1,476 thousand and royalties on trademarks for Euro 448 thousand.

In relation to the provisions of article 2427, paragraph 1, number 13 of the Italian Civil Code, it should be noted that there are no revenues of exceptional size or impact.

9. COSTS FOR SERVICES

Costs for services amounted to Euro 1,605 thousand and mainly refer to the provision of administrative services carried out centrally by the subsidiary U-Group in favour of U-Invest on the basis of a contract signed by both companies and consultancy services provided by third-party companies.

10. FINANCIAL INCOME AND CHARGES

10.1. INCOME FROM EQUITY INVESTMENTS AND OTHER FINANCIAL INCOME

The item income from equity investments, which amounts to Euro 5,000 thousand, refers to dividends approved by the Tunisian subsidiaries on 20 December 2018, in particular Euro 4,000 thousand approved by the company Granbis Sarl and Euro 1,000 thousand by the company Martek Sarl.

The item other financial income refers to interest income accrued on loans granted to group companies.

10.2. INTEREST AND OTHER FINANCIAL CHARGES

The item financial charges, amounting to Euro 476 thousand, refers mainly to interest expense accrued on loans taken out by the company; for further details, please refer to paragraph 7.

11. REVALUATION OF EQUITY INVESTMENTS

The item amounting to Euro 5,365 thousand is due to the restoration of the original value of the investments held in the companies Martek Sarl, Belbis Sarl and Jallatte Sas, in accordance with OIC 21, paragraph 42; for further information please refer to paragraph 3.2.1.

12. INCOME TAXES FOR THE YEAR, CURRENT, DEFERRED AND PREPAID

The breakdown of the individual items is as follows:

	Current taxes	Taxes relating to previous years	Deferred taxes	Deferred tax assets	Transparency income (expense)
IRES	218	33	442	-	-
IRAP	1	-	-	-	-
Total	218	33	442	-	-

The company opted, along with the parent company Fin Reporter Srl and the other resident group companies, to use group taxation in accordance with article 117 et seq. of the TUIR; the adoption of tax consolidation allows the consolidating parent company to aggregate the positive or negative taxable amounts of the parent company with those of the consolidated companies.

12.1 BREAKDOWN AND MOVEMENTS IN DEFERRED TAX LIABILITIES AND DEFERRED TAX ASSETS

The tables below, separately for IRES and IRAP, summarise the changes during the year deriving from the increases for the temporary differences that arose during the year and from the decreases for the temporary differences repaid of the items "Provision for deferred taxes".

Deferred IRES taxes (24%) were recognised on the portion of dividends resolved during the year and not yet collected, and the portion of deferred IRES taxes referred to the portion of dividends collected during the year was reversed. In relation to the costs of issuing the Debt Security, referred to in the section Payables, these were deducted for tax purposes according to the cash principle pursuant to art. 32 of Law Decree 83/2012 and accounted for using the amortised cost method; as a result, they generate deferred IRES taxes for the duration of the loan (2018-2022).

	IRES	TOTAL
1. Initial amount	722	722
2. Increases	0	0
2.1. Deferred taxes arising during the year	634	634
2.2. Other increases	0	0
3. Decreases	0	0
3.1. Deferred taxes cancelled during the year	192	192
3.2. Other decreases	0	0
4. Final amount	1,164	1,164

13. COMMITMENTS AND RISKS

INVESTMENT COMMITMENTS

There are no investment commitments.

RISKS

Please refer to the report on operations of these financial statements.

LEGAL DISPUTES

There are no pending legal disputes.

GUARANTEES

The company has not given any guarantees to third parties.

CONTINGENT LIABILITIES

There are no contingent liabilities that have not been recognised in the financial statements.

14. DISCLOSURE ON RELATED PARTIES

The information concerning transactions with related parties is summarised below, pursuant to article 2427, point 22-bis of the Italian Civil Code.

During the year, transactions were carried out with Group companies and with the parent company Fin Reporter Srl; these are significant transactions entered into at market conditions.

The following table shows the main transactions according to their nature and the intergroup balances at the end of the year.

	Receivables	Payables	Revenues	Costs	Dividends
Fin reporter Srl - Parent company	92	716	54	1	0
Altek Europe Srl	78	7,729	47	0	0
Martek Srl	7,562	218	1,044	37	1,000
U-Group Srl	15,295	2,641	549	1,203	0
Jallatte Sas	433	0	433	0	0
Belbis Srl	1,137	59	0	0	0
Granbis Srl	5,973	0	2	0	4,000
Lupos GmbH	862	0	6	0	0
U-Logistics Srl	203	0	3	0	0
	31,635	11,363	2,138	1,241	5,000

15. REMUNERATION TO CORPORATE BODIES

Information regarding directors and statutory auditors is provided below, pursuant to art. 2427, point 16 of the Italian Civil Code:

	Remuneration to directors	Remuneration to statutory auditors	Remuneration to auditors	Total remuneration to directors and statutory auditors
Value	70	3	22	95

16. AGREEMENTS NOT RESULTING FROM THE BALANCE SHEET

Pursuant to article 2427, paragraph 1, number 22-ter of the Italian Civil Code, it should be noted that there are no agreements not resulting from the balance sheet that would expose the company to significant risks or benefits.

17. INFORMATION PURSUANT TO ARTICLE 1 PARAGRAPH 125 OF LAW OF 4 AUGUST 2017, NO. 124

With reference to article 1, paragraph 125 of Law 124/2017, it should be noted that the company has not received any grants.

18. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Pursuant to article 2427, paragraph 1, number 22-quater of the Italian Civil Code, there were no significant events after the close of the year.

19. DERIVATIVE FINANCIAL INSTRUMENTS

For each category of derivative financial instruments, information is provided below, pursuant to article 2427 bis, paragraph 1, point 1 of the Italian Civil Code:

Derivative instruments outstanding as at 1 January 2018

Contract: UNICREDIT SPA no. 9164979 of 18 February 2015

Type of contract: OTC derivative
Purpose: hedging of interest rate change on loans - IRS payer
Notional value: 512,691
Underlying financial risk: interest rate change risk
Liability hedged: Unicredit spa loan of 18 February 2015 of Euro 2,000,000
MTM value: (1,819.85) - recognised in the provision for risks of financial instruments payable,

Contract: UNICREDIT SPA no. 9165011 of 23 February 2015

Type of contract: OTC derivative
Purpose: hedging of interest rate change on loans - IRS payer
Notional value 256,345
Underlying financial risk: interest rate change risk
Liability hedged: Unicredit spa loan of 20 February 2015 of Euro 1,000,000
MTM value: (919.92) - recognised in the provision for risks of financial instruments payable

The loans linked to the aforementioned derivatives were paid off early during the year. Considering the lack of hedging, the portion of the cash flow hedge reserve was charged to the income statement.

Derivative instruments subscribed to during the year

Contract: UNICREDIT SPA no. 12089796 of 28 June 2018

Type of contract: OTC derivative
Purpose: hedging of interest rate changes on loans - payer protected IRS
Notional value 7,200,000

Underlying financial risk: interest rate change risk
Liability hedged: Unicredit spa loan of 28 June 2018 of Euro 8,000,000
MTM value: (49,111.57) - recognised in the provision for risks of financial instruments payable.

Contract: UNICREDIT SPA no. 12677987 of 27 December 2018

Type of contract: OTC derivative
Purpose: hedging of interest rate changes on loans - payer protected IRS
Notional value 2,000,000
Underlying financial risk: interest rate change risk
Liabilities hedged: Unicredit spa loan of 21 December 2018 of Euro 2,000,000
MTM value: (10,687.04) - recognised in the provision for risks of financial instruments payable

Contract: UNICREDIT SPA no. 12089768 of 28 June 2018

Type of contract: OTC derivative
Purpose: hedging of interest rate changes on loans - payer protected IRS
Notional value 10,000,000
Underlying financial risk: interest rate change risk
Liability hedged: Debt instrument subscribed to by Unicredit spa on 28 June 2018 for Euro 10,000,000
MTM value: (112,723.60) - recognised in the provision for risks of financial instruments payable

Contract: UBI BANCA no. 171736 of 15 November 2018

Type of contract: OTC derivative
Purpose: hedging of interest rate change on loan - IRS
Notional value 4,921,887
Underlying financial risk: interest rate change risk
Liabilities hedged: Ubi Banca loan of Euro 5,000,000 of 15 November 2018
MTM value: (36,394.40) - recognised in the provision for risks of financial instruments payable

20. INFORMATION ON THE OBLIGATION TO PREPARE CONSOLIDATED FINANCIAL STATEMENTS

The Company prepared the consolidated financial statements for the year ended on 31 December 2018, as it did not apply the right of exemption envisaged by paragraph 3 of article 27 Legislative Decree 127/1991.

21. PROPOSED ALLOCATION OF PROFIT FOR THE YEAR

Pursuant to art. 2427, paragraph 1, number 22-septies of the Italian Civil Code, the allocation of the profit for the year of Euro 9,598,159.07 is proposed as follows:

Legal reserve	Euro 479,907.95
Retained earnings	Euro 2,118,251.12
Dividends	Euro 7,000,000.00

The financial statements correspond to the results of the accounting records.

Paruzzaro, 15 April 2019

The Sole Director
(Pier Franco Uzzeni)



U-Invest S.r.l.

Financial statements as at 31 December 2018

Independent auditor's report in pursuant to article 14 of
Legislative Decree n. 39, dated 27 January 2010



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

To the Sole Quotaholder of
U-Invest S.r.l.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of U-Invest S.r.l. (the Company), which comprise the balance sheet as at 31 December 2018, the income statement for the year then ended, and explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance for the year then ended in accordance with the Italian regulations governing financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

The financial statements of U-Invest S.r.l. for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those statements on 13 April 2018.

Responsibilities of the Sole Director and Those Charged with Governance for the Financial Statements

The Sole Director is responsible for the preparation of the financial statements that give a true and fair view in accordance with the Italian regulations governing financial statements, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Sole Director is responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Sole Director prepares the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory auditor ("Sindaco Unico") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

EY S.p.A.
Sede Legale: Via Lombardia, 31 - 00187 Roma
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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Sole Director;
- we have concluded on the appropriateness of Sole Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Milan, 15 May 2019

EY S.p.A.

Signed by: Gabriele Grignaffini, Auditor

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

Creative concept,
design and layout



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