GROUP

ANNUAL FINANCIAL REPORT

year ended 31 December

2018

C.L.N. COILS LAMIERE NASTRI S.P.A.

Corso Susa, 13/15 • 10040 Caselette (TO) • Italy
Fully Paid-up Share Capital Euro 235,000,000
R.E.A. n. 400722 C.C.I.A.A. TO
M TO 000538 • Registro Imprese
C.F. 00521230011
VAT IT00521230011

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LETTER TO THE SHAREHOLDERS

Dear Shareholders,

Throughout 2018, the Group has once again achieved a significant growth strategy in terms of turnover, consolidating the trend of continuous improvement undertaken since 2015. Such growth is the result of positive business management, in spite of a macroeconomic and sector-specific scenario that has – after a considerable number of years – suffered a contraction.

In particular, in 2018 the Group's consolidated results included revenue around 1,658 million euros, with an increase by 76 million euros compared to 2017, equal to 5%. Nevertheless, return on investment slowed down in comparison with the previous fiscal year, with an adjusted EBITDA amounting to 143 million euros (-5% compared to 2017), though still significantly greater than the amount recorded in 2016 (135 million euros).

Growth in revenue is a result of the gradual implementation of investment projects launched in the latest years, though in a macroeconomic context highlighting certain signs of weakness. In terms of the automotive market, passenger car and commercial vehicle registrations in 2018 grew by only 0.5%, with a total amount of 17.2 million registered vehicles recorded compared to 17.1 million in the previous year. In Italy, the market suffered a 3.5% decline in vehicle registrations compared to the previous fiscal year, during which a 6.8% growth had been recorded, instead, compared to 2016.

Development investments to support the growth of our main customers have continued to grow in 2018. Countries to which the most significant investments were targeted throughout the year were Germany, South Africa, and Poland. The validity of the strategic investment plan, with the purpose of modernizing and developing advanced components and introduce innovative technology is confirmed by the support offered by the International Finance Corporation (IFC) and Cassa Depositi e Prestiti (deposits and loans bank, CDP), with which a 134-million euro funding agreement expiring in 2025 has been signed. This was the first operation performed in the scope of the Master Cooperation Agreement undersigned by the two institutions.

Moreover, in 2018 the Group has continued to pursue its set of actions related to Corporate Social Responsibility, intended to translate values such as ethics, integrity, responsibility towards the environment and human respect into initiatives inspired by continuous improvement and prevention in manufacturing processes. For this purpose – and in accordance with the related standards – also this year the Annual Financial Report includes a Consolidated Disclosure of Non-Financial Information, which provides an in-depth analysis of main topics related to sustainability.

CORPORATE BODIES

In accordance with the resolution of the C.L.N. S.p.A. Shareholders' Meeting, the Corporate Bodies were constituted as follows as at December 31st, 2018.

BOARD OF DIRECTORS

CHAIRMAN	Aurora Magnetto
MANAGING DIRECTORS AND CEOs	Aurora Magnetto
	Gabriele Perris Magnetto
DIRECTOR WITH SPECIAL APPOINTMENTS	Vincenzo Perris
DIRECTORS	Mario Astengo
	Amulio Cipriani
	Gianni Coda
	Vijay Goyal
	Alain Marie Legrix de la Salle
	Beatrice Perris Magnetto
	Raffaella Perris Magnetto

BOARD OF AUDITORS (*)

CHAIRMAN	Colin Shearer Johnston
STATUTORY AUDITORS	Ivana Clara Azzollini
	Mauro Messi
SUBSTITUTE AUDITORS	Alessandra Odorisio
	Riccardo Ronchi

(*) Serving the Role of Internal Control and Auditing Committee as per art. 19, Italian Legislative Decree 39/2010

AUDITING COMPANY

PricewaterhouseCoopers S.p.A.

SUMMARY OF GROUP RESULTS

ECONOMIC RESULTS

	Fiscal year as at December 31			
€/000	**2018**	**2017**	**Change**	**%**
Revenue from sales of parts and components	**1,657,929**	**1,581,490**	**76,439**	**4.8%**
Adjusted EBITDA (*)	**143,112**	**151,024**	**(7,912)**	**-5.2%**
As a percentage of revenue	*8.6%*	*9.5%*		
Adjusted EBIT (**)	**55,516**	**68,301**	**(12,785)**	**-18.7%**
As a percentage of revenue	*3.3%*	*4.3%*		
Result before income tax	**7,295**	**24,594**	**(17,299)**	**-70.3%**
As a percentage of revenue	*0.4%*	*1.6%*		
Net results from continuing operations	**245**	**17,006**	**(16,761)**	**-98.6%**
As a percentage of revenue	*0.0%*	*1.1%*		
Net results from discontinued operations	-	-		
Net result for the year	**245**	**17,006**	**(16,761)**	**-98.6%**

(*) Gross Operating Margin minus restructuring costs and certain specific non-recurring costs and revenue

(**) Net Operating Margin minus restructuring costs and certain specific non- recurring costs and revenue

FINANCIAL RESULTS

	Fiscal year as at December 31			
€/000	**2018**	**2017**	**Change**	**%**
Net Capital Invested	569,977	590,255	(20,278)	-3.4%
Net Equity	231,515	244,045	(12,530)	-5.1%
Net Financial Position	338,462	346,210	(7,748)	-2.2%

STAFF AND MAIN INDICATORS

	Fiscal year as at December 31			
	2018	**2017**	**Change**	**%**
Staff at the end of the period (n°)	7,719	7,554	165	2.2%
Net financial debt/Net Equity	1.5	1.4	0.1	3.1%
Net financial debt/Adjusted EBITDA	2.4	2.3	0.1	3.9%
ROCE before tax (*) (%)	9.7%	11.6%	-2.0%	-17.3%

(*) Adjusted EBIT/Net Capital Invested

2018 1,657,929
2017 1,581,490
€/000 REVENUE

2018 143,112
2017 151,024
€/000 EBITDA

2018 9.7%
2017 11.6%
% ROCE

2018 569,977
2017 590,255
€/000 NET INVESTED CAPITAL

2018 231,515
2017 244,045
€/000 NET EQUITY

2018 338,462
2017 346,210
€/000 NET FINANCIAL POSITION

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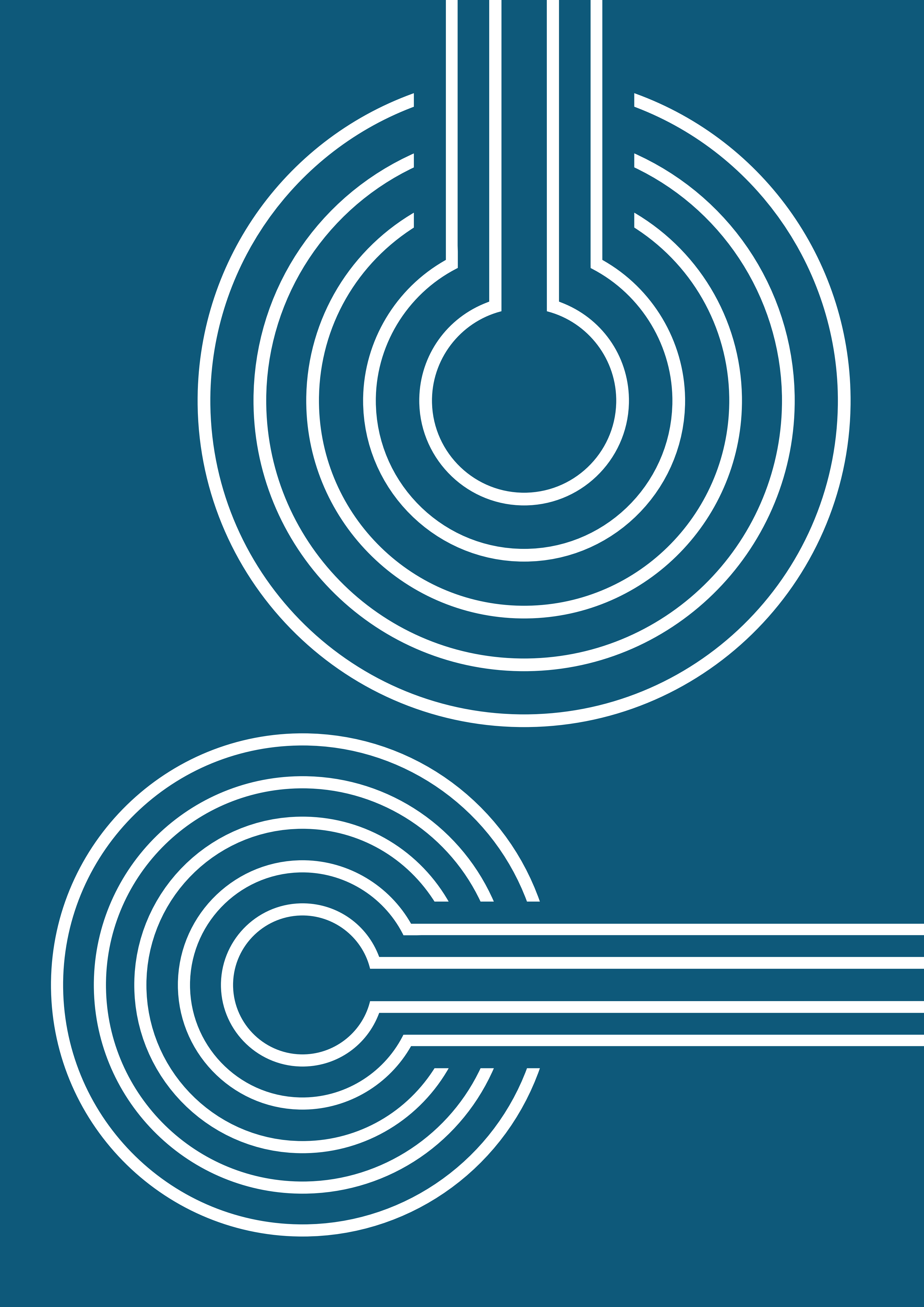
MANAGEMENT REPORT



CLN GROUP AND THE MARKET

MACROECONOMIC SCENARIO

According to data published by the International Monetary Fund (IMF) in January 2019, world GDP has recorded a 3.7% growth in 2018, confirming a trend of overall growth recorded in the past years, and in line with the growth recorded in 2017.

The world economy thus has continued to grow, despite the lower rates compared to previous forecasts. Forecasts for the world economy in 2019 and 2020 were in fact adjusted downward to +3.5% and +3.6% respectively. The main reason behind this adjustment may be negative influence of various world markets. In particular, it may be ascribed to the increase in tariffs by the United States and China, the worsened performance by the Asian and European economies, and the weakening of financial markets and economic crisis of certain countries (such as Turkey) which turned out to be below expectations.

The Eurozone also showed signs of growth interruption, recording +1.8% at the end of 2018, and downward adjustment of the 2019 estimate (+1.6%). This may be ascribed to a weakening of certain economies: Germany, Italy, and France in particular. As for Germany, the contraction may be partially ascribed to the temporary decline in the national automotive industry. In Italy, instead, the decline is distinguishing every component of domestic demand. 2019 forecasts predict a stagnation in economic activity and a worsening of growth expectations for both the economy and trade.

Economic progress in emerging economies recorded an overall improvement compared to the previous year – though to a minor extend – especially within the so-called “BRICS”. In particular, in 2018 Russia has recorded a 1.7% increase in GDP, with a slightly downward adjusted estimate for the year 2019 due to the lower oil prices expected in the short-term. Brazil continued its recovery (+1.3%), while China recorded a slightly worse performance compared to the previous year (+6.6% versus +6.8% in 2017), and downward adjusted forecasts for the current year as well.

Finally, in terms of the currency market – in terms of currency most closely linked to the Group’s operations – a devaluation of both the Polish Złoty (-3% compared to the end of the 2017 fiscal year) and the South African Rand (-11.2% compared to the end of 2017) have been recorded. The Brazilian Real (-12% compared to the 2017 end-of-year result), the Turkish Lira (-33% compared to the past year), and the Argentine Peso (-88% compared to 2017) have instead recorded considerable devaluation.

GROUP ACTIVITY AND REFERENCE MARKETS

Group Activity

CLN has been operating in the steel sector since 1948 and, in over 70 years, the Group has managed to consolidate its presence as an integrated supplier leading the global market for metal processing/forming as well as assembly of components for the automotive industry through its MA and MW divisions, and the European market for steel cold rolling and distribution.

Today the Group operates – by means of its divisions and companies – in the following sectors:
Metalforming: stamping, roll forming, and assembly of metal components for the automotive market; die design and manufacturing; component testing.
Wheels: engineering and manufacturing of steel wheels for passenger cars and light commercial vehicles; wheel marketing for the aftermarket sector; wheel validation through functional testing, material analysis, and metrological analysis.
Steel: manufacturing and distribution of flat steel products.

The two divisions operating in the automotive metal components sector increasingly represent the Group’s core business.

MA the Automotive Metal Components division – is one of the main global suppliers of metal parts – stamped or roll-formed components (external and structural), and components for propulsion/powertrain systems – for any type of passenger car and light/heavy commercial vehicle in the world automobile industry. It is present in Europe, South Africa, and South America.

MW the Steel Wheels division – is a market leader in the sector of steel wheel manufacturing for all types of vehicles (passenger cars and light commercial vehicles), supplying clients with complete solutions for engineered wheels, from the design phase to the choice of materials and manufacturing process. It has facilities in Europe, Russia, and South Africa.

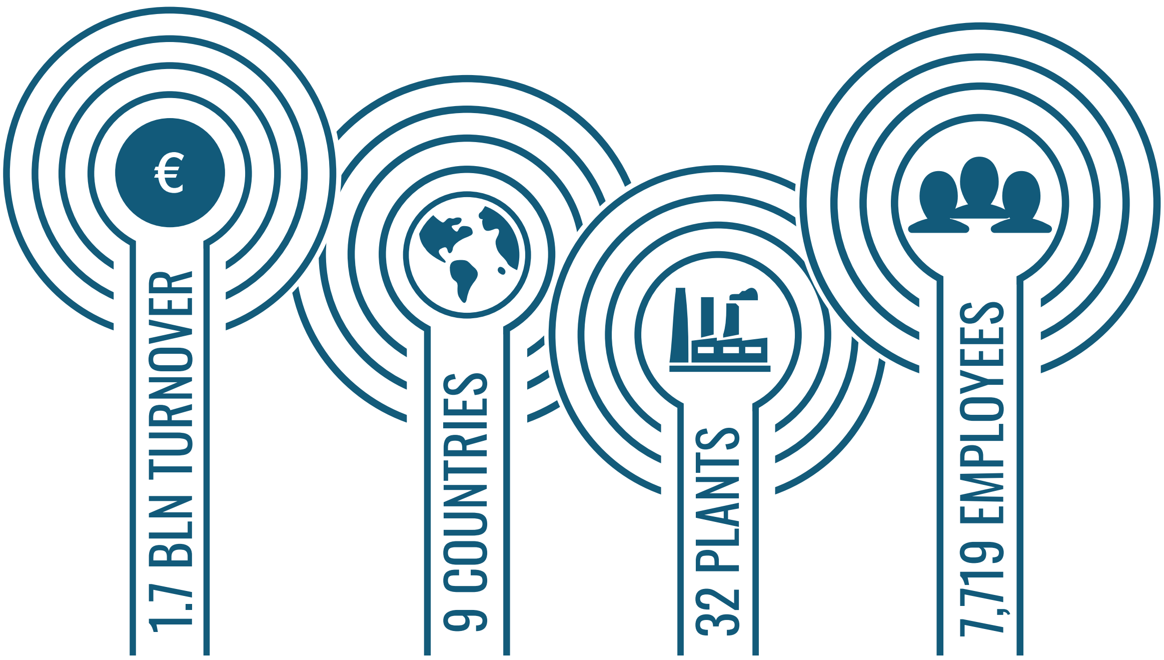
Moreover, the Group operates in the high carbon flat steel re-rolling sector within the European market. It operates and is a market leader in the flat steel re-rolling sector as well as in supply from service centers through its non-consolidated shareholdings in the ArcelorMittal CLN group. The full and joint control activities related to cold steel re-rolling and supply report to the **SSC** division.

In an external and internal scenario of growing awareness-raising on topics related to corporate social responsibility, the CLN Group has launched a conscious process of practical actions, including the commitment to the United Nations Global Compact, intended to translate values such as ethics, integrity, responsibility towards the environment, society as a whole, and humans into initiatives inspired by continuous improvement and prevention in manufacturing processes, based upon the fundamental principles of minimum environmental impact and resource optimization. Last but not least, the Group has always committed to and adopted a responsible behavior towards health and safety at the workplace, considered one of the corporate priorities.

Inspired by the motto *Quality, passion for details*, the Group and its employees are constantly committed to provide customers – in a competitive sector – the highest levels of product and service quality as well as working excellence, pursuing the lowest environmental impact possible. Its customer satisfaction is also concretely proven by means of official recognitions, such as the Supplier Awards assigned to the Group and its subsidiaries by major OEMs (Original Equipment Manufacturers) in the past few years.

The Group has confirmed its constant commitment towards:

- affirming its industrial presence in countries considered geographically strategic, as proven by recent activity launched in new geographic areas;



Data referring to C.L.N S.p.A. and its subsidiaries.

- developing new products using the most innovative steels;
- strengthening and consolidating long-term relationships with its customers.

Finally, the Group continues to prove its constant pursuit of innovation through its Corporate Capital Venture program. The program includes investment plans involving start-ups that are in close cooperation with scientific and technological parks, business incubators, and universities in sectors particularly relevant to the Group such as automotive engineering, robotics, environmental sustainability, and social responsibility.

Reference markets

The Group's main reference market is represented by manufacturers of **passenger cars and light commercial vehicles** (OEMs). MA and MW Divisions operate on this market in their capacity as direct suppliers of components mainly made of steel. A smaller portion of the production is also targeted towards the so-called aftermarket, mainly represented by steel wheels.

In 2018, the number of new passenger car and light commercial vehicle registrations globally decreased for the first time since 2009, by about 0.5% compared to the previous year (86.0 million registrations considering the 54 main markets). The number grew by 0.5% (17.2 million registrations) in Europe and 0.6% (5.2 million) in Japan. The sector continued its recovery in Brazil – with a 14% growth (2.47 million registrations) – and Russia – with a 13% growth (1.8 million). The only country against such trend was China (-2.8%, 28.1 million registrations), while the United States recorded a perfectly equal sum as the previous year (17.3 million).

In Europe, the Group's main market, registrations declined in Italy by 3.5% (2.1 million registrations) and 6.5% in the United Kingdom (2.7). Oppositely, registrations increased in Spain by 7.1%, (1.5 million), 3.3% in France (2.6 million), and 0.2% in Germany (3.7 million).

In addition to the automotive market, as mentioned, the Group is active in **steel** re-rolling and distribution.

World steel production increased by 4.6% in 2018, compared to the previous year (about 1.8 billion tons produced), mostly thanks to the continuous strong growth recorded by China, followed by East Asia, Europe, and the NAFTA area.

In terms of actual steel consumption, in 2018 demand recorded a significant improvement compared to the previous year (+2.8%), in line with the growth trend recorded in 2017 after a period of substantial stagnation.

In Europe, the price of main steel products gradually increased after the lows touched between the end of 2015 and the first quarter of 2016: average flat steel product prices have recorded a 4.5% growth in 2018 compared to the same value in 2017.

REVENUE BY GEOGRAPHICAL AREA AND DIVISION

Revenue by Geographical Area

€/000	2018		2017		Change	%
Italy	402,876	24.3%	382,608	24.2%	20,269	5.3%
France	362,140	21.8%	353,080	22.3%	9,060	2.6%
Poland	181,372	10.9%	181,268	11.5%	104	0.1%
Germany	206,145	12.4%	197,032	12.5%	9,113	4.6%
Spain	70,921	4.3%	72,234	4.6%	(1,313)	-1.8%
Czech Rep. and Slovak Rep.	65,966	4.0%	56,168	3.6%	9,798	17.4%
Romania	35,305	2.1%	27,872	1.8%	7,433	26.7%
United Kingdom	16,684	1.0%	15,834	1.0%	850	5.4%
Serbia	2,962	0.2%	3,736	0.2%	(774)	-20.7%
Turkey	789	0.0%	910	0.1%	(121)	-13.3%
Other European countries	61,243	3.7%	45,335	2.9%	15,908	35.1%
Total Europe	**1,406,403**	**84.8%**	**1,336,077**	**84.5%**	**70,325**	**5.3%**
South Africa	231,329	14.0%	209,469	13.2%	21,860	10.4%
Russia	15,230	0.9%	16,265	1.0%	(1,034)	-6.4%
China	2,030	0.1%	4,493	0.3%	(2,463)	-54.8%
Japan	-	0.0%	6,527	0.4%	(6,527)	100.0%
Brazil	1,185	0.1%	1,225	0.1%	(40)	-3.3%
India	589	0.0%	747	0.0%	(159)	-21.2%
Rest of the world	1,164	0.1%	6,687	0.4%	(5,523)	-82.6%
Total outside of Europe	**251,526**	**15.2%**	**245,413**	**15.5%**	**6,114**	**2.5%**
Total Revenue	**1,657,929**	**100,0%**	**1,581,490**	**100.0%**	**76,439**	**4.8%**

Revenue by Division

€/000	2018		2017		Change	%
MA Division – Automotive	1,277,948	77.1%	1,229,765	77.8%	48,183	3.9%
MW Division – Wheels	217,144	13.1%	233,642	14.8%	(16,498)	-7.1%
SSC Division – Service Centers	181,005	10.9%	133,084	8.4%	47,922	36.0%
Eliminations	(18,168)	-1.1%	(15,000)	-0.9%	(3,168)	21.1%
Total Revenue	**1,657,929**	**100.0%**	**1,581,490**	**100.0%**	**76,439**	**4.8%**

CONSOLIDATED RESULTS

The following paragraphs present the economic and financial data of the Group as at December 31st, 2018. The results were drafted following international accounting standards (IFRS) and presented in reclassified format.

For further details on the results recorded by each division, please refer to the explanatory document on operating sectors included in the Notes to the Consolidated Financial Statements.

ECONOMIC RESULTS

€/000	2018	2017	Change	%
	Fiscal year as at December 31			
Revenue from sales of parts and components	**1,657,929**	**1,581,490**	**76,439**	**4.8%**
Adjusted EBITDA (*)	**143,112**	**151,024**	**(7,912)**	**-5.2%**
Depreciation, amortization, and impairment losses	(87,596)	(82,723)	(4,873)	5.9%
Adjusted EBIT (**)	**55,516**	**68,301**	**(12,785)**	**-18.7%**
Net Financial expenses	(32,466)	(38,406)	5,940	-15.5%
Restructuring Costs and non-recurring items	(4,928)	(5,204)	276	-5.3%
Results from investments	(10,827)	(97)	(10,730)	n/a
Result before income tax	**7,295**	**24,594**	**(17,299)**	**-70.3%**
Income tax	(7,050)	(7,588)	538	-7.1%
Net result from continuing operations	**245**	**17,006**	**(16,761)**	**-98.6%**
Net result from discontinued operations	-	-	-	
Net result for the year	**245**	**17,006**	**(16,761)**	**-98.6%**
Results attributable to:				
- Group	*(3,375)*	*13,926*	*(17,301)*	*-124.2%*
- Non-controlling interest	*3,619*	*3,080*	*540*	*17.5%*

(*) Gross Operating Margin minus restructuring costs and certain specific non-recurring expenses and income
(**) Net Operating Margin minus restructuring costs and certain specific non-recurring expenses and income

Statement of reconciliation between the Gross Operating Income and Adjusted EBITDA (*)

€/000	2018	2017	Change	%
	Fiscal year as at December 31			
Gross Operating Income	**138,183**	**145,820**	**(7,637)**	**-5.2%**
Costs for corporate restructuring	3,605	3,169	436	13.7%
Tax litigation provisions	-	300	(300)	-100.0%
Other non-recurring net costs	1,323	1,735	(411)	-23.7%
Adjusted EBITDA	**143,112**	**151,024**	**(7,912)**	**-5.2%**

(*) Adjusted EBITDA is a "Non-GAAP" indicator. The Group's calculation method may differ from methods used by other Groups/Entities

The 2018 **Revenue from sales of parts and components** trend was positive in comparison with the previous fiscal year. Sales revenue at the end of the fiscal year amounted to EUR 1,657,929 thousand, with a 4.8% growth compared to 2017 (EUR 1,581,490 thousand). At a geographic level, the most significant growth levels were recorded in the main regions of operation, in particular South Africa (+10.4%), Italy (+5.3%), Germany (+4.6%), and France (+2.6%).

In 2018, the Group's **Adjusted EBITDA** was equal to EUR 143,112 thousand (8.6% of revenue), with a decline compared to the previous fiscal year (EUR 151,024 thousand), though still significantly greater than 2016 (EUR 135,004 thousand).

The Group's **Adjusted EBIT** was equal to EUR 55,516 thousand (3.3% of revenue), with decline compared to the 2017 result (EUR 68,301 thousand), and influenced by depreciation and amortization amounting to EUR 87,596 thousand, which was greater than the previous fiscal year (EUR 82,723 thousand) due to the recent implementation of an amortization plan on new investments.

The total amount of **net financial expenses** was EUR 32,466 thousand, of which EUR 1,333 thousand ascribable to foreign exchange losses. Interest payable – net of such foreign exchange variations – amounted to EUR 31,133 thousand (EUR 30,791 thousand in 2017), thus recording a slight improvement compared to the previous fiscal year.

During 2018, the Group has incurred in **restructuring costs and other non-recurring costs** amounting to EUR 4,928 thousand (compared with to EUR 5,204 thousand in 2017). The item includes EUR 3,605 thousand (EUR 3,169 thousand in 2017) of restructuring costs, and EUR 1,323 thousand (EUR 2,035 thousand in 2017) in other net cost items.

The net cost deriving from **results of investments** was negative for EUR 10,827 thousand, with a net decline compared to the previous fiscal year (net devaluation by EUR 97 thousand in 2017). This value mostly includes the pro rata calculation of the negative results achieved by the joint venture ArcelorMittal CLN Distribuzione Italia srl, as well as the losses recorded by the Group's non-consolidated companies operating in South America and the adjustment to the fair value of Topy Industries Ltd.

Income taxes amounted to EUR 7,050 thousand in 2018 (compared with to EUR 7,588 thousand in 2017), including EUR 13,329 thousand in current taxes (and other taxes), partially compensated by the recording of net deferred tax assets amounting to EUR 6,279 thousand.

The net result for the year was equal to EUR 245 thousand (EUR 17,006 thousand in 2017). The component attributable to the Group is negative for EUR 3,375 thousand (compared with to a EUR 13,926 thousand positive value recorded in 2017).

STATEMENT OF FINANCIAL POSITION

	Fiscal year as at December 31			
€/000	**2018**	**2017**	**Change**	**%**
Inventory	198,460	193,982	4,478	2.3%
Trade Receivables	112,774	121,070	(8,296)	-6.9%
Trade Payables	(393,025)	(376,662)	(16,364)	4.3%
Net contract assets (liabilities)	561	(8,778)	9,339	-106.4%
Other net receivables and payables	(101,121)	(45,173)	(55,948)	123.9%
Net Working Capital	**(182,351)**	**(115,561)**	**(66,789)**	**57.8%**
Tangible and Intangible Fixed Assets	693,948	687,650	6,298	0.9%
Equity Investments	105,900	93,798	12,102	12.9%
Other non-current receivables and payables	(33,697)	(41,636)	7,940	-19.1%
Fixed Assets	**766,151**	**739,812**	**26,339**	**3.6%**
Provisions	(38,922)	(43,606)	4,685	-10.7%
Net deferred taxes	782	(4,030)	4,812	-119.4%
Assets and liabilities held for sale	24,316	13,640	10,676	78.3%
Net Invested Capital	**569,977**	**590,255**	**(20,278)**	**-3.4%**
Net Equity for the Group	195,194	211,071	(15,877)	-7.5%
Minority Interest	36,321	32,974	3,347	10.2%
Total Net Equity	**231,515**	**244,045**	**(12,529)**	**-5.1%**
Net Financial Position	**338,462**	**346,210**	**(7,748)**	**-2.2%**

The Group's Financial Position represents a reclassified view of the accounting statements shown in the following pages. In particular:

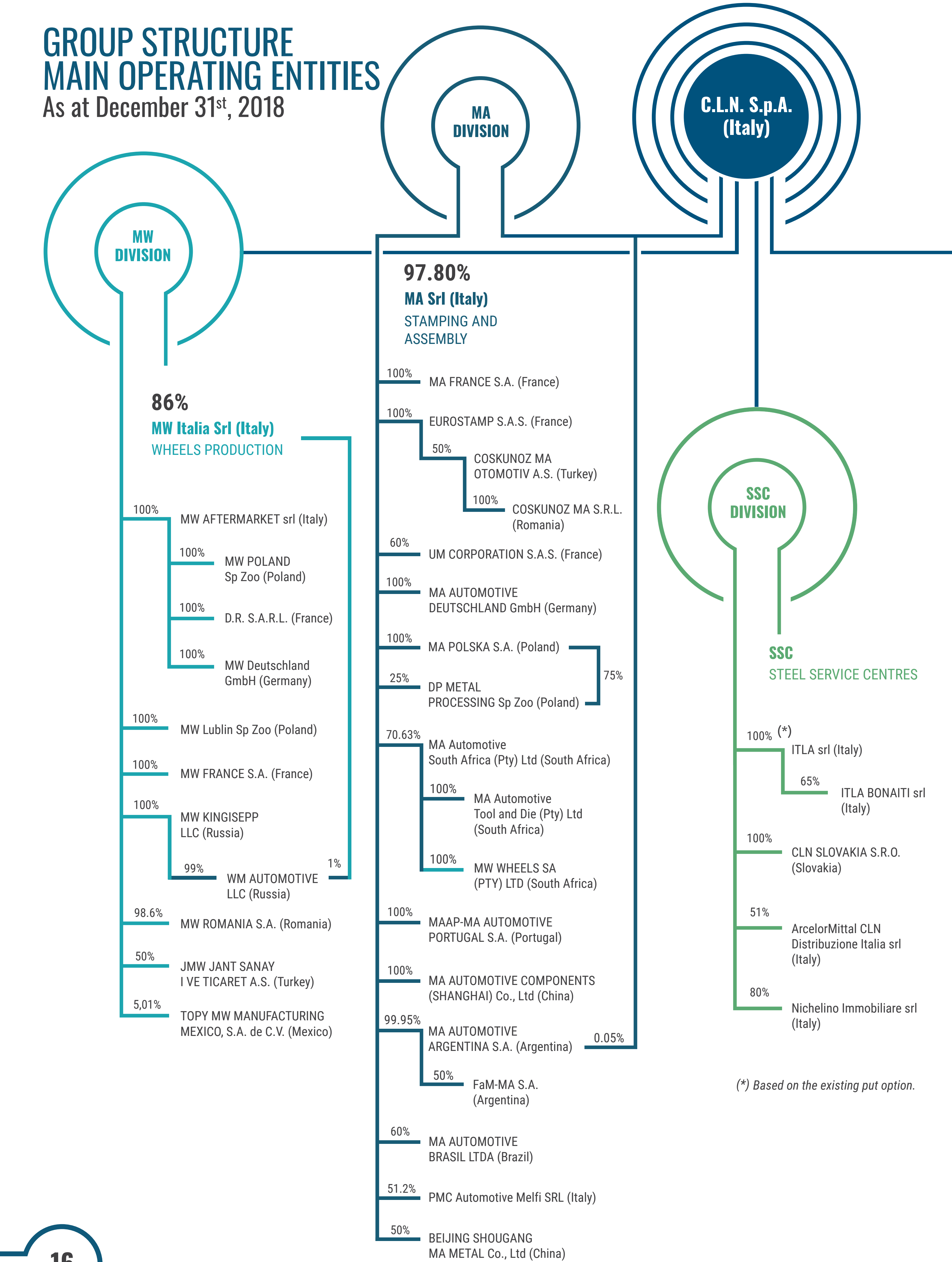
- The other non-current receivables payables of the fixed assets refer to specific positions deriving from the purchase or future subscription of capital in subsidiaries and joint ventures
- The Net Financial Position is composed of current and non-current payables due to banks and other lenders, cash and cash equivalents, financial receivables, and government bonds included in the other financial assets.

The **Net Invested Capital** as at December 31st, 2018 amounted to EUR 569,977 thousand, thus was lower (-3.4%) in comparison with the previous year (EUR 590,255 thousand).

The **Net Financial Position** as at December 31st, 2018 amounted to EUR 338,462 thousand, thus positively improved in comparison with the previous fiscal year (EUR 7,748 thousand).

The **Total Net Equity** amounted to EUR 231,515 thousand, with a negative shift in comparison with the previous fiscal year (by EUR 12,529 thousand). The decrease in net equity is mainly ascribable to the conversion in net equity of foreign companies to Euros.

GROUP STRUCTURE
MAIN OPERATING ENTITIES
As at December 31st, 2018



INFORMATION CONCERNING RISKS AND UNCERTAINTIES

Given the nature of its activity, the Group is exposed to certain risks, subdivided in financial risks and business risks as outlined below.

FINANCIAL RISKS

Credit risk

The Group is exposed to credit risk deriving from its commercial activities with clients. The risk is represented by effects that could potentially emerge should one of the counterparties not be able to fulfill its obligations either temporarily or definitively.

Moreover, the main clients of the Group are motor vehicle manufacturers (OEMs), of which information concerning economic/financial trends and ratings supplied by the main agencies is readily available. The Group also adopts specific commercial policies aimed at monitoring the solvency of smaller clients and implements operations for the transfer of receivables from factoring companies based upon agreements without recourse, thereby transferring the related risk.

Liquidity risk

The liquidity risk concerns the availability of financial resources and access to the credit market.

The main internal factors affecting the liquidity status of the CLN Group are, on the one hand, the resources generated and absorbed by operational management and, on the other hand, those allocated to investments aimed at productive and strategic development, and to debt service. The Group constantly monitors the trend of its liquid assets, financial flows (final and forecast), and lines of credit available by means of treasury reports.

Lastly, a significant external factor that can influence the Group's availability of adequate financial resources is the trend of credit markets at a national and supranational level.

Risk of fluctuations in exchange rates

The CLN Group is exposed to financial risk deriving from variation in exchange rates, which occurs when operating in an international context in which commercial and financial transactions may be denominated in a currency other than the accounting currency. This risk can also derive from conversion into Euros of individual balance sheets drawn up in foreign currency by the consolidated companies. These oscillations may significantly influence the Group's operating and financial results.
The main exchange rates against the Euro representing a risk for the Group are the following currencies: the Polish Złoty, the South African Rand, the Romanian Leu, the Brazilian Real, the Argentine Peso, the Russian Ruble and the Turkish Lira.

Risk of interest rate fluctuations

A significant portion of the medium-long term borrowings subscribed by the Group is repaid at variable rates. Moreover, the Group regularly transfers receivables (with and without recourse) deriving from its commercial activity and avails itself of other forms of short-term borrowing. Therefore, variations in the levels of market interest rates influence the level of the Group's net financial expenses.

Risk of variation in the revenue mix between countries with different tax regimes

The Group operates in countries with different tax regimes: income tax rates indicatively vary from 16% in Romania, to 19% in Poland, an up to 33% in France. In other countries, including Italy, the option of using tax losses from previous fiscal years to compensate current taxable income is available. With consolidated results before tax being equal, a mix of geographic origins of such results can lead to a significant change in tax burden and, therefore, affect the fiscal year result.

Risk of failure to observe financial covenants on medium/long-term loans

The Group has subscribed certain loan agreements conditional to the compliance with financial covenants (ratio between Net Financial Position and Adjusted EBITDA, ratio between Net Financial Position and Net Equity, ratio between Adjusted EBITDA and Net Financial Expenses, ratio between financial debt of subsidiaries and total consolidated assets).

Failure to observe such contractual covenants may lead to a request for early repayment of the remaining debt unless otherwise agreed with the lending entities.

It is stated that, as at December 31st, 2018, the financial covenants have been observed.

BUSINESS RISKS

Global economy and automotive market trends

More than 90% of the Group's revenue is directly or indirectly dependent on global vehicle manufacturers. The automotive market follows cyclical fluctuations caused by factors such as general economy trends, growth or decrease in Gross Domestic Product, interest rates, fuel prices, consumer loyalty, etc.

These factors imply that fluctuations – even significant ones – in the automotive market and consequently the Group's market are hard to predict. This has been witnessed throughout the crisis that hit world economies between 2008 and 2014.

Furthermore, about 85% of the Group's sales revenue is achieved in Europe. Europe proved to be particularly vulnerable during the years of the economic crisis: the sovereign debt crisis and austerity measures introduced in order to mitigate its effects have given rise to a situation of recession, followed by stagnation, from which the countries of the Eurozone have only recently started to recover. The situation at first has been aggravated by specific tensions concerning Greece and the expected Great Britain's exit from the European Union and currently by the negative effects of the increase of customs duties between the United States and China.

Fluctuations in market shares of clients and supplied models

In addition to the general automotive market trends, the Group is exposed to specific risk linked to the success of the models/platforms produced by its clients, which may have a positive or negative multiplying effect on the general market trend.

Steel price trends

The cost of raw material affects the Group's comprehensive turnover by about 70%. The steel market has been historically characterized by high volatility. Such volatility mainly lies in the cyclic nature of the main steel distribution sectors, above all the automotive and construction sectors. Another element of volatility may also lie in the implementation of protectionist strategies by certain countries, as recently demonstrated by the introduction of custom duties by the United States of America.

For the MA and MW Divisions, raw material price fluctuations are normally transferred to the client, while for the SSC division sudden price changes may expose the Group to sales margin risks.

Presence in foreign countries and emerging countries

About 76% of the Group's sales revenue is achieved outside of Italy: of this percentage, almost one-fourth is ascribed to emerging countries (South Africa in particular). Business activities conducted overseas are subject to risks such as exposure to local economic and political conditions, implementation of restrictive policies regarding import and/or export, and subjection to multiple tax regimes.

With regard to emerging countries, the Group operates directly in South Africa and Russia and, by means of joint ventures, in Argentina, Brazil, and China. Negative developments in the economies and political systems of such countries, such as possible decreases in public investments on infrastructure or lack of adequate supply of gas and electricity, may represent an additional factor or risk for the Group.

Risk of production interruption

The Group's profitability depends on its ability to promptly supply clients with specific products manufactured in its facilities. The Group is therefore subject to the risk of interruptions in production, for reasons that may vary from mechanical line faults to union-related tensions, up to the most remote events such as environmental disasters, wars, and terrorist attacks.

In order to mitigate the risk of interruptions linked to production plant faults, the Group applies maintenance policies aimed at identifying any anomalies and possible causes of fault.

High level of competition

The market of vehicle component supplies for OEMs is characterized by a highly competitive nature, with regard to the production of both wheels and stamped components. The Group is in competition with a high number of competitors that have very diverse degrees of financial and industrial strength. Some of them have dominant positions in certain areas, while others are facing intense restructuring and reorganization processes. In certain emerging countries, new players are appearing on the stage, which could further increase the level of competition.

This is one of the reasons that lead clients to ask for progressive price reductions during the lifecycle of the manufactured models.

The level of competition and discounts granted to clients may reduce the Group's profitability, should they not be absorbed by means of constant improvement in production efficiency.

Client outsourcing policies

Both the wheel and stamped parts manufacturing markets are strongly affected by outsourcing policies adopted by OEMs. For every facility/ model, the outsourcing decisions taken by OEMs are subject to the availability of internal production capacity, perception of the strategic relevance of certain components over others, financial availability, production costs, quality and delivery times, as well as existing technical skills. The OEM choices/strategies determine the size of current/potential markets for all suppliers of automotive components.

Risks related to joint venture agreements

The Group is pursuing a policy of search for joint venture opportunities and alliances in order to achieve production verticalization, loyalty marketing, commercial expansion, capital commitment optimization and risk reduction, particularly concerning risks deriving from entry into developing countries. These agreements are at times established through the acquisition of majority shareholdings, but also equal or minority shareholdings. The achievement of such objectives, which is the motivation for stipulating such agreements, is influenced by multiple factors. Among the main factors there are relations with respective partners, a shared vision of future strategies to pursue, as well as technical and financial issues, along with local regulations.

The Group's main joint ventures were created with Unipres in France and Brazil, Coşkunöz and Jansta in Turkey, and Topy in Mexico. As of 2015, the distribution of steel in Italy is managed in partnership with ArcelorMittal.

Competition from materials alternative to steel

The Group's business mainly depends on the use of steel in components for the automotive industry. The growing use of alternative materials – in particular aluminum for wheels and plastic for certain assembled components – may be a factor of risk for the Group.

Risk in the development of new products and production sites

The launch of new programs and the introduction of new production technologies (first of all automation and electric propulsion) and new sites entail risks deriving from initial production inefficiency, functioning of production equipment, initial manufacturing quality, and adequate personnel training.

Product quality

An eventual quality fault in the items supplied to clients could lead to significant costs for indemnity and reprocessing. The Group considers the quality of its products a priority and is committed, for this purpose, to mitigate such risk as much as possible by means of robust quality assurance actions concerning the materials and manufacturing processes used.

Environment, Health and Safety

The Group is required to comply with a wide range of standards and regulations concerning the environment as well as health and safety at the workplace. Such norms differ from country to country and are increasingly strict. The costs of compliance with such standards and payment for any fines in case of failure to adapt to the required standards are growingly high. Failure to observe the standards also leads to the risk of civil and criminal actions, as well as the withdrawal of production authorizations.

Concentration of clients

Approximately 72% of the Group's sales revenue is ascribed to its seven main clients (OEMs). Although such level of concentration is not uncommon in the sector, the eventual loss of one of the clients or a significant sales volume reduction could give rise to profitability losses.

In order to mitigate such risk, the Group constantly monitors the levels of customer satisfaction, and shares development programs and opportunities for present and future cooperation with them.

Costs related to facility shutdown

If, for whichever reason, the Group were forced to shut down one of its production plants, the related costs would be substantial. For this reason, the capacity utilization of the different facilities is constantly monitored and eventually re-balanced by means of commercial actions and/or production relocation.

Acquisitions and divestment in operating activities

In the past, the Group has carried out strategic acquisitions and divestment in production activities, and this might happen again in the future. In particular, acquisitions may entail risks concerning return on investment, obtainment of sufficient financial coverage, and diversion of management from recurring activities, as well as worsening of the Group's net financial position and its working cash flow.

In order to mitigate such risk, every possible strategic acquisition undergoes preliminary screenings at a commercial, productive, and financial level.

Legal & Compliance

The Group is exposed to the risk of failing to promptly respond to changes in standards and regulations issued in the markets and countries in which it operates.

RISK MANAGEMENT SYSTEM

Efficient risk management is key to the successful achievement of the Group's short- and medium/long-term objectives. For this purpose, and in order to constantly improve its internal auditing system, in 2016 the Group has engaged in a project to redefine its Enterprise Risk Management (ERM) system.

The ERM system consists of all organizational structures, rules, and procedures aimed at identifying, measuring, managing, and monitoring the main enterprise risks, allowing the Group to make educated decisions in line with its risk propensity.

In particular, in 2018 the Group continued to undertake internal audit and risk management (SCIGR) system development and standardization activity, with the end purpose of redefining and/or updating certain key corporate procedures, implementing the latter within the Group subsidiaries, and subsequently creating an Internal Audit department progressively appointed to the supervision of compliance with such procedures.

RESEARCH AND DEVELOPMENT

The Group – internally and through cooperation with external institutions – conducts extensive research and development activity on products, processes, and manufacturing methods. In particular, these activities concern the following sectors.

Material selection: study of solutions to optimize product weights and performances, as well as reducing costs.

The MA Division is constantly in search of technological solutions to reduce component mass through a focused use of materials, in cooperation with suppliers (steel and aluminum manufacturers working for the automotive sector), car manufacturers, and academia. The performance of state-of-the-art materials is tested by selecting – from the corporate portfolio – components with the most criticalities in terms of formability.

Similarly, the MW Division works with the main steel suppliers to test new material types able to improve forming processes and reduce wheel thickness – and subsequently their weight – thus aiding a minimization in fuel consumption and optimization of vehicle dynamics.

As well as research in new generation steels, the company also investigates alternative materials including, in particular, aluminum (sheet and die-cast) and CFRP (Carbon Fiber Reinforced Plastic) - (on the topic, also see the "New product concepts" paragraph).

In this scope, the Group's TO PROVE LAB laboratory has made full use of the new testing machine for fatigue testing of materials, including a special testing tool (patented jointly by MW and a main steel manufacturer) that simulates the standard geometric configurations of wheels. Moreover, in order to boost its material analysis capacity, the company has added a scanning electron microscope (SEM) to its laboratory. This is an essential tool for micro- and nano-structural analysis thanks to its magnification about 30 times greater than that of a conventional light microscope. It allows the study of surfaces (topography and fracture analysis), and moreover its combination with the EDX microprobe makes it possible to identify the chemistry of incredibly small components (with orders of magnitude in microns) including, by way of example, inclusions and superficial coatings.

Optimization of production processes: research for new production techniques aimed at improving production performance in terms of efficiency, workload, and safety.

With regard to the MA Division, activities are mainly focused on the constant development of the roll forming process, with the recent implementation of grade MS1500 steel (martensitic steel with an ultimate tensile strength of 1500 MPa) component serial manufacturing, and the introduction of hot forming processes (hot stamping/press hardening steel) at the Group facilities, which allow the manufacture of high-resistance parts with complex shapes and reduced geometric tolerances. The facility in Tychy, Poland, is the first in which such processes are in the launch phase. The machine line is equipped with state-of-the-art technology that allows constant monitoring of process parameters. A system of thermographic cameras and pyrometers allows an initial "real time" product inspection, guaranteeing that the latter has reached the necessary temperature for a successful heat treatment. The site is also equipped with a material testing lab for manufacturing quality assurance (mechanical properties, hardness and microhardness, metallography). Development activities related to the hot forming process are constantly targeted towards optimization of process parameters, in order to satisfy quality requirements and at the same time reduce process time and minimize equipment wear.

The MW Division has launched a wide range of activities in its production plants, entailing numerous years of testing and subsequent implementation:

- measurement of finished products and semi-components (discs/rims) with contactless solutions for lab activities and for 100% production management: this solution was activated over the year 2018 in terms of production testing at the company MW Kingisepp (Russia). Two more machines for contactless run-out testing are being developed to be implemented at the beginning of 2019 at MW France;
- equipment for dimensional and shape analysis

of semi-components and finished products, complementary to the traditional inspection methods (GOM GmbH systems): working solution in terms of testing for the development of new products, quality control, and investigation of new solutions for process optimization and improvement (discs/rims) at MW France;
- concept design and prototype development of specific equipment for the optimization of raw material requirements for styled rims (X-Free and SFF) at MW Romania and MW France;
- new loading/unloading system for the disk rolling phases with the purpose of: reducing switching and setup time; increasing efficiency; defining the standard (Line 1 at MW Lublin - Poland);
- new front-welding system of the rims installed at MW Lublin (Poland) with the purpose of increasing weld quality, reducing swarf, and improving management independence;
- implementation of a start-up project (preparatory to manufacturing) for a new rim-disk assembly line (robot system for the recognition, orientation, and positioning of the rim and disk): this project will be launched in 2019 at MW France;
- implementation of a new stamping sequence for the styled wheel (SFF) disc at MW Romania (heat transfer press): improvement of the capacity and efficiency; replacement and setup time reduction compared to the manual press cycle;
- automation of the rim loading, control, and unloading systems for the air leak control unit at MW Kingisepp (Russia);
- automation of the loading/unloading system for the wheel calibration unit at MW Kingisepp (Russia);
- implementation of the rim flow-forming modules (2 modules) at JMW (Turkey).

New product concepts: solutions aimed at specific applications by product type (e.g. multi-material solutions, components for electric vehicles, etc.).

The MA Division has continued its research and development activity involving “full electric” city vehicles, subscribing to a new “DEMO BASE” project funded in the context of the EU HORIZON 2020 programme.

The project involves an international-level team of industrial and academic partners. Its aim is the creation of a modular vehicle with different chassis configurations. The related activities are focused on passive vehicle safety, and see MA involved in the definition of various chassis components, including new elements specific to electronic transmission (i.e. battery holder).

Until now, the activity performed by the partners within the consortium of companies concern the manufacture of assembly benches for the structural vehicle components, with a special focus on powertrain components and the construction of the first few chassis prototypes, which will serve as the basis for a new electrical system (battery holder + BMS battery management system + electric motors) that future activities will also focus on.
MA is also involved in another EU-funded project called “Steel S4-EV” (RFCS programme), which has the aim to make vehicles lighter by means of high-resistance steels (DP 600 to DP 1200), duly selected by MA for the different implementations on the chassis. In this case the team – also including industrial partners and academia – works in close cooperation to refine the welding process used, taking into account the technological parameters, material alterations, and the respect of vehicle safety requirements and environmental impact (life cycle assessment - LCA).

Aiming to increase business opportunities and improve the quality of customer-oriented services, the technical area of the MA Division continues its Product Engineering department activity. The department, combined with the consolidated Process Engineering department, cooperates with clients in product design, allowing an early assessment of the implementation solutions that are most compatible with the available technologies and proposed materials. In this context, the Product Engineering team has developed a number of vehicle body designs, also introducing new steel types and experimenting alternative materials. In this scope, the department is performing a technical-economic feasibility study for a structural car frame sub-group (rocker panel), designed using multiple materials (steels reinforced with carbon fiber composite material), in order to improve performance-to-mass ratio. It has identified a supplier equipped with the suitable technology for creation of the component, with which the department has performed a technological feasibility study (mechanical stamping method of the thermoplastic carbon fiber composite). Subsequently, the equipment for the manufacture of certain rocker panel prototypes has been set up. These components will be used in the experimentation phase in order to prove the structural performance of the components themselves.

Thanks to close cooperation with the main manufacturers of stainless steels and aluminum alloys in the aeronautical sector, the MA division is considering the applicability of such materials to the production of prototypes and archetypes of structural vehicle components. More specifically, indirect and direct hot stamping tests have been performed using martensitic stainless steels with a resistance above 1200 MPa. As for aluminum alloys, the tests were focused on 7XXX (Al-Zn) alloy classes. Thanks to their advanced mechanical properties, the latter may be comparable to the UHSS (Ultra High Strength Steels) class for steels. A number of tests are under way to establish the actual formability as a function of the process utilized (bending, roll forming, crash forming, etc.). For both materials the field activity was combined with accurate simulation testing, performed jointly with the manufacturers' R&D departments.

In the scope of the MW wheels division, the company has consolidated the flow-forming process for the manufacture of rims (Flow-Type2) at the French plant. Moreover, it has continued to produce styled wheels with large ventilation holes (named "X-free"), combinable with embedded aesthetic discs made of plastic material. It is worth highlighting the development and implementation of flow-forming technology at JMW (Turkey) for a major OEM client.

In the scope of product innovation, MW continues to pursue research projects in the following fields:

- styled wheels with complex-shape discs made of stamped steel sheet, for an improved aesthetics without the need for plastic discs; in parallel – through cooperation with a number of top steel manufacturers – research is being carried out on new high-formability steels with superior mechanical properties;
- wheels made of non-metallic materials (composites with a polymer matrix and reinforcing fibers) for a new generation of products, granting a considerable mass reduction and aesthetics comparable to that of aluminum alloy wheels;
- sheet aluminum wheels, with the aim to further reduce mass;
- "hybrid" aluminum-steel wheels, with the traditional sheet steel joined to a die-cast aluminum disc, with the aim to compete with the style of a traditional aluminum wheel (low-pressure die casting), but with a cost and mass comparable to the lightest steel wheels.

These innovation projects have already led to the registration of numerous patents – some of which in cooperation with leading OEMs – in terms of both new products and new manufacturing processes.

New simulation procedures: analyses with the end purpose of improving efficiency and accuracy of simulation systems, in both the product design and pressing phases.

The MA Division has completed a project in collaboration with the Turin Polytechnic to assess the most widely used pressing simulation programs in the automotive sector, and is currently performing a series of in-house tests to improve compliance with the simulation results.

Moreover, it has conducted a series of virtual simulation studies of the technologies implemented at its plants – in order to best understand the issues that arise throughout manufacturing processes, in particular throughout continuous wire welding, roll forming, crash forming (a type of stamping) – as well as thermal analyses.

The welding simulation has allowed an understanding of how certain parameters – such as geometry and/or material choice – are decisive factors in the final tensile characteristics of the component manufactured.

The ongoing research on the roll forming process is giving rise to a series of issues in terms of understanding material behavior throughout its deformation during the various rolling stations, and how such behavior affects the characteristics of the final product.

Simulations of the crash forming process are still under way, with the aim to fine-tune – initially in a virtual environment – the manufacture of components made of a high-performance material that poses a number of forming issues (MS1700DP, tensile strength: 1700MPa).

A simulated thermal analysis has allowed an understanding of how reaching high temperatures when a product undergoes heat treatment may generate unwanted effects in the material, affecting its behavior in the subsequent plastic deformation process.

Product development studies have also been carried out to suggest new implementations of high-resistance steels – such as the martensitic MS15000 – on components for which both the performance and technological feasibility have been jointly tested.

The MW Division has continued its research projects in cooperation with the Turin Polytechnic, including the new project with the Mechanical Engineering Department with the aim to upgrade the simulation methods in the wheel design phase. This project will have a three-year duration and will allow the introduction of new analysis methods as well as new software to improve the solidity of product design, with numerous benefits to the subsequent industrialization phase in terms of fine-tuning time and cost reduction. The activity performed thus far has concerned the wheel-tire interface (with the external cooperation of the Fraunhofer Institute for Industrial Mathematics in Kaiserslautern, Germany) and the correlation between new virtual and experimental methodologies.
Moreover, it is worth mentioning the creation of a three-party consortium in France (involving MW France, a prominent French university, and a technology transfer company) with the aim to develop innovative products and processes. The consortium has been granted funding from the EU and the Hauts-de-France region.

New standardization procedures: the MW Division continues – in cooperation with the TO PROVE LAB – to fine-tune a series of activities with the purpose of defining new testbed specifications and methods, to be shared with customers for the approval of vehicle safety components.

The above items comprise the basis of the Group's strategy, which is aimed at the consolidation of partnerships and cooperation projects with suppliers, clients, universities, and research centers, in order to create synergies and new development opportunities.

ENVIRONMENT, HEALTH AND SAFETY

Please refer to the "Consolidated Disclosure of Non-Financial Information" section.

OTHER INFORMATION

SIGNIFICANT EVENTS OCCURRED THROUGHOUT THE FISCAL YEAR

JANUARY 2018

In January 2018, SIMEST, a company that – together with SACE – represents the export and internationalization Hub of the CDP Group, has formalized its acquisition of shares in the Argentinian subsidiary **MA Automotive Argentina S.A.** in order to support the local car chassis stamping activity, as a response to new orders from prominent global customers. The operation was performed by means of subscription to a specific 3 million euro capital increase for MA Automotive Argentina S.A. (shareholdings equal to about 48%).

On January 31st, 2018 the sale of MA shares (50%) held by **JBM MA Automotive Pvt. Ltd.** – a joint venture with the Indian group JBM – has been officialized. The joint venture, operating in Pune, India, since 2007, was recently supplying mainly the Indian automotive industry. The transfer of MA shares was made to Neel Metal Products Limited (a local daughter company of the JBM Group).

FEBRUARY 2018

The **CLN Group** has begun to support E4Impact – an initiative launched in 2010 by ALTIS (a specialized business and social sciences school and spin-off of the Università Cattolica del Sacro Cuore, Milan) – that fosters sustainable development in emerging economies by supporting training of entrepreneurs in high social- and environmental-impact businesses through an MBA in Impact Entrepreneurship funded through donations. The scholarships will help certain students in Senegal to follow the master's course.

MARCH 2018

MW was confirmed an Alliance Growth Partner of Renault-Nissan for the steel wheels sector, together with our industrial partner and co-shareholder TOPY Industries.
MW is part of the Renault-Nissan program since the end of 2011.

The subsidiary **MA Automotive Tool & Die Ltd.** (South Africa) and Vexovision Ltd have reached an agreement for the sale and concurrent purchase of assets related to the "Plant 6" previously owned by the Group's South African company.

APRIL 2018

The **MA and MW divisions** were awarded at the Annual Supplier Awards Ceremony by FCA, for having stood our among suppliers with most spirit of initiative and involvement in the Value Optimization process promoted by FCA.
The EMEA Su.Per (Supplier Performance) program by FCA aims to facilitate and increase technical proposals by suppliers in order to reduce the cost of currently manufactured products. The nine MA projects awarded concerned stamped components and the related process optimization for the Jeep Renegade, Fiat 500X, and Fiat Ducato models. The six MW projects awarded concerned, instead, the optimization of steel wheel manufacturing processes for the Fiat Ducato model.

OCTOBER 2018

For the fifth consecutive year, **MA** has been among the main sponsors of the "South Africa-Italy" Summit promoted by The European House - Ambrosetti.
The 2018 edition of the summit – named "Africa-

Europe CEO Dialogue" – witnessed the presence of over 270 participants from 19 countries (9 African, 8 European), 6 ministers or vice-ministers, 98 European corporate representatives, and 22 reporters.

NOVEMBER 2018

On 6/11/2018 the newborn **MAAP - MA Automotive Portugal** has signed – jointly with Naiting Promotora Immobiliaria e Constructora Civil Lda (Inveco Group) – a preliminary agreement for the purchase of an industrial site located in Valença do Minho (Portugal). The site will be dedicated to the production of extruded components and the related assembly. MAAP - MA Automotive Portugal will mainly serve the PSA Group, providing components to the PSA facilities located within the Iberian Peninsula. MAAP - MA Automotive Portugal activity is expected to be launched in the second half of 2019.

Cassa depositi e prestiti (CDP) and the International Finance Corporation (IFC) – a member of the World Bank Group – have signed a joint fund amounting to 134 million euro in favour of **CLN,** which will be disbursed during 2019, of which 50 million euro will be paid by CDP, and 84 million euro will be paid by the IFC. The operation – the first operation of the Master Cooperation Agreement undersigned by the IFC and CDP – aims to support the Group's international development, and in particular to fund an investment plan targeted towards modernization and development of advanced components for the main car manufacturers by means of localization, introduction of new manufacturing processes, and the consequent improvement of professional skills. Moreover, the resources shall support the development of innovative technology for new-generation vehicles – electric cars in particular.

DECEMBER 2018

MA Automotive Deutschland GmbH has signed an agreement for the purchase of an industrial site in Achim (Germany), at the Uesen industrial park. The 15,000-m^2 (about 141,460-ft^2) property includes manufacturing areas and multi-purpose areas, and is located close to Bremen and the Daimler headquarters. The facility will host six production lines for the creation of floor components and chassis components for the new Mercedes-Benz models over the next two years, supporting the MA production plant in Bremen, with a total investment of about 80 million euro.

The CDP Group and SIMEST have acquired – to support the CLN Group's 2018-2022 international development plan, based upon new orders from prominent global clients – three shareholdings amounting to a total value above 19 million euro in Italy, Germany, and South Africa, of which: 8 million euro have addressed to a capital increase in **MA Srl**; 5 million euro to address a capital increase in **MA Automotive Deutschland**; and 6.8 million euro to continue to support the development of **MA Automotive South Africa** activities.

SIGNIFICANT EVENTS OCCURRED AFTER THE FISCAL YEAR

JANUARY 2019

The CLN Group signed an agreement with Shell Energy Italia for the combined supply of natural gas and voluntary carbon offset credits. Thanks to this agreement, the CLN Group will certify the compensation of CO_2 emissions deriving from the use of natural gas in the industrial processes carried out in Italy at the **MA division**. By means of such voluntary carbon offset credits, MA will compensate 100% of its CO_2 emissions deriving from natural gas combustion used in manufacturing processes in favor of two projects: the Cordillera Azul National Park and the Katingan Mentaya Project, both internationally certified by VCS and CCBA.

Finally, are being defined negotiations for the sale of the 50% stake in the associated Chinese company **Beijing Shougang MA Metal Co., Ltd** and for the share decrease from 60% to 40% of the French subsidiary **UM Corporation S.A.S.**

RELATIONS WITH RELATED PARTIES

For quantitative and qualitative information on the relations with Related Parties, please refer to the Notes to the Financial Statements.

BUSINESS OUTLOOK

Despite the early-year European automotive market trend (-3% registrations recorded as at March 2019 may foreshadow a complex outcome in the reference market, the investments made by the Group allow a positive outlook on the business evolutions in 2019.

May 9th, 2019

The Board of Directors
The Chairman
Aurora Magnetto

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CONSOLIDATED DISCLOSURES OF NON-FINANCIAL INFORMATION 2018

1. INTRODUCTION

1.1 METHODOLOGICAL ASPECTS

The CLN Group (hereinafter also referred to as the Group) falls under Legislative Decree n° 254 issued on December 30th, 2016 (hereinafter also referred to as the Decree) – the Italian implementation of European Directive 2014/95/EU, related to the reporting of non-financial information – in that it is a company of public interest and complies with the size and financial requirements prescribed by the decree.

This document is the Group's second-ever Consolidated Disclosures of Non-Financial Information (hereinafter also referred to as NFD), which is an important tool through which the Group may communicate its initiatives regarding environmental/social sustainability as well as health and safety to all its stakeholders, in full transparency. The results achieved are intended to incentivize a constant reduction of environmental impact, and the promotion of activities in the scope of sustainability and social commitment.

The report has been drafted in reference to the Global Reporting Initiative guidelines published in 2016, known as GRI Standards and used as the main tool for sustainability reporting at a national and international level. The approach used to report social and environmental data is the same defined in GRI Standards as "Referenced". This has allowed the Group to select – upon a careful analysis of those available – the most suitable GRI Standards to provide accurate information concerning its non-financial activities. The "GRI Standards Index" table in the Appendix includes the code, name, and page of reference within this document for each GRI Standard.

A workgroup has been created to draft the document, involving the heads of the various corporate departments in order to obtain a complete and transversal description of all non-financial aspects related to Group activities.

The selected GRI Standards were the result of a preliminary materiality analysis, based upon which the relevant topics within the Group's plan of action and their potential impact on the Group and its stakeholders were identified. In particular, the Group is required to provide information concerning its business models, the policies implemented for management of the above described topics, the main risks connected to such topics, and the most suitable performance indicators to represent the related results. Such information allows an understanding of corporate trends, current status, and the impact of its activities.

The period of reference is 2018, but data concerning 2017 and 2016 shall also be presented for comparative purposes. The document will be published on an annual basis as an integral part of the Annual Report, and will be subject to audit of the information provided, in compliance with Legislative Decree n° 254/2016.
The scope of analysis includes the subsidiaries fully consolidated in the financial statements of the parent company, with the following exceptions:

- the joint venture MA Automotive Brasil Ltda., included in the analysis of information concerning health and safety at the workplace and environment for the three-year period assessed.

Ultimately, the Group priorities include developing a trust relationship with its stakeholders, its presence and care for the local context, the well-being of its employees, and the integrity and transparency of its operations.

The information provided is confirmed by data of a measurable size and within the corporate documentation; estimates are used as little as possible, and it is always specified when an estimate is used.

1.2 BUSINESS MODEL

Business model

The Group has been operating in the steel sector since 1948.
It is one of the main players on the global stage of processing and assembly of metal components (steel and aluminum) for the automotive industry through its divisions:

MA | automotive metal components division
MW | steel wheels division

It is also active in the European steel supply and cold re-rolling market.

The Group's objective is to be among global leaders in the development, industrialization, and assembly of high-tech steel and aluminum products, in order to provide customers with tailor-made services and solutions, to become their point of reference in terms of working excellence and share their successful results.

CLN Group operates in nine countries worldwide (Italy, France, Germany, Poland, Romania, Slovakia, Russia, South Africa, and Serbia) – considering its subsidiaries only – thanks to the work of over 7,700 employees dedicated to satisfying customer requirements, in full respect of local communities and the environment.

Description of business activity

The two divisions operating in the metal automotive components sector represent the Group's core business.
MA – the Automotive Metal Components division – is one of the main global suppliers of metal parts – stamped or roll-formed components (external and structural), and components for propulsion/powertrain systems – for any type of passenger car and commercial vehicle or truck in the world automobile industry.
MW – the Steel Wheels division – is a market leader in the sector of steel wheel manufacturing for all types of vehicles (passenger cars and light commercial vehicles), supplying clients with complete solutions for engineered wheels, from the design phase to the choice of materials.

Both divisions contribute – thanks to the use of innovative materials and processes – to making vehicles lighter and thus reducing greenhouse gas emissions.

Moreover, the Group operates in the high carbon flat steel processing sector (high carbon steel reels and cold re-rolled alloys) as well as in the supply of flat steel products from service centers.

Steel is a raw material that – due to its characteristics – is the essence of sustainability and circular economy itself, given it is 100% recyclable, and may be recycled an infinite amount of times.

In Italy only, 75.3% of steel packaging on the market was recycled in 2017: this is one of the highest rates recorded among recyclable materials. The steel recovered through recycling is re-melted, polished, and given new life in semi-finished products of a high quality used in a large number of fields (source: RICREA).

In an external and internal scenario of growing awareness on topics related to corporate social responsibility, the CLN Group has launched a conscious process of practical actions, including the commitment to the United Nations Global Compact, intended to translate values such as ethics, integrity, responsibility towards the environment, society as a whole, and humans into initiatives inspired by continuous improvement and prevention in manufacturing processes, based upon the fundamental principles of minimum environmental impact and resource optimization. Moreover, the Group has always committed to and adopted a responsible behavior towards health and safety at the workplace, considered one of the corporate priorities.

Inspired by the motto *Quality, passion for details*, the Group and its employees are constantly committed to provide customers – in a competitive sector – the highest levels of product and service quality as well as working excellence, pursuing the lowest environmental impact possible. Its customer satisfaction is also concretely proven by means of official recognitions, such as the Supplier Awards assigned to the Group and its subsidiaries by major OEMs (Original Equipment Manufacturers) in the past few years.

In the scope of its Corporate Capital Venture program, the Group's investment plans are targeted towards start-ups with a strong social or environmental spirit.

1.3 CORPORATE GOVERNANCE

CLN's corporate governance system is structured in accordance with current standards applicable to the sector.

The main corporate governing bodies of the parent company C.L.N. S.p.A. are the Shareholders, the Board of Directors, the Board of Statutory Auditors, and the Supervisory Board (in accordance with Italian Legislative Decree n° 231).

During the Annual Meeting of Shareholders an electing board of shareholders convenes on corporate decisions. The collective body of shareholders deliberates by way of majority vote in accordance with and concerning topics defined by law and by corporate charter. The choice of members of the Board of Directors and the Board of Statutory Auditors, as well as the approval of the Financial Statements, are among most important tasks carried out at the Meeting of Shareholders.

The CLN Board of Directors also operates through two CEOs and a director with power of representation. The Board carries out – among other functions – the analysis, sharing, and approval of annual budgets as well as strategic, business, and financial plans of the Group and the monitoring thereof.

The Board of Directors includes ten members (three female and seven male) representing all the shareholders. Aurora Magnetto and Gabriele Perris Magnetto share the role as Chief Executive Officers.

The Board of Statutory Auditors monitors compliance with the law and corporate charter, respect of the principles of good management, and in particular the suitability of the organizational, administrative, and accounting structure implemented by the company, as well as the effectiveness thereof. The Board of Statutory Auditors includes three permanent members (one female and two male) and two substitute auditors (one female, one male), and also plays the role of Committee for Internal Audit and Accounting Revision in accordance with Article 19 of Legislative Decree n° 39/2010.

GRI Disclosure 405-1; GRI Disclosure 102-18 Members of corporate governing bodies

Board of Directors	2018		2017		2016	
< 50 years	1	2	1	1	2	1
≥ 50 years	6	1	8	1	7	1

Board of Statutor Auditors	2018		2017		2016	
< 50 years	1	2	1	2	1	2
≥ 50 years	2	0	2	0	2	0

The C.L.N. S.p.A. Supervisory Board, nominated by the March 28^{th} 2017 Board of Directors resolution, includes two members (one female and one male), both external to the company. The Supervisory Board monitors implementation and the constant update of Legislative Decree n° 231 within the company. Its powers/activities include: supervision of compliance with the decree; assignment of disciplinary sanctions for breach of its rules; update and promotion of the decree among its addressees.

1.4 CORPORATE SOCIAL RESPONSIBILITY WITHIN THE CLN GROUP

In an external and internal scenario of growing awareness on topics related to corporate social responsibility, the CLN Group has undertaken, in the past few years, a process for the gradual implementation of actions concerning sustainability, and of an organizing structure designed for management thereof.

This process is based upon the following main elements:
Governance Structure/Workgroups: identification of a suitable structure for management of CSR topics.

Starting in the second semester of 2017, CSR projects have been managed by a team working at the Group level and including representatives of the main corporate departments so as to guarantee a common approach and suitable sharing of information.

The workgroup reports to:

- Beatrice Perris Magnetto: supervision on CSR activities and relationship with the Group's Board of Directors
- Adrian Gordon: CSR management for the Group and coordination of all CSR activities

Moreover, the full workgroup includes a Group manager for every one of the following areas:

- Environment
- Labor practices and Human Rights
- Sustainable procurement
- Fair business practices
- Customer interfaces
- Finance
- KPIs/CSR metrics

Each member of the team may be associated to one or more supporting members. Furthermore, the nomination of a CSR manager is expected in 2019, for each of the macro-regions in which the Group operates, and in particular:

- Italy
- France
- Poland
- Germany
- South Africa
- Brazil

Non-financial indicators: identification of a series of indicators related to CSR topics deemed significant at the Group level; subsequent implementation of a regular monitoring system for such indicators and establishment of realistic targets for a continuous improvement thereof. In particular, since 2018 the following indicators are monitored at the Group level on a trimestral basis:

- HR (human resource) Statistics: classification of the personnel by gender, age, job level, and contract type, with a specification of the training hours provided (number and type).
- HSE (health, safety, environment) Indicators: frequency and severity indicators for injuries, energy and water consumption, CO_2 emissions, waste management.

The evolution of such indicators is subjected to the attention and assessment of Group Management and of the Board of Directors member assigned to the supervision of CSR-related topics.

Policies and procedures: setup of policies and procedures related to CSR topics, as well as their promotion within the Group.

For this purpose, the following fundamental policies have been issued or updated over the year 2018:

- Health and safety
- Environment
- Equal rights and diversity
- Work and human rights
- Whistleblowing
- Water
- Accidental pollution

These policies may be consulted and downloaded on the Group website.

CSR assessment performed by clients: management of assessment processes requested by the main clients to the Group, and consequent improvement of ratings.

In particular, the Group undergoes – on an annual basis – assessment performed directly by its customers by means of specific questionnaires (M2P2, NQC, etc.), or indirectly by means of audits conducted by third parties (Ecovadis, Intertek, etc.).

In this respect, the Group has the following fundamental prerogatives:

- the correct and prompt response to requests deriving from such assessment processes;
- achieving a satisfying overall rating;
- constant improvement of the assessments over the years.

Subscription to specific CSR projects: selection of national and international projects relevant to the ethical principles of the Group.

Among the most significant projects, it is worth highlighting that the Group has undertaken a process towards subscription to the United Nations Global Compact. Such subscription grants access to a series of opportunities, including:

- the adoption of a stable and globally recognized operating framework for the development, implementation, and description of environmental, social, and governance-related practices;
- the promotion of sustainability solutions in partnership with a wide range of stakeholders including UN agencies,

governments, civil society organizations, labor unions, and other non-business organizations;
- access to the knowledge and experiences concerning sustainability and development promoted by the United Nations and to the tools and management resources developed by the Global Compact;
- acquisition of specific know-how;
- possibility to be involved in activities focused on different environmental, social, and governance issues.

Supply chain: verification of the Group's compliance with fundamental ethical principles by suppliers, and progressive extension of such compliance to the key criteria for selecting the principles.

The relationship with suppliers has always been based upon the principles of loyalty, fairness, and cooperation. In addition to such principles, the Group is gradually developing a process of growing demand for assessment of supplier reliability in terms of CSR-related topics. More specifically, the process includes three main phases:

1. Obtainment of written confirmation by the suppliers of (a) compliance with local standards, (b) implementation of a suitable governance of CSR-related topics, and (c) commitment to promote such topics to its own pool of suppliers.
2. Obtainment and analysis of specific questionnaires designed by the suppliers, on the basis of which to achieve an assessment for CSR purposes.
3. Implementation of assessments deriving from the previous phase 2 in the overall assessment of suppliers for selection purposes.

Throughout 2018, only the first phase of the process was implemented: implementation of the following two phases is a goal for the years 2019 and 2020.

Training: progressive training of the personnel targeted towards acknowledgement and understanding of CSR-related policies.

Within the Group's overall growth path, a fundamental element is suitable personnel training. In this specific case, the Group deems it necessary that there is, within the company, an appropriate knowledge of the main CSR-related policies.

For this purpose, specific training sessions are planned throughout 2019, first in Italy then in the main macro-regions in which the Group operates.

Also in 2019, the Group has planned comprehensive 'road shows' in the main foreign regions with the purpose of presenting CSR initiatives it is developing, and to raise awareness on the latter.

1.5 RISKS RELATED TO NON-FINANCIAL TOPICS

The Group is conscious of how important it is to identify, assess, prevent, and reduce potential risks, including risks related to non-financial topics that add to financial and operating risks described within the Annual Financial Report.

Risk mitigation is facilitated by the implementation of clear operational procedures, implemented in a punctual and homogeneous manner; for this reason, the Group started an Enterprise Risk Management project in 2016, which uses internal resources and external consultants aimed at revising and updating key procedures and creating a function of Internal Audit to aim at verifying compliance.

During 2018 this project led to the updating of some key operating procedures including, procedures related to investments, purchases and management of new projects with customers.

With particular reference to risks of a non-financial nature, the main cases are set out below, together with the way in which the Group mitigates their effects.

Risks related to anti-corruption, in terms of the possible occurrence of events and/or circumstances linked to active and passive corruption.

For this purpose, the Group has drafted and constantly updates its own Code of Ethics, describing in detail the mandatory guidelines employees are required to abide by. The requirements of the Code are transmitted to employees through written publication and eventual training activity. In addition to the Code of Ethics, a specific whistleblowing policy was issued during 2018.

Risks related to people, namely those linked to

health and safety at the workplace, employee management, respect for human rights, and equal rights.
For this purpose, the Group carries out related internal awareness campaigns and constantly monitors the results achieved, as well as eventual reporting of behavior against the law or internal procedures. In support of the Group's sensitivity to these risks, specific policies on Health and Safety, Equality and Diversity, Work and Human Rights were issued during 2018.
Environmental risks related to greenhouse gas emissions of manufacturing processes, energy consumption, waste production, and water consumption.
For this risk type, the Group constantly assesses the most suitable internal and external methods for raising awareness, and sets annual goals for the reduction of the environmental impact of its activities, consistently monitoring the latter and assessing the results achieved by the individual production plants. In support of the Group's sensitivity to these risks, specific policies on Environment, Water and Pollution were issued during 2018.
Risks related to commercial relationships with customers and suppliers
The Group strives to guarantee that its relationships with customers and suppliers are based on ethical and sustainable practices, based upon absolute respect of current standards and coherent with the guidelines of the Group Code of Ethics.

2. MATERIALITY

2.1 IDENTIFICATION OF MATERIAL TOPICS

Materiality analysis is the tool used to identify contents of the NFD, based upon the non-financial topics considered most relevant and with the most impact. To perform such an analysis, the Group has taken into account the requirements of the aforementioned Decree, and especially the principles governing its corporate activities, as well as the interests of its stakeholders and their expectations.

In order to facilitate the identification of the topics to include and develop on in this NFD, the Group has:

- identified its stakeholders;
- analyzed the sustainability context specific to the sector of reference by means of a benchmark analysis against the main competitors and an investigation on the topics considered relevant to its business;
- surveyed – through the involvement of workgroup representatives – material aspects, expectations, and the matters most related to the Group in comparison with those involving its stakeholders, with the purpose of analyzing the most relevant topics in accordance with the aforementioned Decree.

Group stakeholders include: shareholders, employees, clients, suppliers, and local communities.

Topics dealt with in the NFD refer to five macro-issues as listed below:

1. **Values**
   » Corporate values and reputation
   » Ethics and the fight against active and passive corruption

2. **People**
   » Health and safety at the workplace
   » Relationships with labor unions
   » Human rights and equal opportunities
   » Personnel training

3. **Environment**
   » Energy efficiency
   » Emissions management
   » Scrap and waste management
   » Water management
   » Environmental certifications

4. **Products, Clients, and Supply Chain**
   » Product quality and Customer satisfaction
   » Supply chain

5. **Social aspects and relationship with the local context**
   » Social initiatives
   » Cooperation with Universities

Following the materiality analysis described, the resulting topics have been assigned priority levels for both the Group and its stakeholders.

The topics will be analyzed and developed on within this NFD, also for the purposes of compliance with Legislative Decree n° 254/2016.

3. VALUES

The Group commits to promoting ethical and responsible behavior and to make it so that its employees work fully in compliance with current standards and with its current Code of Ethics and policies.

3.1 CORPORATE VALUES AND REPUTATION

The Parent company has established a series of ethical principles and a code of conduct that serve as a guide for its activities and those of its subsidiaries, with the purpose of promoting a strong ethical foundation and a corporate culture which respects the laws in force in the different countries in which it operates.

Code of Ethics

This clear set of values is included in the Group Code of Ethics. The Group is committed to guaranteeing that all employees, suppliers, or any other party related to the Group share such values.

The Code of Ethics, which may be consulted and downloaded on the Group website, provides the undisputable guidelines pertaining to the following fields.
Business ethics: conflict of interest, confidentiality and classified information, corruption and illegal payment, money laundering, competition, and reputation.
Employees: child labor and forced labor, freedom of assembly, equal rights, abuse, work environment, wage and working hours, hiring and promotions, internal monitoring system, corporate data and books of accounts, corporate property, external activity, obligations, and prerogatives of employees in management positions.
Health, safety, and environment: environmental safety in working processes, environmental impact, and product safety.
Relationships with third parties: clients, suppliers, public institutions, labor unions and political parties, corporate communication and information, relationships with the media.
Accounting and internal audit: fairness, transparency, and promptness of financial information.

In 2018 the Code of Ethics was translated in the main languages used in the countries in which the Group operates, and the managers of all the Group companies have undersigned a letter of subscription to its contents, with the commitment to share knowledge of the Code with its employees.

3.2 ETHICS AND THE FIGHT AGAINST ACTIVE AND PASSIVE CORRUPTION

The Group does not tolerate any form of abuse of power, active corruption, or passive corruption, either in its relationship with the public administration or with private entities. This position helps to re-enforce the commitments the Group has voluntarily made through its policies and procedures to address the fight against corruption, which are constantly updated and adapted to current legislation. The Group has defined rules to manage such topics in the Code of Ethics.

Moreover, C.L.N. S.p.A. and Italian subsidiaries MA S.r.l. and MW Italia S.r.l. have adopted specific management and organization models in accordance with Legislative Decree n° 231/01, including a specific Anti-corruption Code of Conduct.

The Group thus has formalized its fight against corruption, for which it acts as a guarantor in carrying out its activities. It has designed a roadmap that requires a formal subscription to the highest levels of integrity, honesty, and fairness by the recipients of the Code of Ethics – specifically administrators and employees.

All recipients are held responsible – in carrying out their work activity – for strictly rejecting any form of abuse of power and corruption.

The Group and the recipients commit to ensure that all laws and regulations related to the abuse of power and corruption are respected in full, in every jurisdiction of operation.

Whistleblowing Policy

The Group has also issued – in 2018 – a specific Whistleblowing Policy, based upon which the employees are given the possibility to report concerns pertaining to unsuitable corporate conduct, with the guarantee of being immune from retaliation or victimization due to reporting done in good faith.

This policy applies to all CLN Group employees worldwide, including part-time, short-term, or contract workers. It may be utilized by the affected people or entities and the family members, or even by suppliers, business partners and others, to report concerns related to business operations or to the conduct of Group personnel.

The reporting subjects shall remain anonymous unless they have given written consent to disclose their personal details.

Incoming reports shall be analyzed and managed by the Whistleblowing Committee. Such committee will receive, store, and assess every complaint and issue reported, and act accordingly. The type of action taken shall depend on the nature and severity of the issue. Every report received through the Whistleblowing portal or by mail will be promptly forwarded to the Whistleblowing Committee, providing details on the actions taken in response to each issue.

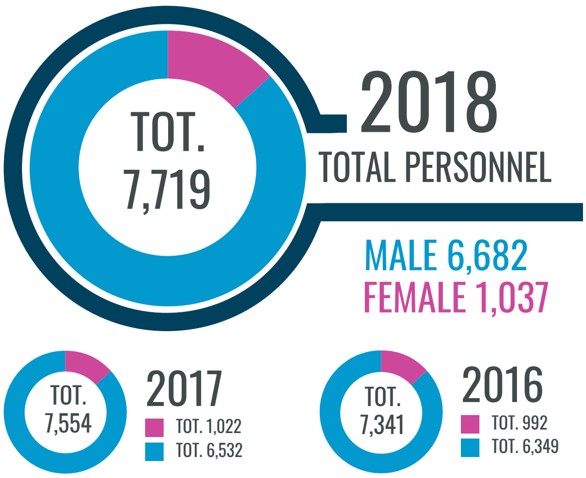
The analysis of eventual additional topics not managed formally through the Whistleblowing portal shall not fall under the tasks performed by the Committee.

GRI Disclosure: 419-1, 205-3

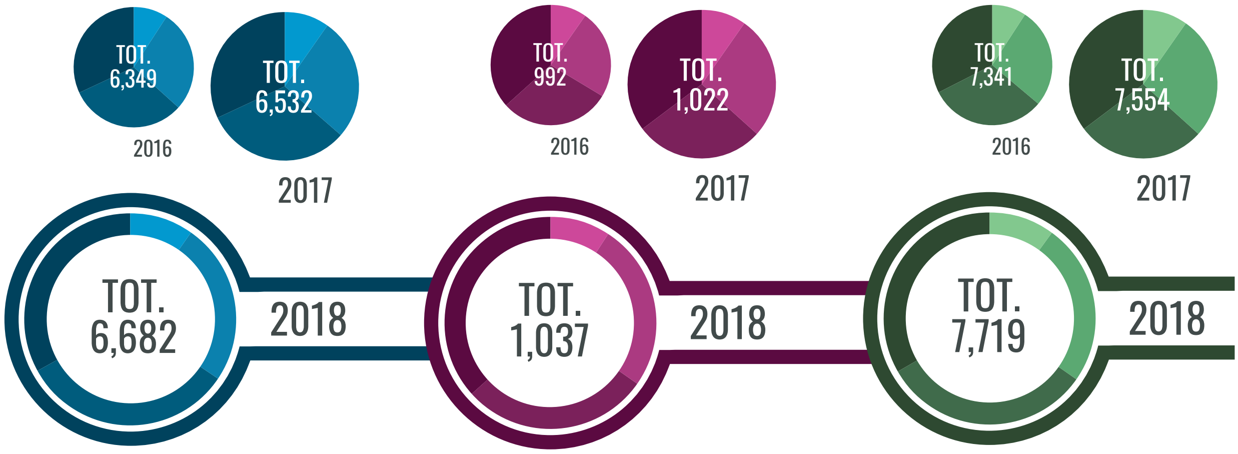
Significant fines for noncompliance with laws and regulations in the social and economic context	In 2018, as in previous years, no significant fines have been imposed for noncompliance with laws and regulations in the social and economic context.
Cases of corruption and actions taken	In 2018, as in previous years, no cases of or losses ascribed to the “corruption and bribery” category have been recorded.

4. PEOPLE

CLN Group is comprised of a multicultural group of employees: about 7,700 individuals in total (counting C.L.N. S.p.A. and its subsidiaries within the scope of consolidation) as at December 31st, 2018. Out of these, 22% work in Italy – which hosts the Group headquarters and most of the central technical and commercial offices supporting the production plants – 28% work in Poland, 22% in South Africa, 16% in France, 5% in Germany, and the remaining 7% in Romania, Russia, and Slovakia.



GRI Disclosure 405-1
Personnel by age group (n°)

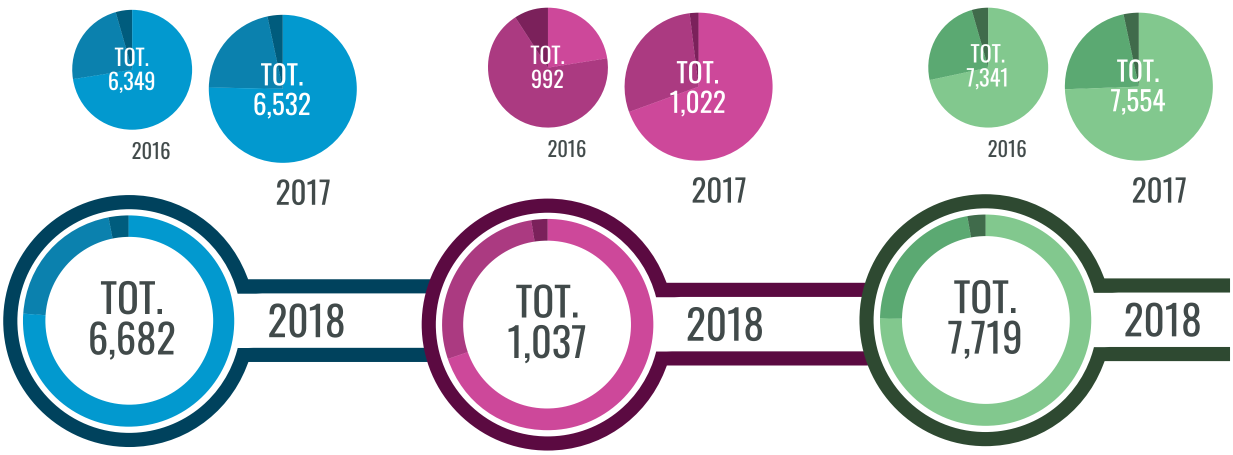


MALE	2018	2017	2016
<30 YEARS	676	653	589
30-39 YEARS	1,649	1,736	1,745
40-49 YEARS	2,166	2,066	2,004
50 YEARS AND ABOVE	2,191	2,077	2,011

FEMALE	2018	2017	2016
<30 YEARS	97	102	97
30-39 YEARS	264	275	239
40-49 YEARS	297	285	295
50 YEARS AND ABOVE	379	360	361

TOTAL	2018	2017	2016
<30 YEARS	773	755	685
30-39 YEARS	1,913	2,011	1,984
40-49 YEARS	2,463	2,351	2,299
50 YEARS AND ABOVE	2,570	2,437	2,373

GRI Disclosure 102-8
Personnel by geographic area (n°)

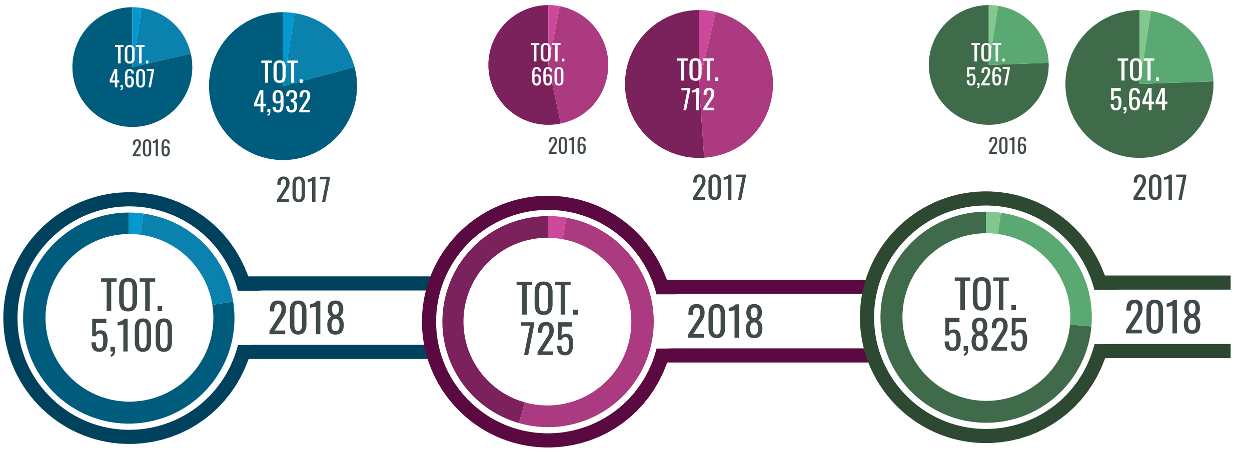


MALE	2018	2017	2016
EUROPE	5,100	4,932	4,607
SOUTH AFRICA	1,395	1,388	1,462
REST OF THE WORLD	187	212	280

FEMALE	2018	2017	2016
EUROPE	725	712	660
SOUTH AFRICA	287	291	293
REST OF THE WORLD	25	19	39

TOTAL	2018	2017	2016
EUROPE	5,825	5,644	5,267
SOUTH AFRICA	1,682	1,679	1,755
REST OF THE WORLD	212	231	319

GRI Disclosure 405-1
Personnel by category (n°) - Europe

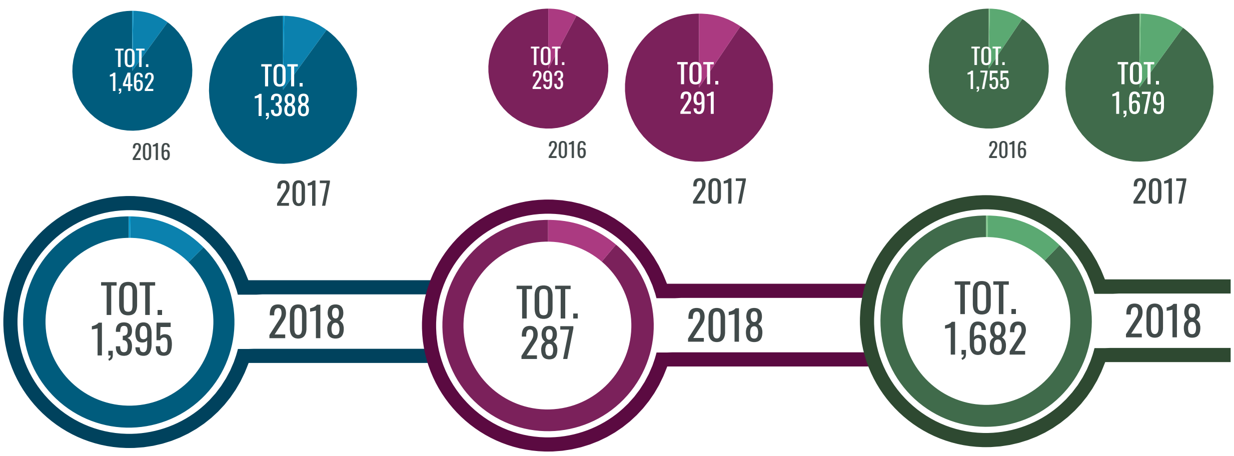


MALE	2018	2017	2016
EXECUTIVES	119	129	123
EMPLOYEES	1,029	901	863
MANUAL WORKERS	3,952	3,902	3,621

FEMALE	2018	2017	2016
EXECUTIVES	22	26	21
EMPLOYEES	374	324	288
MANUAL WORKERS	329	362	351

TOTAL	2018	2017	2016
EXECUTIVES	141	155	144
EMPLOYEES	1,403	1,225	1,152
MANUAL WORKERS	4,281	4,264	3,971

GRI Disclosure 405-1
Personnel by category (n°) - South Africa

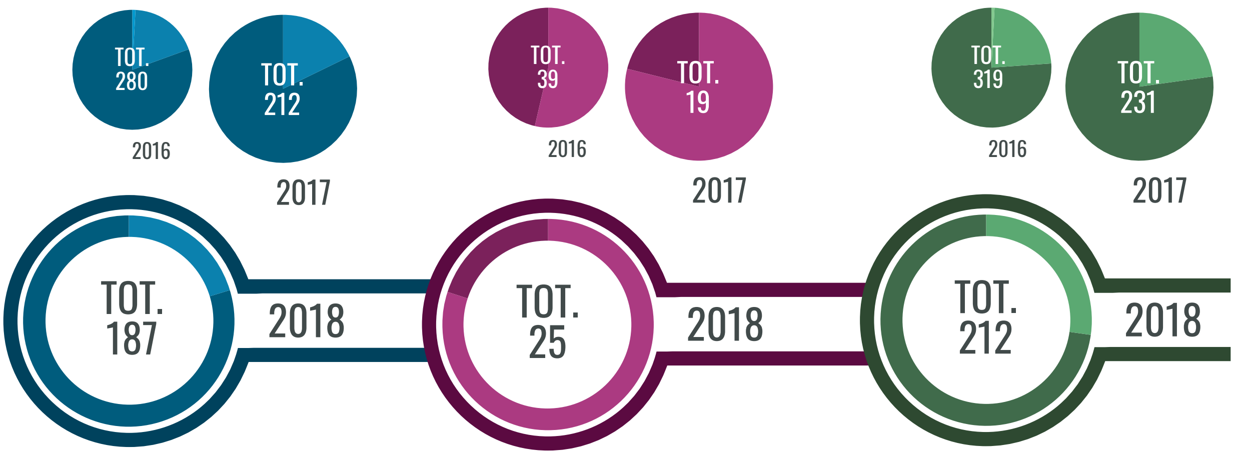


MALE	2018	2017	2016
EXECUTIVES	6	6	6
EMPLOYEES	169	136	141
MANUAL WORKERS	1,220	1,246	1,315

FEMALE	2018	2017	2016
EXECUTIVES	0	0	0
EMPLOYEES	32	28	23
MANUAL WORKERS	255	263	270

TOTAL	2018	2017	2016
EXECUTIVES	6	6	6
EMPLOYEES	201	164	164
MANUAL WORKERS	1,475	1,509	1,585

GRI Disclosure 405-1
Personnel by category (n°) - Rest of the World



MALE	2018	2017	2016
EXECUTIVES	0	0	3
EMPLOYEES	38	38	52
MANUAL WORKERS	149	174	225

FEMALE	2018	2017	2016
EXECUTIVES	0	0	0
EMPLOYEES	20	15	21
MANUAL WORKERS	5	4	18

TOTAL	2018	2017	2016
EXECUTIVES	0	0	3
EMPLOYEES	58	53	74
MANUAL WORKERS	154	178	242

Division by category year 2018 (%)

1.9% EXECUTIVES

21% EMPLOYEES

77% MANUAL WORKERS

At the end of 2018, employees hired on long-term contracts represented 92% of the total number.

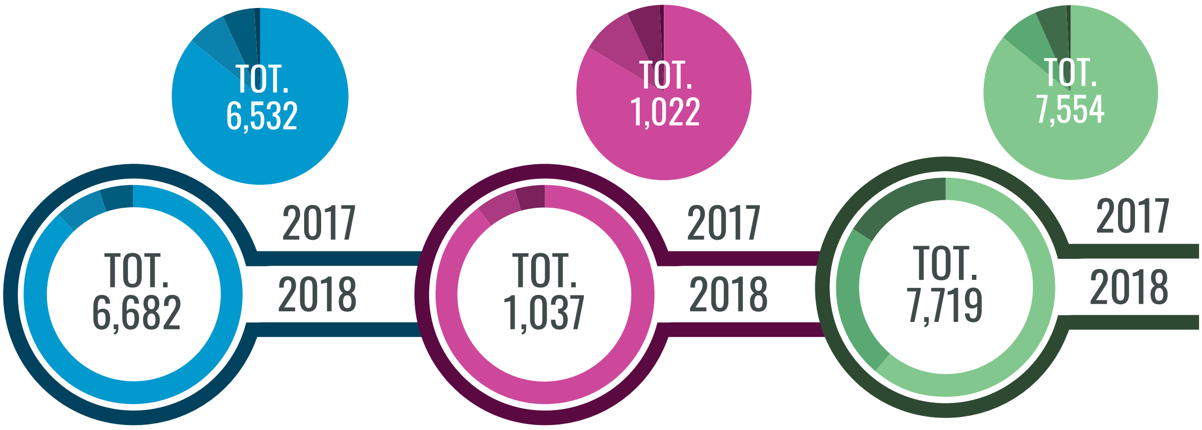
GRI Disclosure 102-8
Hired personnel (n°)

	2018			2017			2016		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Long-term	6,136	949	7,085	6,096	928	7,024	6,026	904	6,930
Fixed-term	546	88	634	436	94	530	323	88	411

In 2018, the number of employees increased by 174 people as a result of a positive difference between new hires (578 employees, equal to 7.5% of the workforce) and resignations (404 employees). In 2018 the turnover rate was equal to 0.13.

92% LONG-TERM CONTRACT

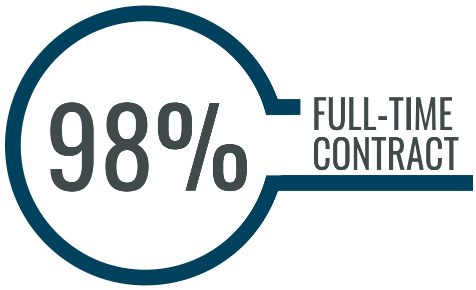
GRI Disclosure 401-1
Hires and resignations (n°)



	MALE 2018	MALE 2017	FEMALE 2018	FEMALE 2017	TOTAL 2018	TOTAL 2017
PERSONNEL AS AT 1/1	6,518	6,349	1,035	992	7,553	7,341
HIRED EMPLOYEES	506	532	72	112	578	644
RESIGNED EMPLOYEES	(355)	(421)	(49)	(75)	(404)	(496)
CHANGES OF PERIMETER	0	72	0	(7)	0	65

(*) In 2017, these refer to the sale Excel-Rim Japan and Malaysia, and the establishment of ITLA BONAITI (in terms of the activity assigned by Giuseppe & F.lli Bonaiti S.p.A.)

At the end of 2018, about 2% of total employees were hired through part-time contracts.



GRI disclosure 102-8
Contract type (n°)

	2018			2017			2016		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Full-time contract	6,611	935	7,546	6,471	952	7,423	6,293	931	7,223
Part-time contract	71	102	173	61	70	131	56	61	118

4.1 HEALTH AND SAFETY AT THE WORKPLACE

The topic of health and safety at the workplace is the Group's main priority. To promote health and safety at the workplace requires the introduction of suitable measures and positive actions to ensure that employees may fully exercise their duties.

The activities performed by the Group for such purpose, managed locally by Safety Managers present at each of the plants, are as follows:

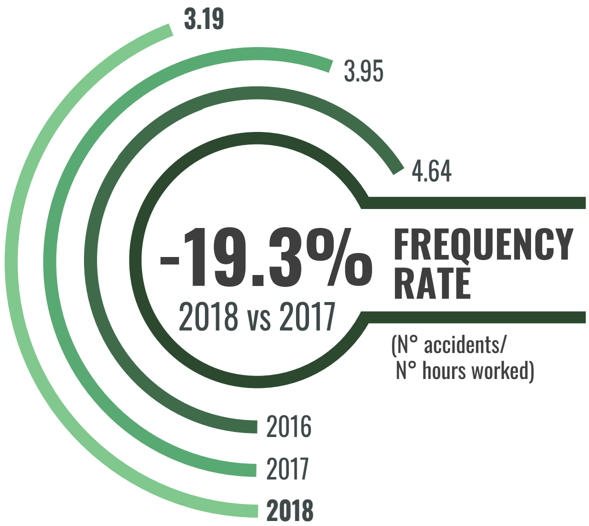
- to guarantee the observance of regulatory provisions regarding health and safety, and to promote initiatives based on a process of constant improvement and prevention;
- to define and implement control strategies for risk prevention;
- to continuously improve corporate performance and constantly monitor risks

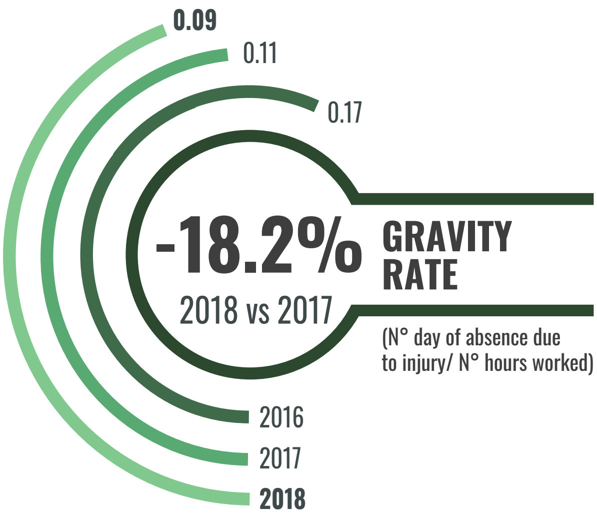
deriving from work activities;
- to provide corporate management with an efficient and effective management system that allows a consistent process of identification and solution of emerging issues, as well as an orderly flow of information that supports decision-making and operational responsibilities;
- to boost personnel involvement, motivation, and awareness;
- to contribute to improving levels of health and safety at the workplace;
- to improve internal and external corporate image, in order to gain confidence from customers, suppliers, and control entities/ authorities;
- to gradually reduce costs of health and safety at the workplace.

In this respect, a specific Group policy based upon the following fundamental principles has been issued in April 2018.
- The Group employees, with their well-being and their psycho-physical integrity, are the most precious resource.
- The CLN Group intends to implement safe and healthy working conditions.
- Safety and the safeguard of individual and collective health have maximum priority in all Group actions, and are considered an unavoidable goal to be constantly achieved and improved.
- The processes, products, plants, materials, and suppliers are defined, created, and maintained in accordance with the principles of safety and health protection of all the involved parties.
- The Group Code of Ethics, current legislations, and good manufacturing practices are the guidelines adopted to guarantee the safety of the workplaces and the protection of health.
- The Group has the duty to operate in complete safety, guaranteeing that every procedure is well understood and respected.
- Along with investments in technology and services, training on health and safety – concerning human factors – is a fundamental element to develop consciousness of all the parties affected and guarantee their involvement.

The continuous monitoring of Health and Safety indicators and the definition of challenging goals allows an assessment of Group performance, and to identify eventual actions for improvement.

GRI Disclosure 403-2





The effort by CLN Group management to reach and maintain such results is also evidenced by a continuous improvement and constant identification of new tools to implement.

Training and worker involvement are considered fundamental aspects for the creation of a strong and solid safety culture focused on risk awareness and on participation in safety-related activities. The aim is to spread a proactive and participatory approach. In 2018, about 42 thousand hours of training concerning the environment, health, and safety at the workplace were provided. Every day and at all plants the employees attend '5 minutes for safety', a field-training session calling the attention of workers on specific topics.

In order to involve every employee and develop a safety culture, “safety days” are organized. These are days dedicated to training and raising awareness on the topics related to health and safety at the workplace, which are held on a rotational basis at the main facilities of the Group. The sessions are mainly directed at employees, but also involve their families, in order to underline how the health and safety culture must be given value in all contexts, not only the workplace. In 2018 the initiative was extended to a greater number of Group branches. The first-ever “safety day” held at the Rosslyn (South Africa) plant was especially significant: about 900 employees and their families took part, and it included a Safety Show – a drama performance – as well as numerous safety demonstrations (i.e. emergency and first aid simulations).

Certain initiatives also involved the sons and daughters of employees, for example the “Sicurezza attraverso gli occhi dei bambini” (safety in the eyes of children) project: at the numerous manufacturing sites, the children represented the safety topic through drawings, photographs, and illustrations. The best drawings were given an award and published in a corporate calendar.

The MA division celebrated the “European Week for Safety and Health at Work 2018”, focused on management of hazardous substances by means of an information campaign involving all employees in order to improve their awareness on the specific topic.

Finally, we should highlight that 56% of the Group plants have achieved OHSAS 18001 certification, and the aim is to reach 80% by 2020. Over the year 2019, the Group plans a transition from the OHSAS 18001 occupational health and safety management standard to the ISO 45001:2018 standard at MA facilities. The effectiveness of the management system is guaranteed by recurring internal and external audits with the aim to identify a growing number of new improvement opportunities and highlight eventual criticalities.

4.2 RELATIONSHIPS WITH LABOR UNIONS

As at December 31st, 2018, about 75% of all the Group’s employees were employed through collective bargaining agreements.

GRI Disclosure 102-41
Percentage of employees employed through collective bargaining agreements (n°)

	2018			2017			2016		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Total employees	6,682	1,037	7,719	6,532	1,022	7,554	6,349	992	7,341
Employed through collective bargaining agreements	5,052	727	5,779	4,840	724	5,564	4,638	691	5,329
Total	**76%**	**70%**	**75%**	**74%**	**71%**	**74%**	**73%**	**70%**	**73%**

The Group’s relationship with labor unions is historically based on transparency and focused on establishing balanced agreements between the parties.

In all the countries in which it operates, the Group adopts a negotiated approach based upon prompt communication of business scenarios and strategies, with particular reference to market-related issues and production projections, as well as – in terms of employment – human resource management.

In cases of critical occupational issues, the Group philosophy is based on consensus-based actions targeted towards the identification of the most suitable tools that, on a country-by-country basis, may allow a solution without generating unsustainable collective or individual issues.

Furthermore, where required by local rules, salary policies are communicated to the labour unions and subject to specific agreements with those most representative.

As a further proof of the proper functioning of this approach, in the past few years the Group has not faced any incidents of social unrest or unilateral actions, such as strikes or interruption of overtime, with the exception of actions related to national-level conflict such as joining general strikes.

The Group recognizes the labor union as a stable interlocutor, and has never carried out actions to limit worker's representation within the individual companies, always choosing to discuss specific issues with local labor unions and more wide-ranging issues with main national labor unions.

The Group has an open, nondiscriminatory approach towards labor unions, which is aligned to the expectations of its employees.

4.3 HUMAN RIGHTS AND EQUAL OPPORTUNITIES

Human resource management – from the selection process to the hiring phase – is based upon principles of nondiscrimination and equal rights. In this regard, the Group works to guarantee the same professional growth and knowledge development opportunities for its entire workforce, without any type of discrimination.

Particular focus is dedicated to management of diversity, in terms of gender equality and disability – the two fields with the highest risk of discrimination. The Group views the concept of diversity in terms of giving value to the differences between individuals, and every employee's contribution to creating an environment in which people's identities are respected.

The Group invites all its employees to adopt this philosophy, in accordance with the principles included in the Code of Ethics.

To this end, the Group has issued two specific policies in 2018:

- **Work and human rights**
- **Equal rights and diversity**

Work and human rights

This policy is based upon the fundamental principles included in the Universal Declaration of Human Rights issued by the United Nations (UN), the Declaration of Fundamental Principles and Rights at Work by the International Labour Organization (ILO), the Convention on the Rights of the Child by the United Nations, and the European Convention on Human Rights.

On the basis of these principles, the Group's fundamental commitments are outlined hereunder.

Forced labor and traffic of human beings
Any form of forced labor or human trafficking is forbidden.

Child labor
Child labor is forbidden, along with hiring of people younger than the work age established by law in the place where the work itself is performed, and in any case no younger than 15 years old, unless international agreements or the local legislation include a specific exception on the matter. Moreover, a commitment is made to not make or pursue work agreements with suppliers that make use of child labor.

Healthy and safe workplace
Maintenance of healthy and safe work environments that respect all the laws, regulations, and internal rules concerning health and safety.
Maintenance of excellent working conditions in the industrial context, applying the principles of hygiene, industrial ergonomics, and individual organizational and operational processes.
Promotion of an accident prevention culture and risk awareness among the employees; such a culture shall be promoted actively, and in particular by means of specific training courses and suitable information.

Freedom of assembly and right to collective bargaining agreements
Respect for the freedom of assembly and right to collective bargaining agreements, in compliance with local legislation. The employees are free to join a labor union and negotiate their requests.
Commitment to cooperate with the organizations representing the workforce and to maintain significant and constructive relationships with local and national labor unions.

Working hours, wages, and indemnity
Implementation of competitive wage policies aligned to the industry and the local job market.
Compliance with current legislation governing wages, working hours, overtime, and indemnity or

– in the absence of specific legislation – compliance with the international laws on labor.

Safety at the workplace

Maintenance of work environments in which violence, harassment, intimidation, or other dangerous or destructive conditions due to internal or external threats are unacceptable. Any type of harassment or harassing behavior – such as that related to ethnic origin, gender, or personal characteristics – with the purpose or effect to violate the dignity of the purpose suffering the harassment or abusive behavior is considered unacceptable.

Commitments towards the surrounding environment, the community, and the parties affected

Commitment to always maintain an open dialogue with the people and entities affected by our activity in terms of human rights or labor rights, where applicable, in the scope of establishing a greater in-house attention to the local issues in order to resolve them more easily.

Equal rights and diversity

This policy is based upon one of the fundamental rights contained in the Universal Declaration of Human Rights issued by the United Nations, as well as the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) also by the United Nations, Directive 2000/43/CE by the European Commission, and the EU Charter of Fundamental Rights.

On the basis of such principles, the Group rejects any form of discrimination at the workplace by adopting the following practical actions:

- integration of the principle of equal treatment in the processes defining every phase of professional life and the value of human resources, so that decisions related to hiring, training, and career advancement are made strictly on the basis of ability, experience, and professional potential of individuals;
- awareness-raising and training of the entire workforce on the value of diversity and the ways of managing it, by means of training courses designed to spread a culture of respect for individuals;
- identification and availability for the personnel to use in-house tools guaranteeing the safeguarding of equal treatment;
- elimination of the causes and/or malfunctions in the work organization that may, even involuntarily, cause discrimination;
- disapproval of the regular, iterative, and intentional use of persecutory or oppressive practices, moral or psychological abuse carried out with the purpose of causing pain or with discriminatory motivations;
- adoption of tools to record perception of the discrimination phenomenon, also through the use of questionnaires;
- setup of a procedure for formal or informal reporting of cases of discrimination or harassment;
- guarantee of the right to privacy for both the victims or discrimination/harassment and those who may have caused them;
- activation of a system to monitor the efficiency of the Policy, applying all the necessary changes.

4.4 PERSONNEL TRAINING

The development and growth of professional and management skills of employees is fundamental to guarantee the quality and absolute safety of all corporate processes.

For this purpose, the Group has offered about 480,000 hours of training in 2018.

GRI Disclosure 404-1
Hours of training offered (n° of hours)

	2018			2017			2016		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Directors	1,077	268	1,345	1,038	111	1,148	839	116	955
Employees	54,295	14,577	68,872	26,233	6,793	33,026	25,752	7,317	33,069
Manual workers	298,604	109,185	407,789	78,935	17,255	96,190	69,917	13,874	83,791
Total	**353,976**	**124,030**	**478,006**	**106,205**	**24,158**	**130,364**	**96,508**	**21,307**	**117,816**

GRI disclosure 404-1
Average hours of training by category (n° of hours)

	2018			2017			2016		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Directors	9	12	9	8	4	7	6	6	6
Employees	45	34	42	24	19	23	24	22	24
Manual workers	56	184	69	15	27	16	14	22	14
Total	**53**	**120**	**62**	**16**	**24**	**17**	**15**	**21**	**16**

The type of training offered was mainly in the technical-professional, HSE, and management skills fields.

Type of training offered (n° of hours)

	2018			2017			2016		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Technical-professional skills	259,105	103,944	363,049	59,058	13,920	72,978	52,366	11,396	63,762
Health, Safety and Environment	37,696	4,150	41,846	26,303	4,770	31,074	26,978	4,332	31,310
Management skills	33,428	9,415	42,843	7,917	887	8,804	4,233	629	4,862
Ethics	4,812	850	5,662	-	-	-	-	-	-
Other types	18,935	5,671	24,606	12,928	4,580	17,509	12,932	4,950	17,882
Total	**353,976**	**124,030**	**478,006**	**106,205**	**24,158**	**130,364**	**96,508**	**21,307**	**117,816**

Technical-professional skills

Technical training related to the process/product: this involves innovation and the adaptation of the employees’ professional skillset to the new developments of the automotive market, with a special focus on emerging technologies. The subjects are not strictly correlated to the current business, but are also directed towards exploring new directions in terms of processes, products, and materials. This training type has a three-level structure:

1. Presentation to new employees, through internal and external training sessions with the aim of extensively introducing the new employees to the corporate process model. This includes training on technical and procedural issues, as well as manufacturing processes and the final product.
2. For employees who already have an advanced technical skillset, the Group offers a professional update on innovative technologies in the field of manufacturing tools and systems. The training is aimed at enriching the knowledge of employees with an existing level of seniority.
3. Director level: training sessions are customized to cater for the requirements of the individuals, conditional to corporate strategy. It is therefore a highly specialized training to enhance professional know-how.

Technical-professional training has grown significantly in 2018 compared to the previous year, and in particular in South Africa due to the production launch of a new important project.

Health, Safety and Environment

The Group promotes continuous and regular training in the field of health, safety and environment, to all its employees, through a series of different initiatives (in-class lessons, workgroups in production area, “safety days”).

We should highlight that Italian facilities benefit from the presence of trainees with graduate or post-graduate degrees in HSE-related fields. The trainees are for the most part hired by the Group, or in any case are placed in the condition to enter the job world with an important experience on their résumé.

Management skills

This training type is normally offered to individuals with a high seniority, as part of career development, allowing the completion of their profile as managers in terms of resource management, leadership, and knowledge of target markets.

Ethics

For the first time ever, in 2018 the company offered training sessions pertaining to ethical values, in Poland and Italy in particular.

Other training types

The corporate training offer is completed by specific courses in other relevant areas, and most of all by language courses.

TOK ACADEMY project

The TOK (Transfer Of Knowledge) Academy in Chivasso (Turin) was inaugurated in September 2018. It is a professional training institution for students having earned a vocational school diploma and for internal personnel.

The academy offers a three-year training course: at the moment, the project is involving eight students qualified in mechatronics, and is focused on the in-house development of skills that are not easily acquired in the work context.

5. ENVIRONMENT

The production carried out at the Group facilities includes a wide range of metal manufacturing processes. In particular, the main metal manufacturing processes and technologies currently used are:

- Cold-stamping of steel and aluminum
- Roll forming of steel and aluminum
- Assembly of metal components by means of robot welding
- Coating of metal components (cataphoresis, powder/liquid finishing)
- Longitudinal and transversal cutting of steel
- Cold re-rolling of steel
- Steel annealing in furnaces and through heat treatment

Such processes require – to different extents – the use of factors of production as well as natural and energy resources, thus causing environmental impact.

The Group is confident that the creation of value – supported by means of profitable and socially responsible growth – must take into account environmental protection as a key factor in the execution of its corporate activities.
Environmental integrity and safeguarding of all those who offer their services to Group facilities are inescapable values to be adopted by corporate management and all of its employees in carrying out each of their duties and depending on their skillset.

In accordance with the pursuit of such values and goals, the Group carries out its activities in full compliance with current legislation and standards, and – moreover – commits to promote continuous improvement and prevention initiatives to its manufacturing processes.

This includes the development and implementation of methods based – now more than ever – on the fundamental principles of maximum reduction of environmental impact and optimization of resources.

In this scope, the activities performed by the Group – centrally coordinated by specific entities (HSE entities) and managed locally by the Environmental Managers at each production plant – are focused on:

- guaranteeing compliance with environmental legislation and the most modern international standards for environmental protection;
- defining and implementing action and control plans inspired by environmental protection philosophies;
- constantly improving corporate performance by constantly monitoring the environmental aspects and impact of the production activity;
- providing corporate management with an efficient and effective management system that may allow a permanent identification and management of emerging issues and an orderly information flow suitably supporting decision-making and executive responsibilities;
- increasing the involvement, motivation, and awareness of workers and third-party companies working at CLN facilities;
- reducing environmental impact by means of technical operations, reduced consumption, compensation actions, waste reduction and increase in recycling, and prevention of eventual environmental contamination;
- improving its internal and external image, thus having a greater reliability with regards to clients, suppliers, and supervision entities/ authorities.

Environmental Policy

The Group has issued a specific "Environment" policy based upon the following fundamental principles:

- Environmental protection, as well as safeguarding of individual and collective health, are the top priorities in all Group actions.
- The CLN Group plans to minimize the impact of its actions on the environment.
- The processes, products, plants, materials, and suppliers are defined, created, and maintained in accordance with the principles of environmental protection by all the involved parties.
- The Group Code of Ethics, current legislations, and good manufacturing practices are the guidelines adopted to guarantee environmental protection.
- The Group has the duty to operate with complete environmental safety, guaranteeing that every procedure is well understood and respected.
- Along with investments in technology and services, training on environmental topics – concerning human factors – is a fundamental element to develop consciousness of all the parties affected and guarantee their involvement
- The efficient use of natural resources such as energy and water as well as raw materials is fundamental to the Group's environmental approach.

Continuous monitoring of environmental indicators, and the definition of challenging goals allows an assessment of Group performance, and to identify eventual actions for improvement. In 2018 a Group project for the standardization and agreement between the definitions and method of documenting environmental indicators has been developed. This led to the creation of a single data collection platform that allows continuous and standardized reporting. Moreover, the project has led to the identification of a new and common environmental data comparison method, based upon the so-called "standard hours", essentially defined as production hours against which to compare all absolute environmental indicators.

As a further proof of the Group commitment in this direction, it is specified that all the Group facilities are required to monitor the achievement of annual improvement targets for the main indicators related to energy consumption, water use, and waste generation.

Finally, it is highlighted that two additional, specific policies related to "Water" and "Accidental pollution" have been issued in 2018.

Water

This policy reiterates, among other factors, the Group's commitment to:
- perform preventive maintenance operations so as to avoid any form of water wasting;
- support water conservation initiatives jointly with the local authorities and communities;
- perform regular assessments of the water supply with the suppliers themselves, local authorities, and other organizations (i.e. the World Resources Institute);
- strictly comply with all standards related to quality, consumption, and treatment of water;
- closely monitor the wastewater produced by the working activity that may affect the quality of the water table.

Accidental pollution

This policy reiterates, among other factors, the Group's commitment to:
- strictly comply with all standards related to accidental pollution episodes;
- only work with authorized waste management companies equipped with the necessary authorizations;
- perform regular maintenance and monitoring of the systems to avoid leakage of oils and/or other pollutants;
- purchase suitable insurance coverage for eventual damage due to accidental pollution episodes.

5.1 ENERGY EFFICIENCY

In 2018, the Group's energy consumption was about 1.6 million GJ, mainly in the form of electrical energy (62%).

GRI Disclosure 302-1 (GJ)

	2018	2017	2016
Electrical energy consumption	927,129	909,753	871,706
Fuel consumption	646,540	630,302	582,016
Total energy consumption	**1,573,669**	**1,540,055**	**1,453,723**

The consumption of electricity concerns both the production plants and their administrative offices; the fuel consumption is from the production of heat for heating of the buildings and for the production processes, in particular painting. For the Group's Headquarters, located in Rivoli (TO) Italy, the total energy consumption for 2018 was 1,334 GJ of electricity and 3,290 GJ of fuel; total energy consumption for 2017 was 1,310 GJ of electricity and 2,815 GJ of fuel. These values are related to the consumption of the administrative offices of C.L.N. S.p.A., MW Italia S.r.l. and MA S.r.l.

It is worth highlighting that the 2018 calculation includes the ITLA BONAITI plant in Civate purchased in late December 2017. Group consumption excluding such plant (thus with the same scope of consolidation) was 918,897 GJ in electrical energy consumption and 629,302 GJ in fuel consumption, thus a total of 1,548,199 GJ.

Total energy consumption has increased by about 2% compared to 2017, in line with a growth in fiscal year result and production output, which the Group calculates both in terms of total hours worked and in terms of standard hours of production.

Consequently, the energy intensity ratio has fallen by about 3% compared to the previous year, considering both the hours worked and the standard hours of production.

GRI Disclosure 302-3 (GJ/h)

	2018	2017	2016
Energy Intensity (Total energy consumption/n° hours worked x 1000)	91.16	93.55	99.29
Energy Intensity (Total energy consumption/n° standard working hours x 1000)	229.24	236.14	285.25

This improvement in Energy Intensity has been obtained by means of specific plans of action and energy reduction activities such as the installation of LED lighting, industrial plant energy optimization, and continuous personnel awareness-raising. In particular – with the support of an innovative start-up company – we have performed consumption reduction operations by means of optimization of processes, which require the use of compressed air.

The Group is aware that environmental protection must be – above all – pursued through the optimization of energy use, and this can also be achieved through little everyday actions carried out at the production facilities and offices. The Group has organized communication campaigns to promote a number of "Top Tips" to raise environmental awareness among employees, and to reduce environmental impact by means of simple but effective behavioral rules including conscious use of air conditioning/heating systems as well as efficient lighting.

5.2 EMISSIONS MANAGEMENT

Greenhouse gas emissions are the main cause of climate change and global warming. The Group has committed to limit the emissions output of its production and heat generation plants, and to launch related initiatives that may contribute to the European Union's commitment (Paris Agreement) to maintain global temperature rise at a temperature 2°C (35.6°F) below pre-industrial levels.

In 2018 direct and indirect greenhouse gas emissions recorded amounted to 35,161 metric tons of carbon dioxide equivalent, growing by about 3.5% compared to 2017, in line with the growing production output and fiscal year results recorded.

GRI disclosure 305-1 (SCOPE 1 - tCO_2e)

	2018	2017	2016
Direct CO_2 emissions (metric tons of CO_2 equivalent)	23,824	22,840	20,127

GRI disclosure 305-2 (SCOPE 2 - tCO_2e)

	2018	2017	2016
Indirect CO_2 emissions (metric tons of CO_2 equivalent)	11,337	11,119	11,421

SCOPE 1+2 (tCO_2e)

	2018	2017	2016
Total direct and indirect emissions	35,161	33,959	31,548

The data shown in the table above relating to previous years have been updated to ensure consistency with the improvement of the calculation methodology.
The sources used for the conversion of energy data and for the calculation of emissions are the following: "GRI 2011, Guidelines for sustainability reporting, version 3.1" and "WRI 2015, GHG protocol tool for stationary combustion, version 4.7".

The relationship between CO_2 emissions and standard working hours is 5.12 metric tons×1000/h, as opposed to a value of 5.21 metric tons×1000/h recorded in 2017, thus with a reduction by about 2% to prove the Group's effort and results achieved in limiting environmental impact causing climate change.

Moreover, the Group promotes the use of compensation measures for its greenhouse gas emissions. In particular, it promotes the creation of green spaces (trees, orchards, grass, and flowers) to increase carbon capture and sequestration, as well as contributing to an increase in biodiversity in the areas close to the production facilities and reducing the environmental impact of the latter. At the end of 2018, green spaces at the Group sites added up to a 200,000 m^2 (2,152,782 ft^2) total surface area. The creation of 31 new green spaces – of an 8000-m^2 (86,111 ft^2) total surface area – is planned in 2019.

200,000 m^2

GREEN POINT IN THE GROUP'S PLANT

5.3 SCRAP AND WASTE MANAGEMENT

Steel, which is by far the raw material most utilized by the Group, is the most recyclable (100%) and recycled material in the world, due to the fact that it is one of only few materials that does not lose its properties once it is recycled. Moreover, with its resistance and versatility steel lends itself to countless strategic sectors, including:

- Transportation: trains, watercraft, cars, bicycles, etc.
- Energy: load-bearing elements of wind power plants and electrical power transmission lines (trellises)
- Construction: concrete reinforcement and other components

Steel is indeed the main scrap material in manufacturing processes carried out at the Group plants. During 2018, the Group has re-sold about 400,000 metric tons of metals (steel and, to a lesser extent, aluminum) destined for recycling.

The Group's manufacturing processes therefore do not generate a significant quantity of non-hazardous waste in that the scrap material includes almost exclusively metal that is resold for recycling.

The Group produces a minimal quantity of waste classifiable as hazardous (mainly waste oil and paint) in accordance with current local legislation. Such waste amounted, in 2018, 4322 metric tons – 826 (23%) more than the previous year.

Metal scrap and hazardous waste (metric tons)

	2018	2017	2016
Metal scrap re-sold for recycling	402,897	378,469	351,688
Hazardous waste	4,290	3,496	2,940

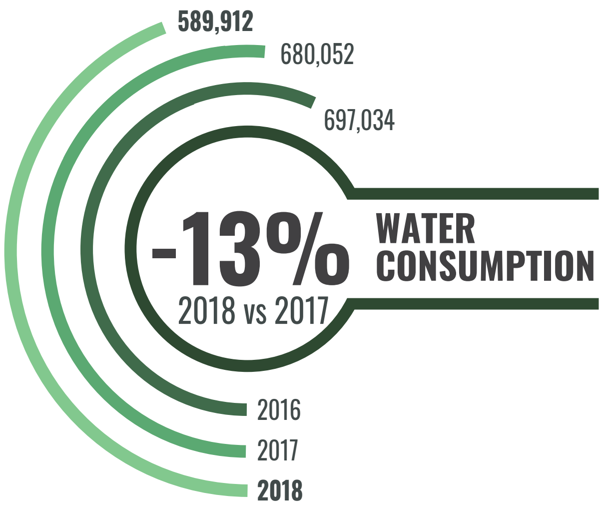
In 2018 the company focused even more on topics related to reduction in waste production and the increase of recycling by means of specific projects and sharing of activities targeted towards improving the related performances.

5.4 WATER MANAGEMENT

Metal manufacturing and painting sites require the use of water in the cooling process, as well as water used for strictly civil purposes. An uncontrolled use of water causes negative environmental impacts, such as the reduction in water resources and the modification of natural ecosystems. Water is one of the most contended resources in the industrial, agricultural, and civil contexts. The optimization of water use by factories is important, as it may reduce their general impact on the environment, including alteration of water sources; this may have a positive impact on operating costs as well.

In 2018 the Group has used 591,000 m^3 (over 20 million ft^3) of water, with a 13% reduction compared to the previous year.

GRI Disclosure 303-1
Water consumption (m^3)



This reduction, achieved in spite of the increase in production output, is the result of the constant consumption optimization process undertaken by the Group, including – in particular – an improvement of the production processes and reduction in leakage. An example of the Group's effort is the "Water efficiency project" launched by the MA Division to encourage production plants to engage in substantial water efficiency actions. The main elements of the project are the following:

- Constant measurement of the quantity of water used, wastewater, and percentage of recycled water.
- Awareness campaigns and workshops for employees, in order to stimulate responsible

behavior and water conservation.
- Development of a process for the measurement of running water consumption for each plant.
- Reduction of water for cleaning to a bare minimum (use of condensed water from compressors or rainwater) and reuse of process water through the installation of water recycling systems.
- Change in equipment: implementation of water-saving technology.

In 2018, CLN's activity in in Water Stressed Areas was monitored using the Aqueduct Water Risk Atlas tool. Results highlighted a high risk for the site operating in the Port Elizabeth area (South Africa). The site thus underwent actions targeted towards:
regularly monitoring the risk and actively participating in the Water Task Team of the Nelson Mandela Bay Business Chamber;
increasing employee awareness on the risks related to water resources;
considering technical operations to optimize water cycles and introduce multiple uses (reuse) of water.

5.5 ENVIRONMENTAL CERTIFICATION

Finally, it is reported that 76% of the Group plants has earned an ISO 14001:2015 certification, with the aim to reach 85% by 2020. The transition to the new 2015 update has been fully completed. The efficiency of the management system is guaranteed by regular internal and external audits, with the aim to identify more and more opportunities to improve and highlight eventual criticalities.

6. PRODUCTS, CUSTOMERS, AND SUPPLY CHAIN

6.1 PRODUCT QUALITY AND CUSTOMER SATISFACTION

Employees in the Group always work whilst bearing in mind that the constant pursuit of product excellence and quality is the key factor required to be recognized as a global market leader in steel and aluminum processing.

In order to achieve excellence, the crucial activities to be carried out on a daily basis are:
- To improve industrial processes as much as possible so as to make them fully reliable from the very beginning of newly commissioned projects
- To constantly develop human resource skills through training
- To follow standard maintenance cycles
- To closely monitor supplier quality
- To make personnel aware of customer expectations and their key role in guaranteeing that they are met

Employees are thus frequently encouraged to follow the motto "Quality, passion for details".

Product quality is measured mainly through customer satisfaction. In a sector distinguished by an incredibly high level of competition, customer satisfaction manifests itself – first of all – through the renewal of existing orders once the products have reached their end-of-life, and through new, incoming orders. The Group's constant and consistent growth in the past few years is of course a crucial proof of thus (330 million euro turnover growth in the past three years – CAGR 7.7%).

Secondly, customer satisfaction is proven by tangible forms of recognition awarded to the Group and its divisions over the years.

Awards and recognitions won in the past 5 years

MA Division		MW Division
MA Argentina receives an award by GM in recognition of quality, costs, technology, and service	2014	
MA receives the "Metallic Supplier Award of the Year" from FCA at the 2015 Quality Supplier Convention	2015	MW South Africa receives the "Certificate of Appreciation" award from Toyota
MA receives the "2016 Supplier Award" from PSA MA South Africa receives the "Supplier Award" from Toyota for the year 2015	2016	MW South Africa receives the "Special Award" from Toyota
MA receives the "Raw Material Supplier Award" from FCA MA Polska is awarded by FCA on the occasion of the "Su.Per" awards ceremony	2017	MW Russia receives the "Q1 Preferred Quality Status" recognition from Ford
The division is awarded at the Supplier Performance Awards Ceremony by FCA	2018	The division is awarded at the Supplier Performance Awards Ceremony by FCA

6.2 SUPPLY CHAIN

Suppliers play a fundamental role in the pursuit of high quality and the competitiveness of the Group's products.

The main purchase/supplier types were:
- Raw material
- Direct goods and services for production purposes
- Investments in plants and machinery
- Tooling/dies sold to customers

Purchases of raw materials (steel and aluminum in particular) are carried out through a limited number of suppliers, large multinational manufacturers, or directly from the end customer – following the "resale" mechanism.

Direct goods and services for production purposes – related directly to the production cycle – mainly include semi-finished goods, transportation, energy, maintenance, and other services for staff and cleaning. There is a vast supplier pool, and suppliers are mainly located in the nations in which the Group operates, given the demand to provide prompt assistance to the production activities.

The total sum of purchases related to the two categories in 2018 was about 1,367 million euros.

GRI Disclosure 102-9
Value of raw materials and direct goods and services purchased by geographic area (€/Mln)

	2018	%	2017	%	2016	%
Europe	819	59.9%	800	60.7%	634	58.0%
South Africa	241	17.6%	198	15.0%	167	15.3%
Rest of the World	8	0.6%	14	1.1%	7	0.6%
Total raw materials (a)	**1,068**	78.1%	**1,012**	76.8%	**807**	73.8%
Europe	285	20.8%	284	21.5%	261	23.9%
South Africa	12	0.9%	11	0.8%	11	1.0%
Rest of the World	2	0.1%	11	0.8%	15	1.4%
(b) Total direct goods and services for production purposes	**299**	21.9%	**307**	23.3%	**287**	26.2%
Total (a+b)	**1,367**	100.0%	**1,318**	100.0%	**1,094**	100.0%

Purchases related to investments, plants and machinery, and tooling/dies sold to customers represent a spot form of purchase carried out with multinational players that may be located anywhere in the world. Investments in plants and machinery amounted to about 139 million euros in 2018.

In order to maintain the highest possible level of customer satisfaction, the Group selects its suppliers based upon objective quality and reliability characteristics, technological innovation, and value for money.

Nevertheless, social and environmental aspects – with a consequent positive impact on the local economy – are increasingly considered in the assessment of suppliers.

To this end, in 2018 the Group has launched a project that entails the obtainment of written confirmations by its suppliers concerning:

- compliance with local legislation
- implementation of a suitable governance dedicated to CSR
- commitment to promoting the above to its supplier pool

At the end of December 2018, 389 written confirmations were obtained, subdivided as follows:

- Raw material suppliers: 21
- Suppliers of direct goods and services for production: 209
- Suppliers of plants and machinery: 26
- Suppliers of Tooling/dies: 82
- Suppliers of indirect goods and services: 51

7. SOCIAL ASPECTS AND RELATIONSHIP WITH THE LOCAL CONTEXT

The Group has a strong sense of responsibility and commitment towards the local context, made up of the economic, social, and cultural activities of civil society and the formal institutions present in the areas in which the Group companies operate: this is why the Group has always put effort in supporting social, health, and cultural/natural heritage initiatives, just as it has always monitored the presence of new start-up companies, born in university institutions and aligned to the Group in terms of core values.

7.1 SOCIAL INITIATIVES

The Group makes – through the parent company – donations and contributions to organizations operating in Italy in the fields of social welfare, medical research, and the safeguard of cultural/natural heritage.

Safeguard of cultural and natural heritage

FAI: a not-for-profit foundation with the aim of protecting and promoting Italian historic, artistic, and natural heritage. In 2018 CLN has confirmed its subscription to the FAI Corporate Golden Donor support and membership program, directed at companies that share a tangible interest in Italian art, culture, and landscape.

Consulta per la Valorizzazione dei Beni Artistici e Culturali di Torino (board for the promotion of cultural/artistic heritage of Turin): CLN is a member of the board, which has the purpose of promoting and improving accessibility to Turin's historical and artistic heritage. CLN is actively involved by participating in the organization's governing bodies and commissions and through its annual contribution. Along with the other 32 member companies, it has helped Consulta invest over 30 million euros since its establishment in 1987, and carry out 90 restoration and promotion initiatives.

Social welfare sector

Gruppo Abele: CLN supports Gruppo Abele – an organization founded in Turin in 1965 by Father Luigi Ciotti to assist those in need of help to regain a place in society – through the Certosa 1515 charterhouse. Certosa 1515 in Avigliana (Turin) is an accommodation structure and a training center open to all. It is a place designed for the promotion of culture and where people may reflect, study, and share views, whilst preventing and opposing social exclusion.

E4Impact: a foundation established in 2010 at the ALTIS (specialized business and social sciences school) of the Università Cattolica del Sacro Cuore (Milan), with the purpose of fostering sustainable development in emerging economies by supporting training of entrepreneurs in high social- and environmental-impact businesses and the creation of a start-up company with the related business growth. Starting with an MBA in Kenya in 2010, E4Impact is now present in Ghana, Sierra Leone, Uganda, Ivory Coast, Senegal, Ethiopia, and Sudan, where it has trained over 700 entrepreneurs. In 2019 the program will expand to Rwanda and Zimbabwe.

Furthermore, in 2018 the CLN Group has begun to also support the following social welfare projects:
Pacefuturo onlus: born officially in 2004, it has been managing Villa Piazzo in Pettinengo (Biella) since 2006 and operates in the cultural and peace sectors by means of: meetings, exhibitions, and events; hospitality and solidarity by means of practical generative welfare projects for international asylum seekers, employees, and homeless people; promotion and economics applied to the rediscovery and recovery of local handicraft, artistic heritage, and natural heritage.
Caritas Diocesana - Diocesi di Torino: Diocese of Turin: has the function of promoting charity and welfare initiatives across the diocese – by means of direct action or through the connection with volunteering organizations – in favor of people or communities in situations of hardship.

Healthcare sector

Fondazione Piemontese per la Ricerca sul Cancro ONLUS (Piedmontese foundation for cancer research): established to provide substantial support to fight cancer by means of the creation of a Piedmont oncology network, combining scientific research and clinical practice, and offering oncology patients the best human and technological resources available today. CLN's donations have contributed to funding new equipment and maintaining the Istituto di Candiolo - IRCCS (scientific care and recovery center), a diagnostic, medical, and surgery center distinguished by the wide range of therapies carried out and the ability to foster relationships with the greatest national and international research institutes. It is recognized for the treatment of numerous tumors and as one of the most popular health facilities in Italy in terms of patients treated to cure nipple tumor and breast sarcoma.
Fondazione Italiana per la lotta al Neuroblastoma ONLUS: an Italian organization established to fight neuroblastoma (a severe pediatric tumor that affects 130 children in Italy every year) and solid pediatric tumors through innovative research projects aimed towards finding new and effective personalized therapies and cures. In particular, CLN's donations have contributed – also through its subscription to campaigns such as "Cerco un Uovo Amico" (I'm looking for an egg friend) – to fund research projects and labs. Over the past few years, the foundation has made a 20-million euro contribution to scientific research – 14 million euros to researchers – and to eight Italian centers of excellence.

Additionally, CLN and its Italian and foreign branches contribute to fund the Fondazione Mario and Anna Magnetto, an ideal reflection of the social commitment of the Group's founder and his family towards local entities.

The foundation, established in 2004, directly and indirectly supports projects in the following fields, which have always met the interests of the Group and its founders:

- **Health |** Support and research, prevention and assistance in the field of cardiovascular and neurological diseases by means of research grants and scholarships, promotion of related activities, organization of conferences and seminars.
- **Children |** Support of pediatric activities and assistance to children living in situations of hardship or who are disabled.
- **Work and entrepreneurship |** support and promotion of local businesses, also by means of encouraging research and technological/industrial training in cooperation with specialized entities and institutions.
- **Local context |** Preservation and restoration of artistic and architectural heritage; promotion of the environment and local context, in particular the Susa Valley.
- **Culture |** Support and promotion of cultural initiatives in the local context.

www.fondazionemagnetto.org

In addition to the above donations at the national level, there are likewise various fundraising activities promoted by the Group's **foreign branches** and involving their own local contexts, with special regard to the social sphere.

Romania: MW Romania regularly supports Fondazione Procarione, a foundation branching from Fondazione Magnetto that, among other initiatives, contributes to supporting the Drăgășani hospital (where the MW plant is located), provides help to the needy, supports school activities, and offers scholarships for high school students.

Poland: In 2018, MA Polska has supported the following entities:

- Dom Dziecka w Sieborowicach, a foster home in Sieborowice, by means of gifts to the children and funding of construction and building renovation work.
- Społeczne Stowarzyszenie Hospicjum in Tychy, an organization providing assistance to terminal oncology patients and their family members, as well as organizing different promotional and educational activities in the city of Tychy (hosting an MA plant);
- Unia Oświęcim local hockey club, for the purchase of youth equipment.

Moreover, ZWM SHL has made donations to the Kielce History Museum on the occasion of the company's 100th anniversary, and has contributed to creating new green spaces in the city center of Kielce (hosting an MA plant).

Germany: MA Automotive Deutschland supports, by means of donations, educational and sports activity in certain early childhood schools attended by the sons of the employees living in the area where the facility is located.

South Africa: MA Automotive South Africa supports a wide range of social development projects, including numerous initiatives related to the field of education. In particular:

- support of a foster home for abused children;
- awarding of scholarships for outstanding students in the local community;
- support of homeless shelter in Pretoria;
- subscription to CEO SleepOut™, an initiative in which those involved lived the experience of a night as a homeless person, with the aim to raise funds destined to charity organizations.

7.2 COOPERATION WITH UNIVERSITIES

For a number of years now, the Group, with its special attention to all that which concerns open innovation activities, has continued to cooperate in several specialized cooperation projects with universities and private research centers. The Group is involved in projects related to research and technological innovation in the main areas of operation of the Group's companies, as well as research projects related to sustainable transport and activities supporting – in terms of both funding and technology – start-ups born from university research projects.

Investments in such fields are included in a strategic development plan that involves, in particular, the electric vehicle and future transportation sectors. The Group is aware of the fact it needs to position itself at the center of global changes and trends, and at the same time to more confidently define its corporate strategy and technological orientation within its current business sector, in order to identify new growth opportunities.

Some of the Group's notable co-operations are with the following:

I3P Incubatore Imprese Innovative - Politecnico di Torino (innovative enterprise incubator of the Turin Polytechnic): funding and technical cooperation in research projects and innovative enterprise ideas (Italian start-up companies).

Politecnico di Torino: research and development projects with undergraduate and PhD students, also through the awarding of scholarships.

I-FEVS: projects funded by the European Community in the context of calls for proposals related to sustainable transport.

BeonD: a business reality – which CLN owns 10% of – established within the Department of Mechanical and Aerospace Engineering at the Turin Polytechnic, that has developed an innovative light electric vehicle platform prototype and, on the basis of such skills, offers engineering services for the implementation of structural composite materials and transmission systems for electric vehicles (batteries and Electronic Control Units).

Fondazione Agnelli – CDILabs: foundation for the identification of international innovative start-up companies. Assessment of investment opportunities or launch of technical collaborations for the implementation of products or services (i.e. a pilot project for technology transfer) provided by such start-up companies in the Group manufacturing facilities.

May 9th, 2019

The Board of Directors
The Chairman
Aurora Magnetto

8. APPENDIX

GRI Standards Index

GRI STANDARD	Disclosure	Chapter	Page	Omissions/Notes concerning the coverage of GRI Disclosure
TOPIC OF ITALIAN LEGISLATIVE DECREE N° 254/16: IDENTITY OF THE ORGANIZATION				
GRI 102: GENERAL DISCLOSURE	102-1 Name of the organization	1. Introduction	31	
	102-2 Activities, Brands, Products and Services	1. Introduction	31	
	102-4 Locations of headquarters	4. People	38	
	102-16 Values, principles, standards, and norms of behavior	3. Values	37	
	102-18 Governance structure	1. Introduction	32	
TOPIC OF ITALIAN LEGISLATIVE DECREE N° 254/16: FIGHT AGAINST ACTIVE AND PASSIVE CORRUPTION				
GRI 205: ANTI-CORRUPTION	205-3 Communication and training about anti-corruption policies and procedures	3. Values	37 - 38	
TOPIC OF ITALIAN LEGISLATIVE DECREE N° 254/16: ENVIRONMENTAL ASPECTS				
GRI 302: ENERGY	302-1 Energy consumption within the organization	5. Environment	50	
	302-3 Energy intensity	5. Environment	50	
GRI 303: WATER	303-1 Water withdrawal by source	5. Environment	52	The distribution of consumption by type of withdrawal is not available
GRI 305: EMISSIONS	305-1 Direct (Scope 1) GHG emissions	5. Environment	51	
	305-2 Indirect (Scope 2) GHG emissions	5. Environment	51	
TOPIC OF ITALIAN LEGISLATIVE DECREE N° 254/16: PERSONNEL MANAGEMENT				
GRI 102: GENERAL DISCLOSURE	102-8 Information on employees and other workers	4. People	39-41	No available details of the number of employees with permanent / temporary contracts by region
	102-41 Collective bargaining agreements	4. People	44	
GRI 401: EMPLOYMENT	401-1 New employee hires and employee turnover	4. People	42	The data is only available by genre.
GRI 404: TRAINING AND EDUCATION	404-1 Average hours of training per year per employee by gender, and by classification	4. People	47	
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY	405-1 Diversity of governance bodies and employees	4. People	33/40	
TOPIC OF ITALIAN LEGISLATIVE DECREE N° 254/16: HEALTH & SAFETY				
GRI 403: OCCUPATIONAL HEALTH AND SAFETY	403-2 Hazard identification, risk assessment, and incident investigation	4. People	43	The frequency rate and the gravity rate are reported, while the absenteeism rate is not available.
TOPIC OF ITALIAN LEGISLATIVE DECREE N° 254/16: HUMAN RIGHTS				
GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	4. People	36	
TOPIC OF ITALIAN LEGISLATIVE DECREE N° 254/16: SOCIAL ASPECTS				
GRI 419 SOCIOECONOMIC COMPLIANCE	419-1 Non-compliance with laws and regulations in the social and economic area	3. Values	38	
TOPIC OF ITALIAN LEGISLATIVE DECREE N° 254/16: SUPPLY CHAIN AND SUB-CONTRACTING CHAIN				
GRI 102: GENERAL DISCLOSURE	102-9 Supply chain	6. Products, customers and supply chain	54	
TOPIC OF ITALIAN LEGISLATIVE DECREE N° 254/16: REPORTING METHODOLOGY				
GRI 102: GENERAL DISCLOSURE	102-50 Reporting period	1. Introduction	31	
	102-52 Reporting cycle	1. Introduction	31	
	102-40 List of stakeholder groups	2. Materiality	36	
	102-46 Defining report content and topic Boundaries	2. Materiality	36	
	102-47 List of material topics	2. Materiality	36	
	102- 55 GRI content index	8. Appendix	59	
	102-56 External assurance	Report of the independent auditors	125	Consolidated Disclosures of Non-Financial Information were verified by the independent auditing company. The Disclosures have been submitted to the approval of the Board of Directors on 09/05/2019.

3

CONSOLIDATED FINANCIAL STATEMENTS 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€/000	Note	Fiscal Year as at December 31 2018	2017	Change
ASSETS				
Non-current assets				
Intangible assets	8.1	22,346	24,633	(2,287)
Property, plants, and equipment	8.2	671,602	663,017	8,585
Investments and other financial assets	8.3	107,029	98,313	8,716
Other non-current receivables and assets	8.4	2,464	2,694	(230)
Deferred tax assets	8.5	45,789	43,047	2,742
Total non-current assets		**849,231**	**831,704**	**17,527**
Current assets				
Inventory (*)	8.6	198,460	193,982	4,478
Trade receivables	8.7	112,774	121,070	(8,296)
Other current receivables and assets	8.8	66,270	109,993	(43,723)
Contract assets (*)	8.6	561	-	561
Cash and cash equivalents	8.9	163,037	145,635	17,402
Total current assets		**541,103**	**570,680**	**(29,577)**
Disposal groups (assets) classified as held for sale	8.10	60,879	13,640	47,239
TOTAL ASSETS		**1,451,214**	**1,416,024**	**35,190**
Share capital	8.11	235,000	235,000	-
Other reserves	8.11	55,149	70,361	(15,212)
Retained earnings (accumulated deficit)	8.11	(94,956)	(94,290)	(666)
Net Equity attributable to the Group	8.11	**195,194**	**211,071**	**(15,877)**
Net equity of non-controlling interests	8.11	36,321	32,974	3,347
TOTAL NET EQUITY	8.11	**231,515**	**244,045**	**(12,530)**
LIABILITIES				
Non-current liabilities				
Post-employment benefits	8.12	28,735	28,978	(243)
Provisions for risks and charges	8.13	10,187	14,629	(4,442)
Non current borrowings	8.14	322,777	340,950	(18,173)
Deferred tax liabilities	8.15	45,007	47,076	(2,069)
Other non-current liabilities	8.16	36,161	41,672	(5,511)
Total non-current liabilities		**442,866**	**473,305**	**(30,439)**
Current liabilities				
Current borrowings	8.14	195,399	203,240	(7,841)
Trade payables (*)	8.17	393,025	376,662	16,363
Current tax liabilities	8.18	5,143	2,551	2,592
Contract liabilities (*)	8.6	-	8,778	(8,778)
Other current liabilities (*)	8.19	146,702	107,443	39,259
Total current liabilities		**740,269**	**698,674**	**41,595**
Disposal groups (liabilities) classified as held for sale	8.10	36,563	-	36,563
TOTAL NET EQUITY AND LIABILITIES		**1,451,214**	**1,416,024**	**35,190**

(*) Adjusted figures from consolidated financial statements at December 31, 2017 approved by the Board of Directors on April 11, 2018 as a result of certain reclassifications due to the introduction of the new accounting standards IFRS 15 and IFRS 9 and for allow a better understanding of the operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Fiscal Year as at December 31		
€/000	Note	**2018**	**2017**	**Change**
Net revenue from contracts with customer:				
Revenue from sales of parts and components (*)	9.1	**1,657,929**	**1,581,490**	**76,439**
Revenue from tooling (*)	9.1	91,827	147,468	(55,641)
Other operating income (*)	9.2	147,405	125,735	21,670
Raw material consumables and goods	9.3	(1,180,444)	(1,157,805)	(22,639)
Personnel expenses	9.4	(338,560)	(323,949)	(14,611)
Other operating costs	9.5	(239,973)	(227,119)	(12,854)
Gross Operating Income		**138,183**	**145,820**	**(7,637)**
Depreciation, amortization, and impairment losses	9.6	(87,596)	(82,723)	(4,873)
Net Operating Income		**50,588**	**63,097**	**(12,509)**
Financial income	9.7	12,671	8,302	4,369
Financial expenses	9.8	(45,136)	(46,709)	1,573
Results from investments	9.9	(10,827)	(96)	(10,731)
Result before income tax		**7,295**	**24,594**	**(17,299)**
Income tax	9.10	(7,050)	(7,588)	538
Net Result from continuing operations (A)		**245**	**17,006**	**(16,761)**
Discontinued operations (B)		-	-	-
Results for the year (A+B)		**245**	**17,006**	**(16,761)**
Results attributable to:				
- Group		*(3,375)*	*13,926*	*(17,301)*
- Non-controlling interests		*3,619*	*3,080*	*540*
Components of the comprehensive income statement which may be subsequently reclassified in the income statement				
Differences deriving from currency translation of financial statements of foreign companies		(16,012)	(1,701)	(14,311)
Portion of Other profits (losses) of companies valued using the Equity Method	8.3	399	(201)	600
Profits (losses) on cash flow hedge instruments		12	26	(14)
Total of the components of the statement of comprehensive income which may be subsequently reclassified in the income statement		**(15,601)**	**(1,876)**	**(13,725)**
Total other comprehensive profits (losses), net of tax effect (C)		**(15,601)**	**(1,876)**	**(13,725)**
Total comprehensive net profit for the fiscal year (A)+(B)+(C)		**(15,356)**	**15,130**	**(30,486)**
Comprehensive net profit attributable to:				
- Group		*(18,574)*	*12,491*	*(31,066)*
- Non-controlling interests		*3,218*	*2,639*	*579*

(*) Adjusted figures from consolidated financial statements at December 31, 2017 approved by the Board of Directors on April 11, 2018 as a result of certain reclassifications due to the introduction of the new accounting standards IFRS 15 and IFRS 9 and for allow a better understanding of the operations.

CONSOLIDATED CASH FLOW STATEMENT

	Fiscal Year as at December 31		
€/000	**2018**	**2017**	**Change**
Results before income tax	7,295	24,594	(17,299)
Adjustment for:			
Depreciation, amortization, and impairment losses	87,596	82,723	4,873
Results from investments	10,827	96	10,731
(Gain) Losses on disposal of fixed assets	(3,454)	(3,176)	(279)
Change in Post-Employment Benefits	(243)	(261)	18
Change in Provisions for Risks and Charges	(3,874)	(10,522)	6,648
Change in Net Working Capital			
Inventory and contract assets/liabilities	(19,859)	(7,202)	(12,657)
Trade receivables and other receivables	19,193	(8,687)	27,880
Trade payables and other payables	51,037	52,913	(1,876)
Cash Flow generated from operations	**148,518**	**130,478**	**18,040**
Paid Income Tax	(13,329)	(14,256)	926
Net Cash Flow from operating activities (A)	**135,189**	**116,223**	**18,966**
Equity Investments (net of disposals)	1,365	(3,904)	5,269
Acquisition of intangible fixed assets	(3,442)	(2,771)	(671)
Acquisition of tangible fixed assets	(116,119)	(105,332)	(10,787)
Disposal of tangible fixed assets	7,715	6,623	1,092
Disposal groups (assets) classified as held for sale	15,502	5,450	10,052
Net cash flow absorbed by investing activities (B)	**(94,979)**	**(99,934)**	**4,955**
Dividends paid	(774)	(993)	219
Changes in minority shares in a subsidiary	3,386	-	3,386
Proceeds from banks and other financial institutions	94,500	78,481	16,019
Repayment of borrowings from banks	(116,624)	(69,440)	(47,184)
Net Cash Flow from financing activities (C)	**(19,512)**	**8,047**	**(27,560)**
Total Cash Flow (A+B+C)	**20,698**	**24,336**	**(3,638)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FISCAL YEAR	**145,635**	**122,476**	**23,159**
Change in scope of consolidation	(2,184)	(2,804)	620
Exchange rate differences on cash and cash equivalents	(1,112)	1,627	(2,739)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**163,037**	**145,635**	**17,402**

CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY

€/000	Share capital	Other reserves	Reserve for profits carried forward	Net equity of the Group	Minority interests in Net equity	Total Net Equity
Balance as at December 31, 2016	**235,000**	**71,796**	**(97,943)**	**208,853**	**18,868**	**227,721**
Net profit for the 2017 fiscal year (A)	**-**	**-**	**13,926**	**13,926**	**3,080**	**17,006**
Other components of the comprehensive income statement						
Profits (losses) from remeasurement of defined benefit plans	-	-	-	-	-	-
Differences deriving from currency translation of financial statements of foreign companies	-	(1,260)	-	(1,260)	(441)	(1,701)
Profits (losses) on cash flow hedge instruments	-	(175)	-	(175)	-	(175)
Total other components of the comprehensive income statement (B)	**-**	**(1,435)**	**-**	**(1,435)**	**(441)**	**(1,876)**
Comprehensive net profit for the 2017 fiscal year (A+B)	**-**	**(1,435)**	**13,926**	**12,492**	**2,639**	**15,130**
Transactions with shareholders						
Changes in scope of consolidation			(10,059)	(10,059)	12,459	2,400
Share capital increase			-	-	-	-
Other transactions			(215)	(215)	(991)	(1,206)
Balance as at December 31, 2017	**235,000**	**70,361**	**(94,290)**	**211,071**	**32,974**	**244,045**
Net profit for the 2018 fiscal year (A)	**-**	**-**	**(3,375)**	**(3,375)**	**3,619**	**245**
Other components of the comprehensive income statement						
Profits (losses) from remeasurement of defined benefit plans	-	-	-	-	-	-
Differences deriving from currency translation of financial statements of foreign companies	-	(15,610)	-	(15,610)	(402)	(16,012)
Profits (losses) on cash flow hedge instruments	-	399	-	399	-	399
Total other components of the comprehensive income statement (B)	**-**	**(15,211)**	**-**	**(15,211)**	**(402)**	**(15,613)**
Comprehensive net profit for the 2018 period (A+B)	**-**	**(15,211)**	**(3,375)**	**(18,586)**	**3,218**	**(15,368)**
Transactions with shareholders						
Changes in scope of consolidation	-	-	-	-	-	-
Share capital increase	-	-	-	-	-	-
Effects of the first implementation of IFRS 9 (a)	-	-	5,133	5,133	-	5,133
Other transactions	-	-	(2,424)	(2,424)	129	(2,295)
Balance as at December 31, 2018	**235,000**	**55,149**	**(94,956)**	**195,194**	**36,321**	**231,515**

(a) impact from the first adoption of the new standard IFRS 9 (Euro 5,133 thousand) related to the renegotiation of the financial loan signed in 2015 by C.L.N. S.p.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

C.L.N. S.p.A. (hereinafter "the Company" or "CLN") and its subsidiaries (hereinafter "CLN Group" or "the Group") operate in a number of steel industry sectors – mainly the automotive sector – with its processes ranging from component stamping and assembly to manufacturing of steel wheels for every vehicle type.

CLN has been operating in the steel sector since 1948. Today the Group – with all its divisions and companies – is an integrated organization, mainly operating in and leading the following sectors:

Metalforming: stamping, roll forming, and assembly of metal components for the automotive market; die design and manufacturing; component testing.
Wheels: engineering and manufacturing of steel wheels for passenger cars and light commercial vehicles; wheel marketing for the aftermarket sector; wheel validation through functional testing, material analysis, and metrological analysis.
Steel: manufacturing and distribution of flat steel products.
The two divisions operating in the metal automotive components sector increasingly represent the Group's core business.

MA the Automotive Metal Components division – is one of the main global suppliers of metal parts – stamped or roll-formed components (external and structural), and components for propulsion/powertrain systems – for any type of passenger car and light/heavy commercial vehicle in the world automobile industry. It is present in Europe, South Africa, and South America.

MW the Steel Wheels division – is a market leader in the sector of steel wheel manufacturing for all types of vehicles (passenger cars and light commercial vehicles), supplying clients with complete solutions for engineered wheels, from the design phase to the choice of materials and manufacturing process. It has facilities in Europe, Russia, and South Africa.

Moreover, the Group operates in the high carbon flat steel re-rolling sector within the European market. It operates and is a market leader in the flat steel re-rolling sector as well as in supply from service centers through its non-consolidated shareholdings in the ArcelorMittal CLN group. The full and joint control activities related to cold steel re-rolling and supply report to the **SSC** division.

C.L.N. S.p.A. is a company incorporated and based in Italy, and is organized in accordance with the legal system of the Italian Republic. The registered office of the company is at 13/15 Corso Susa, Caselette (Turin).

2. SUMMARY OF THE ADOPTED ACCOUNTING STANDARDS

Shown below are the main criteria and accounting standards applied when preparing and drafting the consolidated financial statements for the Group (hereinafter "Consolidated Financial Statements"). These accounting standards were applied consistently for all the fiscal years presented in this document.

2.1 BASIS OF PREPARATION

European Regulation (EC) n° 1606/2002 issued on July 19th, 2002 introduced the obligation, starting from the 2005 fiscal year, to apply the International Financial Reporting Standards (hereinafter "IFRS") – issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union ("EU IFRS" or "International Accounting Standards) – in drafting consolidated financial statements of companies having equity and/or debt securities listed in one of the markets regulated by the European Community. On July 31st, 2015, CLN issued a bond worth a nominal amount of EUR 100 million – fully subscribed under private placement by Morgan Stanley in its role as sole underwriter – and listed it on the Irish Stock Exchange. In compliance with the legislative provisions recalled above, CLN thus has the obligation to draft the consolidated financial statements and financial statements for the fiscal year in accordance with the EU IFRS since the fiscal year ended on December 31st, 2015.

January 1st, 2014 has thus been identified as the date of transition to the IFRS (the "Date of Transition").

These financial statements were drawn up in compliance with the EU IFRS in force as at its approval date. EU IFRS include all the "International Financial Reporting Standards", all the "International Accounting Standards" (IAS), and all interpretations of the "International Financial Reporting Interpretations Committee (IFRIC)", formerly named "Standing Interpretations Committee (SIC)", approved and adopted by the European Union.
Furthermore, it should be mentioned that the EU IFRS were applied in a consistent manner to all the periods presented in this document. These consolidated financial statements were drafted to the best of knowledge of the EU IFRS and considering the most suitable doctrine on the matter. Any future orientations and interpretative updates shall be reflected in subsequent fiscal years, in accordance with the procedures established by the accounting standards of reference on a case-by-case basis.

These consolidated financial statements were prepared in the scope of business continuity and based upon the conventional criterion of historical cost, with the exception of certain accounting entries that are recorded at fair value, in accordance with the provisions contained in the International Accounting Standards.

These consolidated financial statements were subject to approval by the Board of Directors of the Company on May 9th, 2019.

2.2 FORM AND CONTENT OF THE FINANCIAL STATEMENTS

The Consolidated Financial Statements include the following form and content, for those the Group has made the following choices:

a. the Consolidated Statement of Financial Position displays current and non-current assets, as well as current and non-current liabilities, separately;
b. the Consolidated Statement of Comprehensive Income gives a classification of costs and revenue by nature;
c. the Consolidated Cash Flow Statement is represented according to the indirect method.
d. the Consolidated Statement of Changes in Net Equity.

The Group has chosen to prepare a statement of comprehensive income that includes both the net profit for the period and changes in net equity related to economic entries classified as components of net equity by express provision of the International Accounting Standards.
The structure used, as specified above, is the one which best represents the Group's financial position, balance sheet, and cash flow situation. Due to the introduction of the new accounting standards IFRS 15 and IFRS 9 and for allow a better understanding of the operations, some figures have been adjusted from consolidated financial statements at December 31st, 2017 approved by the Board of Directors on April 11th, 2018.The present financial statements were drawn up in Euros, the Group's functional currency.
The values shown in the financial statements as well as in the detailed tables included in the Notes to the Financial Statements are expressed in thousands of Euros, unless otherwise specified.

These financial statements are subject to audits by PricewaterhouseCoopers S.p.A., the auditing company for the Company and the Group.

2.3 SCOPE OF CONSOLIDATION AND RELATED CHANGES

These consolidated financial statements include the financial statements of the parent company C.L.N. S.p.A. and the financial statements of its subsidiaries, approved by the respective governing bodies. The financial statements have been appropriately adjusted, where necessary, in order to standardize them with the accounting principles of the Parent Company and with EU IFRS.

The financial statements of subsidiaries included in the Group Consolidated Financial Statements are prepared in accordance with the same accounting principles adopted by the Parent company (excluding the valuation criteria for investments); eventual consolidation changes are applied to standardize the items affected by the use of different accounting principles. All balances and intragroup transactions – including eventual unrealized profit ascribed to the relationships between Group companies – are written off in full, with the exception of eventual amounts considered irrelevant. The Group's share of unrealized profit and losses related to associate companies is written off. Unrealized loss is written off unless it should represent a loss in business value.

A list of the companies included in the scope of consolidation as at December 31st, 2018– with an indication of share capital and the method of consolidation used to prepare the consolidated financial statements for the Group – is included in annexes 1 to 4 attached to this document.

Throughout 2018 the scope of consolidation was affected by transfer of the company MIM Steel Processing GmbH, fully controlled by C.L.N. S.p.A.

Moreover, the purchase of the ITLA BONAITI S.r.l. plant in Civate in late December 2017 has implied the need to perform a Purchase Price Allocation analysis, as prescribed by IFRS 3. Such analysis was completed in 2018.

It is specified that the following subsidiaries are consolidated using the net equity method rather than the consolidation method, being those are start-up companies and given the intangibility of the effects the latter would generate:

- **MA Automotive Argentina S.A.**
- **CLN Serbia D.o.o.**
- **Nichelino Immobiliare S.r.l.**

For the same reason, the following companies are fully excluded from the consolidation:

- **MA Automotive Components (Shangai) Co., Ltd**
- **MAAP-MA Automotive Portugal S.A.**
- **ITLA BONAITI GmbH Germany**
- **August Lapple East London (Pty) Ltd**
- **P.I.CHI Scrl.**

The scope of consolidation and criteria for the exclusion are in accordance with the guidelines of the legislation framework on financial information, and have been applied coherently.

2.4 PRINCIPLES OF CONSOLIDATION

The criteria adopted by the Group to define the scope of consolidation and related consolidation principles are explained below.

Subsidiaries

Subsidiaries are companies that are controlled by the Group. The Group controls a company when it is exposed to the variability of the results achieved by such company, and has the power to affect the results by means of its power over the company. Generally speaking, the status of control is presumed when the Company holds, directly or indirectly, more than half the voting rights, also considering potentially exercisable or convertible voting rights.
All subsidiaries are consolidated using the consolidation method from the date on which control was transferred to the Group. They are instead exempted from consolidation starting from the date on which such control ceases to exist.

The Group uses the acquisition method in accounting corporate aggregations. In accordance with such method:

a. the amount transferred with a corporate aggregation is valued at fair value, calculated as the sum of the fair value of the transferred assets and liabilities assumed by the Group on the date of acquisition, as well as the capital instruments issued in exchange for control of the acquired company. Supplementary expenses of the transaction are included in the income statement at the time they are borne;
b. at the date of acquisition, the identifiable assets acquired and liabilities assumed are purchased at their fair value as at the date of acquisition. Exceptions to this are deferred tax assets and liabilities, assets and liabilities for employee benefits, liabilities or capital instruments concerning payments based on shares of the acquired company or share-based payments related to the Group issued in replacement of contracts owned by the acquired company, and the assets (or groups of assets and liabilities) up for sale which, instead, are valued according to their reference principle;
c. goodwill is defined as the excess of the total compensation transferred with the corporate aggregation, the value of the net equity pertaining to minority shares, and the fair value of any shares previously held in the acquired company compared to the fair value of the net assets and liabilities received on the date of

acquisition. If the value of the net assets and liabilities received on the date of acquisition exceeds the total of the transferred compensation, the value of the net equity pertaining to minority shares, and the fair value of any stakes held previously in the acquired company, such excess is recognized in the income statement immediately as income deriving from the concluded transaction;

d. eventual compensations subjected to conditions established by the corporate aggregation contract are estimated at fair value as at the date of acquisition, and they are included in the value of the compensations transferred within the corporate aggregation for the purposes of defining goodwill.

In the case of corporate aggregations taking place in stages, the share previously held in the acquired company is revalued at fair value as at the date of control acquisition, and any consequent profit or losses are included in the income statement.
Should the initial values of a corporate aggregation be incomplete on the date of closure of the financial statements for the year in which the corporate aggregation took place, the Group will include in its consolidated financial statements the temporary values of the items that cannot be recorded in full. Such temporary values are adjusted during the measurement period to account for new information obtained concerning facts and circumstances that existed as at the date of acquisition and that, if known, could have affected the value of the assets and liabilities recognized on such date.

Joint arrangements

The Group applies IFRS 11 when assessing joint control arrangements. In accordance with the provisions contained in IFRS 11, a joint control agreement can be classified as both a joint operation and a joint venture depending on a substantial analysis of the parties' rights and obligations. Joint ventures are joint control agreements in which the parties, or joint venturers holding joint control, avail themselves of, among others, rights on the net assets of the agreement. Joint operations are joint control agreements attributing to the participants both rights on assets and obligations on liabilities related to such agreement. Joint ventures are booked using the net equity method; the Group does not hold shares identified as joint operations.

Associate companies

Associate companies are ones which the Group has considerable influence on, namely when the Group's shareholdings and related voting rights are between 20% and 50%.
Shareholdings in associate companies are estimated using the equity method. Such criterion can be described as follows:

a. the Group's profits and losses are booked from the date on which the notable influence or joint control began until the date on which the two end. Should a company valued using the said method record a negative net equity due to losses, the book value of its shareholdings will be written off; any excess pertaining to the Group – should it have committed to fulfilling the legal or implied obligations of the associate company, or in any case to cover the losses – is recorded as a specific provision;

b. unrealized profits and losses generated on operations carried out between the parent company and the associate company valued using the net equity method are written off in accordance with the value of the Group shareholdings in the associate company itself. Unrealized losses are written off, unless they should represent a loss in business value.

Shareholdings in Other Companies

Shareholdings in "Other companies" are valued at fair value. In case of the fair value is not available or its determination is too onerous, such investments are valued at cost.

Conversion of the financial statements of foreign companies

The financial statements of subsidiaries are drafted using the currency of the primary economic environment in which they operate. The rules for translating financial statements expressed in currencies other than the Euro are the following:

a. assets and liabilities are converted using the exchange rates existing as at the date of reference of the financial statements;

b. costs and revenue are translated at the average exchange rate for the fiscal year;

c. the "foreign exchange reserve" included among the items of the comprehensive income statement includes both the exchange rate difference generated by the conversion of financial values at a different exchange rate from that existent upon closure, and those generated by the conversion of net opening balances at an exchange rate different from the rate as at the closure of the accounting period;

d. goodwill – if existing – and fair value adjustments related to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and converted using the exchange rate as at the closure of the period.

Exchange rates used for conversion into euros of the financial and economic values for companies having a functional currency other than the euro were the following:

		End-of-year Exchange Rate		Average Exchange Rate	
Currency	*Nation*	**2018**	**2017**	**2018**	**2017**
Peso	Argentina	43.1593	22.931	32.9094	18.7408
Real	Brazil	4.444	3.9729	4.3085	3.6054
Złoty	Poland	4.3014	4.177	4.2615	4.257
New Leu	Romania	4.6635	4.6585	4.654	4.5688
Renminbi	China	7.8751	7.8044	7.8081	7.6290
Indian Rupee	India	79.7298	76.6055	80.7332	73.5324
Ruble	Russia	79.7153	69.392	74.0416	65.9383
Rand	South Africa	16.4594	14.8054	15.6186	15.0490
Yen	Japan	125.85	135.01	130.3959	126.7112
Ringgit	Malaysia	4.7317	4.8536	4.7634	4.8527
Turkish Lira	Turkey	6.0588	4.5464	5.7077	4.1206
Dinar	Serbia	118.3109	118.6386	118.2365	121.3561

Transactions related to minority shareholdings

Changes in the portion of interests of a subsidiary not representing a loss of controlling power are treated as equity transactions. Therefore, for subsequent purchases related to entities for which control already exists, any positive or negative difference between the purchase cost and correspondent portion of net accounting equity is recognized directly within the Group's net equity. For partial subsidiary transfers without control loss, any capital gains/losses are booked directly in the Group's net equity.

Put options on minority interests

Potential payments related to put options on minority interests are recorded as financial debts, as they envisage the payment of a predefined amount of cash or cash equivalents by the company, which cannot be avoided if third party shareholders decide to exercise the option assigned to them. Liabilities related to put options on minority interests are initially measured at fair value and then remeasured according to the amortized cost method, using the actual interest rate. Differences in valuations are recorded in the income statement as financial income and expenses.

Financial payables for put options are classified among current liabilities as "other current payables and liabilities" should they be expected to extinguish within 12 months from the date of the financial statements; otherwise they are classified among non-current liabilities.

Transactions in foreign currency

Transactions in currencies other than the functional currency are recorded at the exchange rate in being as at the date of the operation. Monetary assets and liabilities recorded in a currency other than the euro are subsequently adjusted at the exchange rate in being as at the fiscal year end. Differences in conversions eventually arising among commercial and financial transactions are classified in the income statement as "Financial expenses" and "Financial income".

Non-monetary assets and liabilities denominated in currencies other than the euro are recorded at historical cost, applying the exchange rate in force on the date of initial recording of the transaction.

2.5 VALUATION CRITERIA

The valuation criteria applied in drafting the consolidated financial statements as at December 31st, 2018 correspond to the ones used in drafting the consolidated financial statements as at December 31st, 2017, with the exception of the implementation of two new international accounting standards as described hereunder.

IFRS 15 - "Revenue from Contracts with Customers" - which replaces the standards governing the revenue recognition, namely IAS 18 ("Revenue") and IAS 11 ("Construction Contracts") and the related interpretations. The new principle introduces a general framework of reference for the recognition and measurement of revenue with the end purpose to faithfully represent the process of goods and service transfer to customers by an amount equal to the payment expected in exchange for the goods and services supplied. In particular, while the IAS 18 principle included separate criteria for recording revenue from goods and services, this distinction has been completely removed in IFRS 15. The new principle focuses, instead, on identifying the so-called "performance obligation" to pair with the related recording criteria for revenue, and establishes a five-step accounting model: (i) identification of the contract(s) with the customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations in the contract; and (v) recognition of revenue as each performance obligation is satisfied.

The analysis activity performed has not led to the determination of significant impact in the Group context in terms of main revenue streams identified within the Group. Considering the non-significant nature of the impact deriving from application of the new standard, the Group has opted for a simplified retrospective approach as envisaged by IFRS 15, which does not imply the recalculation of comparative balances.

IFRS 9 - "Financial Instruments" - has efficiently replaced IAS 39 for fiscal years starting on January 1st, 2018, introducing relevant updates in terms of classification and measurement of financial instruments, impairment, and hedge accounting.

Classification and measurement - Financial assets and liabilities

No significant impact was recorded in terms of the Group financial statements following the application of the classification and valuation requirements introduced by IFRS 9. Other financial activities, just like trade receivables, were held for collection as established by contractual terms, and it is expected that they generate cash flows including solely payments of principal and interest.

Impairment

In accordance with the provisions of IFRS 9, the Group applies an expected credit loss model to the assessment and recoverability of financial assets. The model in concern is based upon a predictive approach, involving the comparison between contractual cash flows due as agreed in the same and all cash flows that the Group expects to receive, discounted by the effective original interest rate.
Considering the financial assets owned by the Group, the above described assessment model is applied to trade receivables and other credit.
In terms of trade receivables, the Group adopts the so-called simplified approach, which does not imply the recognition of regular changes in credit risk, but rather requires the accounting of an Expected Credit Loss ("ECL"), calculated for the entire lifetime of the credit (lifetime ECL). In particular, the policy adopted by the Group involves a classification of trade receivables based upon the number of days overdue, and a valuation of the counterparty solvency. Such categories were applied different loss percentages, reflecting the respective recovery expectations.
Other credit, for which the Group expects a low credit risk, are valued using a so-called general approach. Such approach involves the estimate of ECL referring to a 12-month term, as well as the verification – at every balance sheet date – of the changes in credit risk against the initial estimate. In terms of credit for which no significant increase in credit risk is recognized, the ECL continues to be valued over a 12-month term. Lifetime ECL is measured, instead, for credit for which significant increase in credit risk is recognized.
The introduction of new methods to assess loss in the value of financial assets has not implied

significant impact on the valuation processes (even considering the fact that trade receivables is mostly due to counterparties including major car manufacturers with a high credit standing). Such conclusion was made given that factors contributing to the assessment of credit risk considered in the IAS 39 system – such as client risk, country risk, and valuation of relevant macroeconomic information – are considered sufficiently representative of a valuation method based upon expected risk.
Credit values are presented in the statement of financial position net of the related credit loss provisions. Losses calculated in accordance with IFRS 9 are recorded in the consolidated income statement net of positive effects related to loss or gain in value, and are booked as Impairments of financial assets.

Hedge Accounting
As for hedge accounting, it is highlighted that the new IFRS 9 rules for accounting recognition of hedge accounting have not introduced relevant elements, but include a stronger connection between the substance of risk management operations and their accounting method. The new model has made the implementation of hedge accounting simpler, by allowing entities to apply accounting provisions at a wider scale. The Group has established that all existing provision relationships currently defined as effective provisions will continue to be applicable to hedge accounting in accordance with IFRS 9. Given that IFRS 9 does not affect the general principle based upon which an entity itemizes effective provision relationships, the implementation of IFRS 9 requirements for the purposes of defining provisions has not affected the Group's financial statements.

Goodwill and other intangible assets

Goodwill deriving from corporate aggregations is initially recorded as the cost on acquisition date. Goodwill is not amortized, but it does undergo assessments in order to identify any value reductions on an annual basis or even more frequently, if specific events or changing circumstances indicate the possibility that it has suffered a loss in value. After the initial acquisition, goodwill is valued at cost net of any accumulated losses in value.

The other intangible assets consist of non-monetary elements, identifiable and intangible, controllable and able to generate future economic benefits. Such elements are acquired at purchase and/or production cost, including expenses directly attributable to preparing the asset for its use, net of accumulated amortizations and any losses in value.
The other intangible assets of the Group mainly include costs for the development of new products, licenses, and patents. Development costs concerning new products in the Wheels division are only entered as assets if all the following conditions are observed (as per IAS 38 under "Intangible Assets"): the costs can be determined in a reliable manner; the technical feasibility of the product as well as the predicted volumes and prices indicate that the costs borne during the development phase will generate future economic benefits. Capitalized development costs include all direct and indirect costs that can be attributed directly to the development process.
Licenses and patents are recorded at purchase cost and then measured at the cost net of losses in value and amortization reserves.
The amortization of the other intangible fixed assets begins once the asset is available for use and is systematically divided in relation to the remaining possibility of its use, namely its estimated useful life.
Annual amortization rates applied vary between 10% and 20%.

Property, plants, and equipment

Property, plants, and equipment are valued at purchase or production cost, net of accumulated amortizations and any losses in value. The cost includes expenses directly borne in order to make their use possible, as well as any dismantling and removal expenses that could be borne as a consequence of contractual obligations requiring that the asset be restored to its original conditions.

The financial expenses directly attributable to the acquisition, construction, or production of an asset justifying capitalization pursuant to IAS 23 are capitalized on the asset itself as part of its cost.
Expenses borne for ordinary and/or cyclical maintenance and repair are directly inscribed in the income statement. Capitalization of costs

related to expansion, upgrade, or improvement of the structural elements owned or used by third parties is performed within the limits established to fulfill the requirements for being separately classified as assets or part of an asset. Improvements on third party assets include costs borne for the setup and upgrade of property controlled under conditions other than ownership.

Amortizations are calculated using the straight-line method by means of rates allowing the assets to be amortized until the end of their useful life.

The useful life estimated by the Group for each class of property, plant, and equipment is outlined below:

	Depreciation rate %
Buildings	3% - 10%
Forming presses	5% - 10%
Plants and machinery	6.7% - 20%
Industrial and commercial equipment	6.7% - 16.7%
Other assets	10% - 20%
Improvements on third party assets	The lower value between remaining duration of the lease agreement and useful life of improvements

Leased Assets - Financial lease contracts

Properties, plants, and equipment owned through finance lease agreements, by means of which the risks and benefits associated to ownership are essentially transferred to the Group, are recognized as assets of the Group at their current value or, if lower, at the current value of the minimum payments due for the lease, including any amount to be paid to exercise the purchase option. Assets are amortized by applying the above described criteria and rates for tangible fixed assets, unless the duration of the lease agreement is shorter than the useful life represented by such rates, and there is no reasonable certainty of ownership transfer of the leased asset upon the natural expiry of the agreement. In the latter case, the period of amortization shall correspond to the duration of the lease agreement.
Lease agreements by which the lessor effectively maintains the risks and benefits associated to ownership are classified as operating leases. The minimum guaranteed fees for operating leases are linearly included in the income statement throughout the duration of the lease agreement, also considering any eventual periods of renewal, if from the very start of the agreement there is reasonable certainty that the lessee will exercise such option. Conversely, potential lease fees are included in the income statement upon their appearance.

In sale-leaseback agreements, eventual capital gains between the selling cost and the book value of the asset are deferred until the end of the agreement. Likewise, eventual capital losses would be deferred should they not be representative of an actual loss in value of the asset.

Leased Assets - Operating leasing contracts

Lease operating payments are booked in the income statement and recognised on a straight-line basis over the life of the underlying contract.

Impairment of intangible and tangible assets

At least once a year, the Group assesses recoverability of the book value of intangible assets with a defined useful life and of property, plants, and equipment, in order to determine whether any indicators suggest that such assets have suffered a loss in value. If such evidence exists, the book value of the asset is reduced to the related recoverable value.
When it is not possible to estimate the recoverable value of a single asset, the Group estimates the recoverable value of the cash-flow generating unit to which the asset belongs. The recoverable value of an asset is the higher amount between its fair value net of the selling costs and its value of use. In order to determine the value of use of an asset, the Group calculates the current value of future estimated financial flows – gross of taxes – applying a discount rate – before taxes – which reflects the current market estimates of the temporal value of money and the specific risks of the activity. A loss in value is entered if the recoverable value is lower than the book value. When the circumstances that caused the loss are no longer valid, the book value of the asset is increased up to its recoverable value. Such value cannot be higher than the total which would have been determined if no loss due to value reduction had been identified. The recovery of a loss in

value is recorded in the income statement immediately.

Financial assets

At the time of their initial recognition, financial assets shall be classified into one of the three categories outlined below based upon the following elements:

- the entity's business model for managing financial assets; and
- characteristics relating to the contractual cash flows of the financial asset.

Financial assets are only later written off if the divestiture has resulted in a substantial transfer of all the risks and benefits of the assets. On the other hand, where a significant proportion of the risks and benefits relating to the financial assets disposed has been retained, they shall continue to be shown on the balance sheet, although legally the ownership of the assets has actually been transferred.

a. *Financial assets valued at amortised cost*

Financial assets that meet both of the following conditions are included in this category:

- the financial asset is held according to a business model whose objective is achieved through the collection of contractual cash flows ("Hold to collect" business model); and
- the contractual terms of the financial asset provide, at certain dates, cash flows represented only by payments of principal and interest on the amount of principal to be repaid (the so-called "SPPI test" passed).

Upon initial recognition, such assets are accounted at fair value, including transaction costs or income directly attributable to the instrument. After initial recognition, the financial assets under consideration are measured at amortized cost using the effective interest rate method. The amortized cost method is not used for assets – valued at historical cost – with short duration because the effect of the application would be not material, with no defined maturity and for receivables subject to revocation.

b. *Financial assets measured at fair value with impact on overall profitability*

Financial assets that meet both of the following conditions are included in this category:

- the financial asset is held according to a business model whose objective is achieved either by collecting the cash flows contractually expected or by selling the financial asset ("Hold to collect and sell" business model); and
- the contractual terms of the financial asset provide, at certain dates, cash flows represented only by payments of principal and interest on the amount of principal to be repaid (the so-called "SPPI test" passed).

This category includes equity interests, which are not held for trading purposes and which are not qualifying for control, association and joint control, for which the fair value designation option has been exercised with an impact on overall profitability.

At initial recognition, assets are accounted for at fair value, including transaction costs or income directly attributable to the instrument. After initial recognition, non-controlling, association and joint equity interests are measured at fair value, and amounts recognised as equity counterparts (Statement of Overall Profitability) shall not be transferred to profit and loss, even in the event of a transfer. The only component relating to the capital that is recognised in profit and loss is the dividends in question.

For equity securities included in this category, which are not listed on an active market, the cost criterion is used as a fair value estimate only on a residual basis and limited to few circumstances, where the most recent information to measure fair value is insufficient, or where there is a wide range of possible fair value measurements and the cost is the best estimate of fair value in that range.

c. *Financial assets measured at fair value with an impact on profit and loss*

Financial assets other than those classified as "Financial assets valued at amortised cost" and "Financial assets measured at fair value with impact on overall profitability" are included in this category.

Financial assets held for trading and derivative contracts that cannot be classified as hedging are included in this category (which are represented as assets if fair value is positive and as liabilities if fair value is negative). Upon initial recognition, financial assets measured at fair value impacting on profit and loss are recognised at fair value, without taking into account transaction costs or income directly attributable to the instrument. At subsequent reference dates they are valued at fair value and the measurement effects are recognised in profit and loss.

Trade receivables and other current and non-current assets

Trade receivables and other current and non-current receivables are defined as financial instruments mainly concerning credits from clients – not derivative and not listed on an active market – from which fixed or definable payments are expected. Trade receivables and other receivables are classified in the balance sheet among current assets, with the exception of those – classified among non-current assets – having a contractual expiry longer than twelve months from the date of balance sheet issuance.

Such financial assets are booked as balance sheet assets once the company enters the contracts associated to them, and they are eliminated from the balance sheet assets when the right to receive cash flows is materially transferred together with all the risks and benefits associated to the transferred asset.

Trade receivables and other current and non-current assets are originally booked at their fair value, and successively at their amortized cost using the effective interest rate, adjusted for any losses in value.

Losses in value of receivables are booked in the income statement when objective evidence is found that the Group will not be able to recover the credit on the basis of contractual terms.

The amount of the devaluation is measured as the difference between the book value of the asset and the actual value of expected future financial flows.

The value of the receivables is shown in the balance sheet net of the related loss provision.

Receivables impairment

In accordance with the requirements of IFRS 9, the Group applies the expected credit loss model for measuring the recoverability of financial assets. This model is based upon a predictive approach, which provides for the comparison of contractual cash flows in accordance with the contract and all cash flows that the Group expects to receive, discounted at the original effective interest rate. Considering the financial assets held by the Group, the valuation model described above is applied by the Group with regard to trade receivables and other receivables.

For trade receivables, the Group adopts a simplified approach to valuation (the so-called simplified approach) which does not require the recognition of periodic changes in credit risk, but rather the accounting of an expected Credit loss ("ECL") calculated on the whole life of the credit (the so-called lifetime ECL). In particular, the policy implemented by the Group provides for the stratification of trade receivables into categories on the basis of past due days and an assessment of the solvency of the counterparty.

Different write-down percentages, which reflect the related recovery expectations, are applied to these categories.

Other receivables, for which the Group estimates low credit risk, are assessed using a general approach (the so-called general approach). This approach includes the estimation of the ECL over a 12-month time horizon and the verification of credit risk changes with respect to the initial assessment at each reporting date. For credit claims for which no significant increase in credit risk is recognised, the ECL shall continue to be measured over a 12-month period.

In terms of credit claims for which significant increases in credit risk are recognised, the ECL shall be measured over the lifetime of the credit.

The introduction of new methodologies for estimating losses for impairment of financial assets did not have a significant impact on valuation processes (also in view of the fact that commercial credits are to a large extent to counterparties constituted by leading car manufacturers with a high credit standing).

This conclusion is due to the fact that credit risk qualification factors used in IAS 39 – such as client risk, country risk and assessments of relevant macroeconomic information – are already considered to be representative of an expected risk-based assessment methodology.

The value of the receivables is shown in the financial position by offsetting the corresponding depreciation funds. Write-downs accounted in accordance with IFRS 9 are recognised in the consolidated income statement by offsetting any positive effects related to write-downs or reversal of an impairment loss.

Inventory

Inventory of raw materials, semi-finished goods, and finished products are valued at the lower amount between cost and the net value of realization, the cost being determined with the First In-First Out method (FIFO). The valuation of Inventory includes both the direct and indirect (variable and fixed) costs of materials and work. Write-down provisions are calculated for materials, finished products, spare parts and other supplies considered obsolete or slow-moving, taking into account their expected future use and value of realization. The realizable value is the estimated price of sale during normal management, net of all costs estimated for the completion of the goods as well as selling and supply costs to be borne.

Net assets related to contracts

Contracts related to dies/tooling is valued according to its percentage of completion based on the ratio between job order costs borne as at the date of the financial statements and the estimate of total costs. These are shown net of down payments invoiced to clients (if lower). Eventual losses on such contracts are disclosed in the income statement at their full amount at the time they are known of.

Derivatives

Financial derivatives are accounted in accordance with IFRS 9. At the contract date, financial derivatives are initially accounted at fair value, as financial assets measured at fair value with an impact on profit and loss – when fair value is positive – or as financial liabilities measured at fair value with an impact on profit and loss – when fair value is negative.
If financial instruments are not accounted as hedging instruments, changes in fair value recognised after the first entry are treated as components of profit and loss for the period. If, on the other hand, derivatives meet the requirements to be classified as hedging instruments, subsequent changes in fair value are accounted according to the criteria outlined below.

A derivative is classified as a hedge if the relationship between the hedging instrument and the hedged item is formally documented, including the risk management objectives, the strategy for hedging and the methods that will be used to verify its prospective and retrospective effectiveness. The effectiveness of each hedge shall be verified both at the time of activation of each derivative and during its lifetime, and in particular at any financial statements end-of-year or interim situation. Generally, a hedge is considered to be highly "effective" if, both at the beginning and during its lifetime, changes in fair value – in the case of fair value hedge – or expected cash flows in the future – in the case of cash flow hedge – of the hedged item are substantially offset by changes in the fair value of the hedging instrument.

IFRS 9 provides for the possibility to designate the following three hedging relationships:

a. fair value hedge: when the hedge relates to changes in the fair value of assets and liabilities on the balance sheet, both changes in the fair value of the hedging instrument and changes in the hedge item are recognised in profit and loss.
b. cash flow hedge: in the case of hedges designed to neutralise the risk of changes in cash flows arising from the future execution of bonds contractually defined at the balance sheet date, changes in the fair value of the derivative recorded after the first recognition are accounted, only for the effective share, in the comprehensive income statement and thus in a net equity reserve named "Reserve for cash flow hedging operations". When economic effects arising from the hedged item are manifest, the portion accounted in the comprehensive income statement is returned to profit and loss. Where the hedge is not fully effective, the fair value change of the hedging instrument related to the ineffective portion of the hedge shall be recognised immediately in profit and loss.
c. hedge of a net investment in a foreign operation (net investment hedge).

If audits do not confirm the effectiveness of the coverage, then hedge accounting is discontinued and the hedging derivative contract is reclassified to financial assets measured at fair value with profit and loss impact or to financial liabilities measured at fair value with an impact on profit and loss. The hedging relationship shall also cease when:

- the derivative expires, is sold, terminated or exercised;
- the hedged item is sold, expires or is redeemed;
- the future covered operation is no longer highly likely to be carried out.

Determining the fair value of financial instruments

The fair value of financial instruments listed on an active market is based upon the market prices as at the date of the financial statements. The fair value of financial instruments not listed on an active market is instead determined by using valuation techniques based on methods and assumptions related to market conditions as at the date of the financial statements.

Operating segment information

The notice related to the segments of operation was drawn up according to the provisions of IFRS 8 “Operating Segments” standards, which prescribe the presentation of such notice in compliance with the procedures adopted by management in taking operational decisions. The identification of operating segments and the information presented are thus defined on the basis of internal reports used by management for the purposes of allocating resources to the various segments and to analyze the related performances.
IFRS 8 defines an operating segment as a component of an entity: a) that engages in business activities which it may earn revenue and bear costs from (including revenue and costs related to transactions with other components of the same entity); b) whose operating results are reviewed regularly by the entity’s top decision makers, in order to establish what resources to be allocated to the segment and to assess their performance; c) for which discrete financial information is available.
The operating segments identified by management, which encompass all the main services and products supplied to clients, are the three main Divisions of the Group:

MA Division
MW Division
SSC Division

Cash and Cash Equivalents

Cash and Cash Equivalents include cash, current bank accounts, refundable deposits on demand, and other short term high-liquidity financial investments, which can be readily convertible into cash or transformed into liquid assets within 90 days from the date of original acquisition, and which are subject to a non-significant risk of variation in value.

Financial liabilities, trade payables, and other liabilities

Financial liabilities (excluding derivatives), trade payables, and other payables are initially recorded at fair value, net of directly imputed supplementary costs, and are valued thereafter at their amortized cost, applying the effective interest rate criterion. If there is a predictable change in expected cash flows, the value of the liability is recalculated to reflect such change based on the actual value of new expected cash flow and the internal return rate as initially determined.

The Group’s financial liabilities include loans, bonds, commercial debts, other debts and derivatives. They are recognised, at the time of their initial accounting, at fair value net of any costs attributable to them. Subsequently, financial liabilities are measured at amortised cost using the effective interest method with the exception of financial derivatives (other than financial derivatives designated as effective hedging instruments) and financial liabilities designated to FVPL, which are accounted for at fair value with changes in fair value recognised in profit and loss.

Financial liabilities are classified among current liabilities unless the Group has an unconditional right to defer their payment by at least 12 months after the date of reference.
Financial liabilities are removed from the financial statements upon their extinction and at the time the Group has transferred all the risks and charges related to such item.
Significant changes to financial liabilities giving rise to a difference of at least 10% between the actual value of the net cash flows at the new conditions and the value of the remaining cash flows of the original liability – updated with the effective interest rate of the original debt or a relevant change in the characteristics of the financial liability – lead to the extinction of the financial liability and the recording of a new one. Under such circumstance, any costs or expenses borne are included as part of the profits or losses related to the extinction, unless they are strictly related to the acquisition of the new financial liability and, therefore, amortized throughout its duration.
In case the change is instead not defined as an extinction, any costs or expenses borne shall

modify the book value of the liability and are amortized throughout the remaining term of the adjusted liability.

Provisions related to personnel

Provisions related to personnel include: a) defined contribution plans and b) defined benefit plans.
With reference to defined contribution plans, the costs related to such plans are included in the income statement when borne.
With reference to defined benefit plans, the Group's net liabilities are determined separately for each plan, by estimating the actual value of future benefits that employees have accrued during the current fiscal year and previous years, and calculating the fair value of any assets included in the plan. The current value of the obligations is based on the implementation of actuarial methods attributing the benefit deriving from the plan to the periods in which the obligation to issue it arises (Projected Unit Credit cost method) and is based upon actuarial assumptions which are objective and mutually comparable. Assets included in the plan are recorded and valued at fair value.
Should a potential asset be established through such calculation, the amount to be credited is limited to the actual value of each economic benefit available in the form of future refunds or reductions in future contributions to the plan (asset limit).
The components of the cost of defined benefits are recorded as follows:

- costs related to provided services are booked in the income statement under "Staff costs";
- the net financial expenses on the liabilities or assets with defined benefits are included in the income statement as "Financial income (expenses)" and are calculated by multiplying the value of the net asset (liability) by the rate used to actualize the obligations, considering payments of contributions and benefits that took place throughout the period;
- the components for remeasurement of the net liability – which include actuarial profits and losses, the performance of the assets (excluding active interests recorded in the income statement), and any changes in the limit of the asset – are immediately booked as "Other comprehensive profits (losses)". Such components must not be reclassified in the income statement in a subsequent period.

Provisions for risks and charges

Provisions for risks and charges are recorded against losses and expenses of a defined nature, of certain or probable existence, and of which, nonetheless, the total amount and/or date of occurrence cannot be defined.
Such provisions are only recorded when there is a current obligation (legal or implicit) for future output of economic resources as a result of past events, and such output is likely to be required in order to fulfill the obligation. Such amount represents the best estimate of the charges required to extinguish the obligation. The rate applied when determining the current value of the liabilities reflects the current market values and considers the specific risk that can be associated to each liability.
When the financial effect of time is significant and the payment dates of the obligations may be reliably predicted, the funds are estimated at the current value of the expected disbursement, using a rate that reflects market conditions, variation of the cost of money over time, and the specific risk linked to the obligation. The increase in value of the fund determined by variations in the cost of money over time is booked as a financial charge.
Risks for which the occurrence of a liability is only a possibility are indicated in a dedicated information section concerning potential liabilities, and no provisions are made for such risks.

Government grants

Government grants are included at their fair value when there is a reasonable certainty that all the conditions necessary for obtaining them are satisfied and that they shall be received. Grants received for specific expenses are entered as liabilities and credited to the income statement using a systematic criterion in the fiscal years necessary to match them with the related expenses. Grants received for specific assets whose value is recorded among the fixed assets are recorded as non-current liabilities and booked in the income statement in relation to the period of amortization of the asset to which they refer.

Assets and liabilities held for sale and discontinued operations

A non-current asset (or disposal group) should be classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the following conditions should be met:

- the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets (or disposal groups);
- the sale must be highly probable;
- activities to identify a buyer must have been initiated;
- the selling price should be reasonable in relation to its fair value;
- completion of the sale must be expected within one year from the date of classification.

If a disposal group meets the previous conditions and at the same time represents an important independent business segment or geographical area of business or a shareholding purchased exclusively as an investment for sale, the results and the cash flows of the disposal group are shown separately within the consolidated comprehensive income statement and the consolidated cash flow statement ("Discontinued Operations").

Assets held for sale and discontinued operations are valued at the lower amount between their net book value and the fair value net of the costs of sale.

Financial Reporting in Hyperinflationary Economies

The rate of inflation accumulated in recent years in certain countries has exceeded 100%. This situation, together with other characteristics of the economy of such regions, have led the Group to adopt in particular for its subsidiary MA Argentina S.A. the IAS 29 *Financial Reporting in Hyperinflationary Economies* accounting standard. As a result, non-monetary assets and liabilities booked in the company's financial statement were revalued in order to eliminate the distortive effects of the loss of purchasing power of the local currency.

Recording of net revenue from contracts with customers

Revenue from sale of parts and components: revenue from the sale of goods are recorded in the income statement upon transferal of the risks and benefits related to the sold product to the client (recording of "point in time" revenue), which normally coincides with the delivery or shipment of the merchandise to the client. Revenue from services is recorded in the accounting period in which the services are provided. Revenue is recorded at the fair value of the received payment. It is recorded net of value added tax, expected returns, allowances, and discounts. The Group records revenue when its total amount can be reliably estimated and it is likely that the related future economic benefits will be recognized.

Revenue from sale of tooling: recording revenue from sale of tooling and dies represents a separate performance obligation from the sale of goods and services. Such revenue is recorded according to its percentage of completion based upon the ratio between job order costs borne as at the date of the financial statements and the estimate of total costs. These are shown net of down payments invoiced to clients (if lower). Eventual losses on such sales are disclosed in the income statement at their full amount at the time they are known of.

Revenue from sale of tooling data were adjusted as a result of reclassifications due to the introduction of the new standard IFRS 15.

Cost recognition

Costs are recognized upon acquisition of the good or service.

Taxes

Current taxes are calculated on the basis of the taxable income for the fiscal year, applying tax rates in force as at the date of the financial statements.

Prepaid and deferred taxes are calculated taking into account all the differences arising between the fiscal value of an asset or liability and the related book value. Prepaid taxes – including those related to previous fiscal losses – on the portion not offset by deferred fiscal liabilities, are recognized to the extent in which it is likely that future taxable income will be available so that they can be recovered. Deferred and prepaid taxes are defined using the tax rates expected to be applied during the fiscal years in which the differences shall be realized or extinguished, based on the tax rates in force or substantially in force as at the date of the financial statements.

Current, deferred and prepaid taxes are entered in the income statement with the exception of those related to items directly debited or credited in the net equity, in which case the related tax effect is also directly included in the net equity. Taxes are offset when applied by the tax authority itself and there is a legal right to compensation.

3. ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires an application of accounting principles and methods that, under certain circumstances, rely on assessments and estimates based on past experience and on assumptions deemed to be reasonable and realistic at any given time depending on the particular circumstances. The application of such estimates and assumptions influences the amounts recorded in the financial statements as well as the Notes to the Financial Statements. The final results of the accounting entries to which such estimates and assumptions were applied may therefore differ from those shown in the financial statements – which report the effects and occurrence of the estimated items – due to the uncertainty characterizing the assumptions and conditions upon which such estimates are based.

The items related to the Group that require a more subjective approach upon calculating the estimates, and for which a change in the underlying conditions of the assumptions made can have a significant effect on the fiscal year results for the Group are briefly described below.

a. Provision for doubtful debts: the provision for doubtful debts reflects the administration's best estimate of losses related to receivables from clients. Such estimate is based on the Group's expected losses, defined according to past experience concerning similar receivables, current and former past dues, and careful monitoring of credit quality as well as forecasts concerning economic and market conditions, considering that the trade receivables are mainly towards major car manufacturers (OEMs) with a high credit standing.
b. Prepaid taxes: accounting for prepaid taxes is done on the basis of the expected taxable income forecast for future fiscal years in favor of their recovery. The assessment of expected income for the purpose of accounting for deferred taxes depends on factors that may vary over time and have a significant impact on the potential to recover receivables on prepaid taxes.
c. Provisions for risks and charges: provisions to counter legal and fiscal risks are recorded in case of a negative outcome of such risks. The value of the provisions recorded in the financial statements related to such risks represents the best possible estimate as at the date considered by the administration. Such estimate implies assumptions that depend on factors that may change over time, and may therefore have significant impact on the current estimates made by the administration to prepare the Group's financial statements.
d. Fair value of derivatives: definition of the fair value of unrecorded financial assets, such as derivatives, is done through commonly used financial valuation techniques that require basic assumptions and estimates. Such assumptions might not come true within the terms and through the procedures envisaged. Therefore, estimates made by the Group may deviate from the data in the final balance.

4. ACCOUNTING PRINCIPLES, AMENDMENTS, AND INTERPRETATIONS NOT YET APPLICABLE AND NOT ADOPTED BY THE GROUP IN ADVANCE

The international accounting standards, interpretations, amendments to existing accounting standards and interpretations, or specific provisions contained in the standards and interpretations approved by the IASB – with an indication of those certified or not certified for adoption in Europe as at the date of approval of this document – are shown below.

Description	Effective date as prescribed by the principle
IFRS 16 Leases	Fiscal years starting January 1, 2019
Amendments to IFRS 9: Advance payment elements with negative compensation	Fiscal years starting January 1, 2019
IFRIC 23 Uncertainty over Income Tax Treatments	Fiscal years starting January 1, 2019
IFRS 17 Insurance Contracts	Fiscal years starting January 1, 2021
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be defined

It is specified that the accounting standards and/or interpretations having compulsory application for the fiscal years starting from January 1st, 2019, have not been applied in advance. Eventual impacts on the Group's consolidated financial statements arising from new principles and interpretations are currently being assessed.

For the adoption of IFRS 16, a specific project has been implemented at the Group level. The effects of the first adoption of IFRS 16, taking into account practical expedients provided by the standard, will lead to an increase in financial liabilities up to 65 million euros, and a corresponding increase in tangible fixed assets. Therefore, the impact on equity is essentially nil.

5. INFORMATION ON FINANCIAL RISK

In the context of corporate risks, the main risks identified, monitored and, inasmuch as specified hereunder, actively managed by the Group are as follows:

- market risk (defined as foreign exchange risk, interest rate risk, and risk of changes in price of certain raw materials used in production);
- credit risk (concerning both normal commercial relations with clients and loan activities);
- liquidity risk (with reference to the availability of financial resources and access to the credit market and financial instruments in general).

The Group's objective is to maintain a balanced management of its financial exposure over time, aimed at guaranteeing equilibrium between the structure of the liabilities and the composition of payable assets, and able to ensure the required operational flexibility through the liquidity generated by current operating assets as well as recourse to bank loans.

The related financial risks are managed and monitored at a central level. In particular, the main finance department has the task of assessing and approving provisional financial demands, monitoring their performance, and implementing appropriate corrective actions where required.

The borrowing instruments mainly used by the Group are:

- medium/long-term loans to cover investments in fixed assets;
- short-term loans and use of current account lines of credit to fund the working capital.

The following section provides qualitative and quantitative descriptions of the effect of such risks on the Group.

5.1 MARKET RISKS

5.1.1 Foreign exchange risk

The exposure to the risk of changes in exchange rates is related to the fact that the Group's commercial and financial activities are also conducted in currencies other than the euro.

Moreover, fluctuations in exchange rates influence the consolidated results and net equity, as the financial statements of the subsidiaries are drafted in currencies different from the euro and successively converted (translation risk).

The currency conversions to which the Group is mainly exposed to are:

- Euro/Rand
- Euro/Złoty
- Euro/ Brazilian Real
- Euro/Leu
- Euro/Ruble
- Euro/ Argentine Peso

The main instruments used by the Group to hedge the risk of fluctuations in exchange rates are:

a. Forward contracts in Poland on purchases of raw material to hedge the risk of fluctuations in the Złoty against the Euro. The main comprehensive characteristics of contracts existing as at December 31st, 2018 and 2017 are shown below:

	Purchases		Sales	
€/000	**December 31, 2018**	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
Notional value in Złoty	77,888	59,157	-	-
Average strike price	4,327	4,270	-	-
Notional value in Euros	18,000	13,855	-	-
Fair value	(107)	(308)	-	-

Sensitivity Analysis related to foreign exchange risk

For the purposes of sensitivity analysis on foreign exchange risk, the currency translation risk and its potential effects on the Group's net profit have been analyzed. In particular, a change in increase (appreciation against the euro) and decrease (depreciation against the euro) equal to the percentage deviation of the average exchange rate for the current year compared to the same value for the previous year was applied to the results deriving from conversion of currencies other than the functional currency. Such change was assumed as a standard deviation for the purposes of expressing the volatility of the single currencies.

	As at December 31, 2018			
€/000	**Results included in the consolidation**	**Change**	**Effect of increase in exchange rate**	**Effect of decrease in exchange rate**
Rand (South Africa)	(7,364)	3.8%	(279)	279
Złoty (Poland)	28,150	0.1%	30	(30)
Leu (Romania)	2,800	1.9%	52	(52)
Real (Brazil)	(1,640)	19.5%	(320)	320
Ruble (Russia)	149	12.3%	18	(18)
Renminbi (China)	(604)	2.3%	(14)	14
Turkish Lira (Turkey)	1,803	38.5%	694	(694)
Argentine Peso (Argentina)	(3,034)	75.6%	(2,294)	2,294
Yen (Japan)	(3,571)	2.9%	(104)	104
Total	**16,689**		**(2,216)**	**2,216**

	As at December 31, 2017			
€/000	**Results included in the consolidation**	**Change**	**Effect of increase in exchange rate**	**Effect of decrease in exchange rate**
Rand (South Africa)	(238)	7.5%	(18)	18
Złoty (Poland)	23,159	2.4%	564	(564)
Leu (Romania)	3,008	1.7%	53	(53)
Real (Brazil)	(2,934)	6.5%	(191)	191
Ruble (Russia)	629	11.1%	70	(70)
Renminbi (China)	613	3.8%	23	(23)
Turkish Lira (Turkey)	2,360	23.3%	549	(549)
Argentine Peso (Argentina)	(3,214)	14.7%	(472)	472
Yen (Japan)	1,850	5.4%	100	(100)
Ringgit (Malaysia)	223	5.9%	13	(13)
Total	**25,455**		**691**	**(691)**

5.1.2 Interest rate risk

The Group uses external financial resources in the form of debt, and uses liquidity available in bank deposits. Changes in the levels of market interest rates affect the cost and yield of the various forms of financing and liquidity use, and therefore influence the level of the Group's financial expenses and income. Given its exposure to interest rate fluctuations in terms of measurement of financial expenses related to indebtment, the Group regularly assesses such exposure and manages it by availing itself of less onerous forms of borrowing.

The cost of bank indebtment is mainly calculated at the Euribor rate for the period plus a spread depending on the line of credit type used. The applied margins are comparable to the best market standards. In order to tackle the risk deriving from interest rate fluctuations, the Group uses derivatives – mainly interest rate swaps – with the objective of mitigating the potential effect of interest rate variability on its operating result, under economically acceptable conditions.
The main characteristics of the interest rate swaps entered into by the Group are summarized as follows:

	As at December 31	
	2018	**2017**
IRS BPM		
Transaction date	December 11, 2014	December 11, 2014
Expiry	June 28, 2019	June 28, 2019
Notional value (€/000)	882	2,587
Variable interest	6-month Euribor	6-month Euribor
Fixed interest	0.13%	0.13%
Fair value (€/000)	(4)	(16)

Sensitivity Analysis related to interest rate risk

The measurement of the Group's exposure to interest rate risk was carried out by means of a sensitivity analysis. The analysis considered current and non-current financial liabilities and bank deposits. The proposed assumptions assessed the effects of the result before tax for the 2018 fiscal year deriving from a hypothetical change in market rates that respectively reflect an appreciation and a depreciation equal to 50bps.

The potential impacts of the sensitivity analysis were calculated on the financial assets and liabilities at a variable rate as at December 31st, 2018. Such variation in the interest rates would lead to a higher (or lower) net expense before tax equal to EUR 2,094 thousand on an annual basis.

5.1.3 Commodity risk

The Group's exposure to risk of change in the price of commodities derives from the risk of change in the prices of certain raw materials (mainly steel) used in production. The change in the price of steel can have a significant impact on the Group's net profit, indirectly influencing the costs and profitability of the products.

However, the risk may be considered as limited only to the SSC Division in that for the other divisions, changes in the price of raw materials are usually transferred to clients by adjusting the sales pricelists.

5.2 CREDIT RISK

Credit risk represents the Group's exposure to potential losses deriving from non-fulfillment of obligations by counterparties.

The Group's exposure to risk concerning trade receivables is in any case limited to the solidity of its main trade counterparts, which boast a high credit rating. The Group's main clients are car manufacturers (OEMs), for which information concerning operating/financial performance and the ratings supplied by the main agencies is readily available. The Group also adopts specific commercial policies aimed at monitoring the solvency of minor customers, and implements operations for the transfer of trade receivables based on agreements without recourse, thereby transferring the related risk.

Trade receivables are recognized in the financial statements net of devaluation calculated on the basis of risk of nonfulfillment by the counterparty, which is identified upon assessment of the information available concerning customer solvency and considering historical data. Financial positions clearly showing a partial or full condition of bad debt – taking into account the eventual insurance coverage and non-performing positions – will be subject to individual mark-down. Collective provisions – which take into account historical data – are allocated to respond to credits that are not subject to individual mark-down.

5.3 LIQUIDITY RISK

Liquidity risk may arise with the inability to procure financial resources needed for the Group's operations. The two main factors that can affect the Group's liquidity are:

- financial resources generated or absorbed by operating and investment activities;
- the characteristics of expiry and renewal of the financial debt.

Careful management of liquidity risk originating from normal operations implies maintaining an appropriate level of cash, short-term securities, and availability of funds obtainable by means of a suitable amount of lines of credit. The Group's liquidity demand is monitored by the treasury department, in the scope of guaranteeing an efficient procurement of financial resources and adequate liquidity investment/return.

The Group's objective is to implement a financial structure that, in accordance with business objectives, may guarantee an adequate level of liquidity, minimizing the related opportunity cost and balancing the duration and composition of the debt.

The following table analyzes the financial liabilities (including trade payables and other payables) as reported in the financial statements. The loans were included on the basis of the contractual expiry date on which repayment took place.

As at December 31, 2018

		Years to Expiry		
€/000	**Book balance**	**< 1**	**1 – 5**	**> 5**
Non-current financial liabilities	322,777	-	299,248	23,529
Current financial liabilities	195,399	195,399	-	-
Trade payables	393,025	393,025	-	-
Other current payables	188,005	151,844	24,282	11,878
Total	**1,099,206**	**740,269**	**323,530**	**35,407**

As at December 31, 2017

		Years to Expiry		
€/000	**Book balance**	**< 1**	**1 – 5**	**> 5**
Non-current financial liabilities	340,950	-	337,815	3,135
Current financial liabilities	203,240	203,240	-	-
Trade payables	376,662	376,662	-	-
Other current payables	151,667	109,995	34,603	7,069
Total	**1,072,519**	**689,897**	**372,418**	**10,204**

6. ESTIMATE OF FAIR VALUE

In relation to financial instruments valued at fair value, the table hereunder provides information concerning the method chosen to determine fair value. Based upon the source of available information, the applicable methods are divided into the following levels:

- Level 1: fair value determined with reference to quoted prices (not adjusted) on active markets for identical financial instruments.
- Level 2: fair value determined with valuation techniques referring to observable variables on active markets.
- Level 3: fair value determined with valuation techniques referring to non-observable variables on active markets.

The financial instruments shown at the Group's fair value are classified under Level 2, and the general criterion used to calculate such fair value is the actual value of future cash flows predicted for the assessed instrument.

The following table represents the assets and liabilities measured at fair value as at December 31st, 2018 and 2017:

	As at December 31, 2018		
€/000	**Level 1**	**Level 2**	**Level 3**
Derivatives (currency forward)		(107)	
Derivatives (interest rate swap)		(4)	

	As at December 31, 2017		
€/000	**Level 1**	**Level 2**	**Level 3**
Derivatives (currency forward)		(308)	
Derivatives (interest rate swap)		(16)	

It should be mentioned that trade receivables and payables have been valued at book value as the latter is deemed to be a suitable approximation of current value.

The following table outlines a breakdown of financial assets and liabilities by category as at December 31st, 2018 and 2017:

As at December 31, 2018

€/000	Financial assets/ liabilities valued at fair value recorded in the income statement	Financial assets/ liabilities valued at fair value included in the net equity	Loans and credit	Assets available for sale	Liabilities valued at amortized cost	Other financial liabilities valued at amortized cost
Current assets						
Cash and Cash Equivalents			163,037			
Trade receivables			112,774			
Other receivables and other current assets			50,723			
Financial assets			16,677			
Non-current assets						
Other receivables and other non-current assets			2,464			
Current liabilities						
Trade payables					393,025	
Borrowings from banks and other lenders					195,399	
Other current payables and liabilities					146,702	
Non-current liabilities						
Payables due to banks and other lenders		4			322,777	
Other non-current current payables and liabilities					36,161	

As at December 31, 2017

€/000	Financial assets/ liabilities valued at fair value recorded in the income statement	Financial assets/ liabilities valued at fair value included in the net equity	Loans and credit	Assets available for sale	Liabilities valued at amortized cost	Other financial liabilities valued at amortized cost
Current assets						
Cash and Cash Equivalents			145,635			
Trade receivables			121,070			
Other receivables and other current assets			109,993			
Financial assets			52,345			
Non-current assets						
Other receivables and other non-current assets			2,694			
Current liabilities						
Trade payables					376,662	
Borrowings from banks and other lenders					203,240	
Other current payables and liabilities					107,443	
Non-current liabilities						
Payables due to banks and other lenders		16			340,950	
Other current payables and liabilities					41,672	

7. NOTICE ON OPERATING SEGMENTS

The identification of the operating segments and related information provided in this section is based on the elements used by management to make its operational decisions. In particular, internal accounting periodically reviewed and used by the highest-level decision makers of the Group refers to the following operating segments:

- **MA Division**, active in the processing and assembly of steel and aluminum structural parts, components, sub-groups and modules for the automotive segment.
- **MW Division**, active in the design and production of steel wheels for all types of vehicles.
- **SSC Division**, active in the processing of high-carbon steel flat products and in the processing of flat steel products and distribution from service centres.

The results for the operating segments are mainly measured by analyzing Sales revenue, Adjusted EBITDA, and Adjusted EBIT trends. Adjusted EBITDA and Adjusted EBIT represent the gross operating margin and net operating margin respectively, before the effects of restructuring costs and of certain specific costs and revenue deemed as non-recurring, and therefore not representative of the real profitability of the sectors.

Information concerning the operating segments – with continuing operations and discontinued operations outlined separately – is illustrated, where applicable, below.

	Fiscal year ended on December 31, 2018				
€/000	**MA**	**MW**	**SSC**	**Eliminations and other**	**Total**
Revenue	1,277,948	217,144	181,005	(18,168)	**1,657,929**
Adjusted EBITDA	102,610	21,684	22,446	(3,628)	**143,112**
as a percentage of revenue	*8.0%*	*10.0%*	*12.4%*	*20.0%*	***8.6%***
Adjusted EBIT	39,716	6,966	15,493	(6,659)	**55,516**

	Fiscal year ended on December 31, 2017				
€/000	**MA**	**MW**	**SSC**	**Eliminations and other**	**Total**
Revenue	1,229,765	233,642	133,084	(15,000)	**1,581,490**
Adjusted EBITDA	110,003	25,981	18,600	(3,560)	**151,024**
as a percentage of revenue	*8.9%*	*11.1%*	*14.0%*	*23.7%*	***9.5%***
Adjusted EBIT	50,659	11,366	13,731	(7,455)	**68,301**

8. NOTES TO THE STATEMENT OF FINANCIAL POSITION

8.1 INTANGIBLE ASSETS

Movements related to the item "Intangible assets" for the fiscal years ended on December 31st, 2018 and 2017 are outlined below.

€/000	Development Costs	Industrial patents and intellectual property rights	Goodwill	Other intangible fixed assets	Intangible assets under construction	Total
Balance as at January 1, 2017	**3,085**	**5,740**	**9,848**	**2,943**	**1,110**	**22,726**
of which:						
Historical cost	*40,224*	*15,912*	*9,928*	*49,691*	*1,110*	***116,865***
Amortization reserve	*(37,139)*	*(10,172)*	*(80)*	*(46,748)*	*-*	***(94,139)***
Increases	876	1,193	-	62	640	**2,771**
Net decreases						
- Historical cost	-	-	-	-	-	-
- Amortization reserve	-	-	-	-	-	-
Other movements						
- Historical cost reclassifications	*598*	*6*	-	*36*	*(640)*	-
- Amortization reserve reclassifications	-	-	-	-	-	-
- Change in scope of consolidation	-	*31*	*2,172*	*3,542*	-	***5,745***
- Differences in historical cost due to exchange rates	*(29)*	*735*	-	-	-	***706***
- Differences in amortization reserve due to exchange rates	*32*	*(303)*	-	*4*	-	***(267)***
Amortization and impairments	(2,926)	(2,074)	-	(2,048)	-	**(7,048)**
Balance as at December 31, 2017	**1,636**	**5,328**	**12,020**	**4,539**	**1,110**	**24,633**
of which:						
Historical cost	*41,669*	*17,877*	*12,020*	*53,331*	*1,110*	***126,087***
Amortization reserve	*(40,033)*	*(12,549)*	-	*(48,792)*	-	***(101,454)***
Increases	152	844	-	1,288	1,158	**3,442**
Net decreases						
- Historical cost	-	-	-	-	-	**-**
- Amortization reserve	-	-	-	-	-	**-**
Other movements						
- Historical cost reclassifications	*137*	-	-	-	*(137)*	**-**
- Amortization reserve reclassifications	-	-	-	-	-	**-**
- Change in scope of consolidation	-	*(55)*	*(2,172)*	*2,172*	-	***(55)***
- Differences in historical cost due to exchange rates	*(213)*	*(412)*	-	*(94)*	-	***(719)***
- Differences in amortization reserve due to exchange rates	*139*	*237*	-	*78*	-	***454***
Amortization and impairments	(1,571)	(2,307)	-	(1,532)	-	**(5,410)**
Balance as at December 31, 2018	**280**	**3,634**	**9,848**	**6,452**	**2,131**	**22,346**
of which:						
Historical cost	*41,745*	*18,253*	*9,848*	*56,697*	*2,131*	***128,675***
Amortization reserve	*(41,465)*	*(14,619)*	-	*(50,245)*	-	***(106,329)***

The item “Intangible fixed assets” as at December 31st, 2018 amounted to EUR 22,346 thousand (EUR 24,633 thousand as at December 31st, 2017), and mainly includes:

- Goodwill amounting to EUR 9,848 thousand (EUR 12,020 thousand as at December 31st, 2017).
- Development costs for new products, mainly related to the MW division, amounting to EUR 280 thousand (EUR 1,636 thousand as at December 31st, 2017).
- Industrial patents and intellectual property rights amounting to EUR 3,634 thousand (EUR 5,328 thousand as at December 31st, 2017).
- Other intangible fixed assets amounting to EUR 6,452 thousand (EUR 4,539 thousand as at December 31st 2017). The change included the acquisition of the ITLA BONAITI S.r.l. plant in Civate, a new corporate branch purchased in December 2017 that called for the need to perform a Purchase Price Allocation analysis as required by IFRS 3. Such analysis was completed in 2018 and implied the allocation of goodwill (EUR 2,172 thousand) as intangible surplus value identified by means of the Excess Earnings method.

Goodwill mainly derives from acquiring control of MA Polska (former Delfo Polska), ITLA S.r.l. and Nuova Sall S.r.l. Goodwill was allocated to the operating segments or Cash Generating Units (CGUs) in relation to the operating segments where appropriate, in accordance with IAS 36. The following table highlights the allocation of goodwill by operating segment:

	December 31	
€/000	**2018**	**2017**
Automotive	7,660	7,660
SSC	2,188	4,360
Total	**9,848**	**12,020**

Pursuant to IAS 36, goodwill is not subject to amortization but to an assessment of value reduction on an annual basis, or more frequently if specific events and circumstances – which may lead to a presumed reduction in value – occur.
The impairment test is carried out through comparison of the net book value and the recoverable value of the CGU to which goodwill was allocated, determined as the greater amount between the fair value net of sale costs and the value-in-use of the CGU. The value-in-use was determined by applying the discounted cash flow (DCF) method, discounting the unlevered free cash flow of the CGU resulting from the business plans – related to the five years following the year of reference of the impairment test – officially approved by management. The discount rate used is represented by the weighted average cost of capital (WACC) calculated with reference to the segment in which the identified CGU operates.

The discount rate (WACC) used, which reflects market valuations of the cost of money and specific risks in the sectors of activity and geographic area of reference, is estimated to be 9.16%.
With reference to fiscal years 2018 and 2017, no reductions in value of the entered goodwill emerged from the completed impairment tests.

A sensitivity analysis was performed on the results of the impairment tests, with the purpose of verifying the susceptibility to changes in the main projections upon which the estimate is based. To this end, two different scenarios were hypothesized:
scenario 1: discount rate = 9.50%, with an increase by 50 base points compared to the basic scenario;
scenario 2: discount rate = 10%, with an increase by 100 base points compared to the basic scenario.
The sensitivity analyses show that the test has a low sensitivity to change in the basic projections. More specifically, none of the aforementioned scenarios would lead to a loss in value of the goodwill.
Development costs mainly include costs of materials and personnel dedicated to engineering, design, and development activities aimed at the upgrade and creation of new models, mainly in the MW division.

8.2 PROPERTY, PLANTS, AND EQUIPMENT

Movements related to the item "Property, plants, and equipment" for the fiscal years ended on December 31st, 2018 and 2017, are outlined below:

€/000	Land and buildings	Plants and machinery	Industrial and commercial equipment	Other tangible assets	Tangible assets under construction	Total
Balance as at January 1, 2017	**188,013**	**356,826**	**12,741**	**3,885**	**53,638**	**615,103**
of which:						
Historical cost	*352,931*	*1,025,241*	*102,926*	*28,551*	*53,638*	***1,563,287***
Depreciation reserve	*(164,918)*	*(668,415)*	*(90,185)*	*(24,666)*	-	***(948,184)***
Increases	11,887	10,865	2,070	1,474	79,036	**105,332**
Net decreases	(4,194)	(686)	(2)	(80)	(1,661)	**(6,623)**
- Historical cost	*(4,377)*	*(6,246)*	*(1,427)*	*(386)*	*(1,661)*	***(14,097)***
- Depreciation reserve	*183*	*5,560*	*1,425*	*306*	-	***7,474***
Other movements						
- Historical cost reclassifications	*3,962*	*32,657*	*1,253*	*121*	*(38,098)*	***(105)***
- Depreciation reserve reclassifications	*(509)*	*58*	*(62)*	*618*	-	***105***
- Change in scope of consolidation	*10,470*	*11,818*	*(212)*	*(249)*	*1,018*	***22,845***
- Differences in historical cost due to exchange rates	*684*	*4,366*	*1,771*	*(22)*	*780*	***7,579***
- Differences in amortization reserve due to exchange rates	*(865)*	*(2,388)*	*(1,423)*	*15*	-	***(4,661)***
Depreciation and impairments	(10,796)	(59,602)	(5,222)	(938)	-	**(76,558)**
Balance as at December 31, 2017	**198,652**	**353,914**	**10,914**	**4,824**	**94,713**	**663,017**
of which:						
Historical cost	*375,557*	*1,078,701*	*106,381*	*29,489*	*94,713*	***1,684,841***
Depreciation reserve	*(176,905)*	*(724,787)*	*(95,467)*	*(24,665)*	-	***(1,021,824)***
Increases	23,809	68,026	6,708	899	39,507	**138,949**
Net decreases	(5,481)	(1,066)	(11)	(1,157)	-	**(7,715)**
- Historical cost	*(7,141)*	*(39,105)*	*(1,654)*	*(1,169)*	-	***(49,069)***
- Depreciation reserve	*1,660*	*38,039*	*1,643*	*12*	-	***41,354***
Other movements						
- Historical cost reclassifications	*5,139*	*33,170*	*1,102*	*(21)*	*(39,452)*	***(61)***
- Depreciation reserve reclassifications	-	-	*(26)*	*88*	-	***61***
- Change in scope of consolidation Historical cost	*(17,965)*	*(42,000)*	*(185)*	*(542)*	*(2,512)*	***(63,204)***
- Change in scope of consolidation Depreciation reserve	*7,062*	*24,425*	*173*	*393*	-	***32,053***
- Differences in historical cost due to exchange rates	*(3,475)*	*(15,371)*	*(1,449)*	*(93)*	*(4,275)*	***(24,663)***
- Differences in amortization reserve due to exchange rates	*1,220*	*8,036*	*1,137*	*61*	-	***10,454***
Depreciation and impairments	(6,643)	(63,599)	(5,599)	(988)	(460)	**(77,289)**
Balance as at December 31, 2018	**202,318**	**365,535**	**12,764**	**3,464**	**87,521**	**671,602**
of which:						
Historical cost	*375,924*	*1,083,422*	*110,903*	*28,563*	*87,521*	***1,686,793***
Depreciation reserve	*(173,606)*	*(717,887)*	*(98,139)*	*(25,099)*	-	***(1,015,191)***

As at December 31st, 2018, the item "Property, plants, and equipment" amounted to EUR 671,602 thousand (EUR 663,017 thousand as at December 31st, 2017) and includes:

- EUR 202,318 thousand in land and buildings;
- EUR 365,535 thousand in plants and machinery;
- EUR 12,764 thousand in industrial and commercial equipment;
- EUR 3,464 thousand in other assets;
- EUR 87,521 thousand in tangible assets under construction.

Investments for the 2018 fiscal year, amounting to EUR 138,949 thousand in total, were mainly allocated to the implementation of new projects in South Africa, Germany, France, and Italy.
Decreases for the 2018 fiscal year amounted to EUR 7,715 thousand in total (as opposed to EUR 6,623 thousand in 2017).
The effects of changes in the consolidation scope amounted to EUR 31,151 thousand in total, and mainly included:

- reclassification of the Property, plants, and equipment owned by UM Corporation S.A.S. France as assets held for sale, in prediction of the reduction in Group shareholdings from 60% to 40%, with a subsequent termination of the full consolidation;
- sales and deconsolidation of the subsidiary MIM Steel Processing GmbH, with a subsequent decrease in the value of related Property, plants, and equipment.

Certain fixed assets are held by the Group on the basis of finance lease agreements, as shown below:

	As at December 31		
€/000	**2018**	**2017**	**Difference**
Land and buildings	21,676	40,151	(18,475)
Plants and machinery	102,538	105,450	(2,912)
Industrial and commercial equipment	446	750	(304)
Other tangible assets	3,604	4,890	(1,286)
Total	**128,265**	**151,241**	**(22,976)**

8.3 INVESTMENTS AND OTHER FINANCIAL ASSETS

Details for the item "Investments and financial assets" are outlined below:

	As at December 31		
€/000	**2018**	**2017**	**Difference**
Equity investments in subsidiaries	3,500	992	2,508
Equity investments in joint venture companies	79,873	64,165	15,708
Equity investments in associate companies	14,396	17,220	(2,824)
Investments in other companies	8,132	11,422	(3,290)
Total Equity Investments	**105,900**	**93,798**	**12,101**
Other financial assets	1,129	4,515	(3,386)
Total Equity Investments and other financial assets	**107,029**	**98,313**	**8,716**

Movements related to subsidiaries for the fiscal years ended on December 31st, 2018 and 2017, are outlined as follows:

€/000	%	December 31, 2016	Increases (Decreases)	Revaluations (Devaluations)	Changes in scope of consolidation	Exchange rate differences and other changes	December 31, 2017
MA Automotive Argentina S.A.	100.0%	-	4,897	(3,714)	-	(700)	483
WM LLC RUSSIA	100.0%	94	-	-	-	(94)	-
CLN Serbia D.o.o.	100.0%	-	-	(175)	-	175	-
Nichelino Immobiliare Srl	80.0%	509	-	-	-	-	509
Total Equity investments in subsidiaries		**603**	**4,897**	**(3,889)**	**-**	**(619)**	**992**

€/000	%	December 31, 2017	Increases (Decreases)	Revaluations (Devaluations)	Changes in scope of consolidation	Exchange rate differences and other changes	December 31, 2018
MA Automotive Argentina S.A.	100.0%	483	3,000	(3,034)	-	453	902
CLN Serbia D.o.o.	100.0%	-	-	(492)	-	650	158
Nichelino Immobiliare Srl	80.0%	509	-	(58)	-	(11)	440
MAAP - MA Automotive Portugal	100.0%	-	700	-	-	-	700
MA Components Shanghai	100.0%	-	1,300	-	-	-	1,300
Total Equity investments in subsidiaries		**992**	**5,000**	**(3,584)**	**-**	**1,092**	**3,500**

Equity investments in subsidiaries represent non-significant investments for the Group. Should they be consolidated using the full consolidation method, no significant effects on the income statement, net equity, and net financial position of the Group would be produced. Equity investments in subsidiaries are valued using the equity method.

The movements related to joint venture companies for the fiscal years ended on December 31st, 2018 and 2017, are outlined as follows. It should be specified that such investments were valued using the equity method.

€/000	%	December 31, 2016	Increases (Decreases)	Revaluations (Devaluations)	Changes in scope of consolidation	Exchange rate differences and other changes	December 31, 2017
Coşkunöz MA A.S.	60.0%	3,840	(263)	2,165	-	(2,731)	3,011
MA Automotive Brasil Ltda.	60.0%	6,542	5,428	(2,934)	-	(1,783)	7,253
ArcelorMittal CLN srl	51.0%	36,035	-	5,510	-	1,990	43,535
Jantsa-MW Turkey	50.0%	4,758	-	195	-	(897)	4,057
JBM-MA India	50.0%	6,998	(5,255)	(946)	-	(797)	-
SHOUGANG MA METAL CO	50.0%	4,805	-	1,634	-	(334)	6,105
PMC Automotive SpA	50.0%	298	-	(95)	-	-	203
Total Equity investments in joint venture companies		**63,278**	**(90)**	**5,529**	**-**	**(4,552)**	**64,165**

€/000	%	December 31, 2017	Increases (Decreases)	Revaluations (Devaluations)	Changes in scope of consolidation	Exchange rate differences and other changes	December 31, 2018
Coşkunöz MA A.S.	50.0%	3,011	-	1,920	-	(1,785)	3,146
MA Automotive Brasil Ltda.	60.0%	7,253	13,761	(1,640)	-	(1,323)	18,051
ArcelorMittal CLN srl	51.0%	43,535	-	(3,246)	-	-	40,289
Jantsa-MW Turkey	50.0%	4,057	-	(117)	-	(1,005)	2,935
SHOUGANG MA METAL CO	50.0%	6,105	(5,440)	(604)	-	(61)	-
PMC Melfi Srl	51.2%	-	14,300	1,564	-	(412)	15,452
PMC Automotive SpA	50.0%	203	-	87	-	(290)	-
Total Equity investments in joint venture companies		**64,165**	**22,621**	**(2,036)**	**-**	**(4,877)**	**79,873**

The movements related to associate companies for the fiscal years ended on December 31st, 2018 and 2017, are outlined as follows. It should be specified that such investments were valued using the equity method.

€/000	%	December 31, 2016	Increases (Decreases)	Revaluations (Devaluations)	Changes in scope of consolidation	Exchange rate differences and other changes	December 31, 2017
EMARC ROMANIA Srl	49.0%	735	-	84	-	(20)	799
Cellino Srl	39.0%	12,086	-	-	-	-	12,086
BAOSTEEL MW Wheels	25.0%	4,171	(834)	(3,101)	-	(236)	-
Gianetti Ruote Srl	30.0%	2,841	210	29	-	-	3,080
O.M.V. SpA	25.0%	1,254	-	-	-	-	1,254
Total Equity investments in associate companies		**21,087**	**(624)**	**(2,988)**	**-**	**(256)**	**17,220**

€/000	%	December 31, 2017	Increases (Decreases)	Revaluations (Devaluations)	Changes in scope of consolidation	Exchange rate differences and other changes	December 31, 2018
EMARC ROMANIA Srl	49.0%	799	-	98	-	(264)	633
Cellino Srl	39.0%	12,086	-	481	-	(97)	12,470
Gianetti Ruote Srl	30.0%	3,080	-	(2,253)	(827)	-	-
O.M.V. SpA	25.0%	1,254	-	38	-	-	1,292
Total Equity investments in associate companies		**17,220**	**-**	**(1,636)**	**(827)**	**(361)**	**14,396**

The movements related to investments in other companies for the fiscal years ended on December 31st, 2018 and 2017, are outlined as follows:

€/000	%	December 31, 2016	Increases (Decreases)	Revaluations (Devaluations)	Changes in scope of consolidation	Exchange rate differences and other changes	December 31, 2017
AR MACHINE Co.	9.8%	557	-	-	-	-	557
Topy Industries Ltd	1.53%	9,042	-	1,251	-	(772)	9,451
Other companies		771	410	-	163	-	1,414
Total investments in other companies		**10,370**	**410**	**1,251**	**163**	**(772)**	**11,422**

€/000	%	December 31, 2017	Increases (Decreases)	Revaluations (Devaluations)	Changes in scope of consolidation	Exchange rate differences and other changes	December 31, 2018
AR MACHINE Co.	9.8%	557	-	-	-	-	557
Topy Industries Ltd	1.53%	9,451	-	(3,571)	-	688	6,568
Other companies		1,414	(406)	-	-	-	1,008
Total investments in other companies		**11,422**	**(406)**	**(3,571)**	**-**	**688**	**8,132**

Revaluations (Devaluations) include the portion of fiscal year result of equity investments valued using the equity method, as well as the change in fair value of the investment in Topy Industries Ltd. The latter investment is related to the purchase – in 2016 – of ordinary shares from the Japanese group, occurred in parallel to the capital increase by an equal sum of shares held in MW Italia. These shares are listed on the Tokyo stock exchange.

The decreases in equity investments in joint control companies include a EUR 5,440 thousand amount allocated to the reclassification of the investment in Shougang MA Metal Co China, recorded in the balance sheet as "Assets held for sale" (subsection 8.10).

Other financial assets amounted to EUR 1,129 thousand (EUR 4,515 thousand as at December 31st, 2017). The change compared to the previous fiscal year is mainly ascribed to sale of Italian government bonds held by the holding C.L.N. S.p.A.

8.4 OTHER NON-CURRENT RECEIVABLES AND ASSETS

The item "Other non-current receivables and assets" as at December 31st, 2018, amounted to EUR 2,464 thousand (EUR 2,694 thousand as at December 31st 2017).

8.5 DEFERRED TAX ASSETS

"Deferred tax assets" as at December 31st, 2018, amounted to EUR 45,789 thousand. Movements for such item are outlined in subsection 8.15 – "Deferred tax liabilities" – to which reference should therefore be made.

8.6 INVENTORY AND CONTRACT ASSETS/LIABILITIES

Details of the "Inventory and contract assets/ liabilities" item as at December 31st, 2018 and 2017, are outlined as follows:

	As at December 31		
€/000	**2018**	**2017**	**Difference**
Raw materials, ancillary materials, and consumables	112,355	101,520	10,835
Work in progress and semi-finished goods	30,340	34,200	(3,860)
Finished products and goods	53,860	57,367	(3,507)
Advance payments	1,906	895	1,011
Total	**198,460**	**193,982**	**4,478**
Contract assets	32,960	32,665	295
Advance payments on contract assets	(32,399)	(41,443)	9,044
Net contract assets (liabilities) (*)	**561**	**(8,778)**	**9,339**
Total inventory + net contract assets (*)	**199,022**	**185,204**	**13,818**

(*) The values shown in the table have been adjusted as a result of certain reclassifications due to the introduction of the new standard IFRS 15.

Net contract assets mainly include the costs for dies and tooling borne for the manufacturing of new models, net of advance payments received from clients.

The value of stock inventory is shown net of a write-down provision equal to EUR 15,365 thousand as at December 31st, 2018 (as opposed to EUR 14,837 thousand as at December 31st, 2017). The provision was allocated: due to raw materials being no longer usable for current production; due to obsolete or slow-moving finished products, goods, and ancillary materials; and in order to adjust the value of inventory to market value when it has proven to be a capital loss.

The inventory write-down provision underwent the following movements during the fiscal year, and its amount at the end of the year may be considered consistent with the existing risks.

	As at December 31			
	2018		**2017**	
€/000	**Raw materials and semi-finished goods**	**Finished products**	**Raw materials and semi-finished goods**	**Finished products**
Opening inventory write down provision	11,336	3,501	11,276	3,010
Increases	-	528	60	491
Closing inventory write down provision	**11,336**	**4,029**	**11,335**	**3,502**

8.7 TRADE RECEIVABLES

Trade receivables, amounting to EUR 112,774 thousand as at December 31st, 2018 (EUR 121,070 thousand as at December 31st, 2017), are shown net of bad debt provisions amounting to EUR 6,535 thousand (EUR 5,548 thousand as at December 31st, 2017). Trade receivable movements are outlined as follows:

	As at December 31	
€/000	**2018**	**2017**
Opening bad debt provisions	**5,548**	**5,612**
Increases	1,000	-
Change in exchange rates and other movements	(13)	(64)
Closing bad debt provisions	**6,535**	**5,548**

Moreover, the trade receivables as at December 31st, 2018 are shown net of items sold without recourse (factoring and securitization contracts), amounting to a total of EUR 292,959 thousand (EUR 292,049 thousand as at December 31st, 2017).

For further comments concerning the quality of receivables, please refer to – "Information concerning risks and uncertainties".

It should be pointed out that, as at the dates of reference, the financial statements show no receivables expiring after more than five years.

8.8 OTHER CURRENT RECEIVABLES AND ASSETS

Details for the item "Other current receivables and assets" as at December 31st, 2018 and 2017, are outlined below:

	Fiscal year ended on December 31		
€/000	**2018**	**2017**	**Difference**
Current financial receivables	15,332	47,735	(32,403)
VAT receivables	9,939	19,309	(9,370)
Direct advance tax payments	891	1,484	(593)
Receivables for other taxes	10,523	6,406	4,117
Security deposits	29	971	(942)
Accrued income/prepaid expenses	6,880	8,388	(1,508)
Current financial assets	216	96	120
Other current receivables	22,461	25,605	(3,144)
Total	**66,270**	**109,993**	**(43,724)**

Financial receivables are mainly described as funds granted to joint control and associate companies. The funds are described in detail in the notes concerning the related parties.

The decrease compared to the previous fiscal year is mainly due to conversions to equity of current positions related to the associate companies MA Automotive Brasil Ltda. and PMC Automotive S.p.A. performed in 2018.

The current financial receivables also include financial advances relating to the financial loan signed by C.L.N. S.p.A. with IFC / CDP for Euro 3,280 thousand.

8.9 CASH AND CASH EQUIVALENTS

Details of the item "Cash and cash equivalents" as at December 31st, 2018 and 2017 are outlined below:

	Fiscal year ended on December 31		
€/000	**2018**	**2017**	**Difference**
Bank deposits	161,076	136,065	25,011
Cash on hand, cash, and checks	1,961	9,569	(7,609)
Total	**163,037**	**145,635**	**17,402**

Bank deposits (Euro 161,076 thousand) shown the current account balances held by companies with banks, and include restricted cash for Euro 13,200 thousand (Euro 11,400 thousand at December 31st, 2017).

8.10 ASSETS AND LIABILITIES HELD FOR SALE

Show below are the comprehensive balance sheet values as at December 31st, 2018 concerning assets and liabilities held for sale.

€/000	Fiscal year ended on December 31		
ASSETS	**2018**	**2017**	**Difference**
Intangible assets	41	-	41
Property, plants, and equipment	39,626	4,213	35,413
Equity investments	5,440	9,427	(3,987)
Deferred tax assets	219	-	219
Receivables and other current assets	15,553	-	15,553
Assets held for sale	**60,879**	**13,640**	**47,239**

€/000	Fiscal year ended on December 31		
LIABILITIES	**2018**	**2017**	**Difference**
Provision for Risks	594	-	594
Deferred tax liabilities	590	-	590
Non current borrowings	10,631	-	10,631
Payables and other current liabilities	24,478	-	24,478
Liabilities held for sale	**36,563**	**-**	**36,563**

The assets and liabilities held for sale are related to the planned sale of certain non-strategic fixed assets and shareholdings as listed below:

- UM Corporation S.A.S. (France): planned reduction in Group shareholdings from 60% to 40%, with a subsequent deconsolidation and reclassification of EUR 52,918 thousand (assets for sale) and EUR 36,563 thousand (liabilities for sale).
- Shareholdings in Beijing Shougang MA Metal Co., Ltd.: EUR 5,440 thousand (sale to be concluded in 2019).
- Tangible fixed assets represented by an machinery owned by C.L.N. S.p.A. (EUR 1,825 thousand) and a machinery owned by MA S.r.l. (EUR 697 thousand), whose sale is expected to occur in 2019.

8.11 NET EQUITY

The movements related to reserves in net equity are shown in the tables of the consolidated financial statements in concern.

Share capital as at December 31st, 2018 amounted to EUR 235,000 thousand and is composed of 235 million ordinary shares with a EUR 1 unit value.

The detailed composition of reserves in the net equity is shown in the following table.

	Fiscal year ended on December 31		
€/000	**2018**	**2017**	**Difference**
Share capital	235,000	235,000	-
Other reserves			
Revaluation reserve	13,463	13,463	-
Legal reserve	4,364	4,364	-
Capital account reserve	100,000	100,000	-
Consolidation reserve	8,177	8,177	-
Currency translation reserve	(73,087)	(57,479)	(15,610)
Hedging reserve	1,630	1,231	399
FTA reserve	603	603	-
Profits (losses) carried forward	(91,581)	(108,215)	16,636
Profits (losses) for the fiscal year	(3,375)	13,926	(17,302)
Group Net equity	**195,194**	**211,071**	**(15,877)**
Minority interests	36,321	32,974	3,347
Total Net equity	**231,515**	**244,045**	**(12,530)**

The reconciliation between C.L.N. S.p.A.'s 2018 Net Result and Net equity as at December 31st, 2018 – highlighted in C.L.N. S.p.A.'s separate financial statements at the same date – and the CLN Group's corresponding Net Result and Net equity is outlined in the following table:

€/000	**Net Result 2018**	**Net Equity as at December 31, 2018**
C.L.N. S.p.A. Net Equity	**726**	**241,667**
Net Equity of subsidiaries directly owned by C.L.N. S.p.A.	13,647	275,791
Elimination of Equity investments in subsidiaries directly owned by C.L.N. S.p.A.	-	(290,286)
Consolidation adjustments	(14,129)	4,343
Result and Equity attributable to Non-controlling interests	(3,619)	(36,321)
CLN Group Net equity (attributable to the owners of the parent company)	**(3,375)**	**195,194**

Net equity and eliminations related to shareholdings in companies controlled directly by C.L.N. S.p.A. refer to MA S.r.l. and its subsidiaries, MW Italia S.r.l. and its subsidiaries, ITLA S.r.l. and its subsidiary ITLA BONAITI S.r.l., and CLN Slovakia S.r.o.

Consolidation adjustments mainly refer to the equity alignment of associate and joint venture companies (ArcelorMittal CLN Distribuzione Italia srl) and to the booking of surplus value and goodwill from consolidations carried out in previous fiscal years.

8.12 POST-EMPLOYMENT BENEFITS

The movements related to the item "Post-Employment benefits" for fiscal years ended on December 31st, 2018 and 2017 are outlined below:

€/000	As at December 31 2018	2017
Opening balance	**28,978**	**28,714**
Current cost of work performed	391	410
Financial expenses	93	86
Benefits paid	(727)	(232)
Closing balance	**28,735**	**28,978**

Details of the economic and demographic projections used for actuarial assessments are outlined as follows:

	As at December 31 2018	2017
Main economic projections		
Average inflation rate	1.6%	1.6%
Average actualization rate	1.2%	1.2%
Main demographic projections		
Likelihood of resignation	1.85%	1.85%
Likelihood of advance payments	4.0%	4.0%

8.13 PROVISIONS FOR RISKS AND CHARGES

Movements related to provisions for risks and charges for fiscal years ended on December 31st, 2018 and 2017, are outlined below:

€/000	As at December 31, 2016	Provisions	Uses/Releases	Other movements	As at December 31, 2017
Commercial guarantees	950	286	-	(591)	645
Tax risk provisions	257	340	(21)	550	1,126
Restructuring provisions	3,324	674	(407)	20	3,611
Legal risk provisions	588	14	(146)	-	456
Provisions for risks on subsidiaries	3,671	675	-	(2,671)	1,675
Provisions for other risks	11,358	591	(7,384)	2,550	7,115
Total	**20,148**	**2,580**	**(7,958)**	**(142)**	**14,629**

€/000	As at December 31, 2017	Provisions	Uses/Releases	Other movements	As at December 31, 2018
Commercial guarantees	645	8	(6)	-	648
Tax risk provisions	1,126	-	(56)	-	1,070
Restructuring provisions	3,611	74	(1,209)	-	2,476
Legal risk provisions	456	-	(73)	-	383
Provisions for risks on subsidiaries	1,675	-	-	325	2,000
Provisions for other risks	7,115	89	(3,594)	-	3,610
Total	**14,629**	**172**	**(4,937)**	**325**	**10,187**

The item “Provisions for other risks” mainly includes commercial and environmental risks, partially related to the Purchase Price Allocation of the Condove plant, performed in previous fiscal years.

On 18 December 2018, the Italian Tax Authority notified the Holding C.L.N. S.p.A. of an assessment for the year 2013 on findings arising from a tax audit carried out between 2017 and 2018 concerning direct income taxes (IRES and IRAP) and indirect taxes (VAT). Relating to VAT finding, the notice of assessment was drawn up for acquiescence with the payment of EUR 34 thousand. With regard to the findings on direct income taxes, the Company - assisted by its tax advisors - has started the settlement, which at the moment is still ongoing.

8.14 BORROWINGS (CURRENT AND NON-CURRENT)

Current and non-current borrowings in the fiscal years ending on December 31st, 2018 and 2017 are outlined in the table below:

	As at December 31			
	2018		2017	
€/000	Current	Non-current	Current	Non-current
Medium/long-term borrowings from banks	61,141	153,931	58,222	169,947
Bonds	-	99,340	-	99,179
Payables owed to lease companies	23,568	45,106	23,627	47,330
Other medium/long-term loans	20,000	24,395	12,000	24,478
Short-term lines of credit	90,691	-	109,391	-
Derivatives at fair value	-	4	-	16
Total	**195,399**	**322,777**	**203,240**	**340,950**

As at December 31st, 2018 and 2017, the Group’s borrowings were presented in the following currencies:

	As at December 31	
€/000	2018	2017
Euro	428,626	452,422
Złoty (Poland)	77,042	78,063
Rand (South Africa)	11,588	11,216
Leu (Romania)	920	2,489
Total	**518,176**	**544,190**

The private placement bond (EUR 99,340 thousand) and the Club Deal loan (EUR 97,219 thousand as at December 31st, 2018) undersigned in 2015, of a nominal amount equal to EUR 100,000 thousand and EUR 200,000 thousand respectively, require compliance with certain financial covenants related to "Net debt to EBITDA", "Interest coverage ratio", "Total subsidiary debt to total asset ratio", and "Net debt to equity ratio". These financial covenants must be calculated on the Group's consolidated financial data, starting from the fiscal year ended on December 31st, 2015, and for every subsequent fiscal year, including semi-annual reports. Failure to comply with the financial covenants could give rise to cancellation and the obligation of early repayment of the bond and Club Deal loan by the Group. As at December 31st, 2018, all financial covenants have been fully complied with.

The composition of the net financial position as at December 31st, 2018 and 2017, is outlined below.

	As at December 31	
€/000	**2018**	**2017**
Cash and Cash Equivalents (A)	**163,037**	**145,635**
Current financial receivables and other financial assets	16,677	52,345
Short-term borrowings from banks	(90,691)	(109,391)
Current part of medium/long-term borrowings from banks	(61,141)	(58,222)
Current part of finance leases	(23,568)	(23,627)
Current part of payables due to other lenders	(20,000)	(12,000)
Current financial indebtment (B)	**(178,723)**	**(150,894)**
Non-current borrowings from banks	(153,931)	(169,947)
Non-current finance leases	(45,106)	(47,330)
Non-current payables due to other lenders	(24,395)	(24,478)
Bonds	(99,340)	(99,179)
Fair value of derivatives	(4)	(16)
Non-current financial indebtment (C)	**(322,777)**	**(340,950)**
Net financial position (A+B+C)	**(338,462)**	**(346,210)**

8.15 DEFERRED TAX LIABILITIES

Movements related to deferred tax liabilities for fiscal years ended on December 31st, 2018 and 2017, are recorded in the following tables:

€/000	**As at December 31, 2016**	**Releases/ Accruals**	**As at December 31, 2017**
Deferred tax liabilities			
Depreciation	18,685	44	18,729
Finance leasing	22,507	53	22,560
Other differences	5,774	13	5,787
Total deferred tax liabilities	**46,966**	**110**	**47,076**
Deferred tax assets			
Taxed provisions	7,407	(240)	7,167
Depreciation and finance leasing	19,189	3,835	23,024
Tax benefits on losses carried forward	12,779	77	12,856
Total deferred tax assets	**39,375**	**3,672**	**43,047**

€/000	As at December 31, 2017	Releases/ Accruals	As at December 31, 2018
Deferred tax liabilities			
Depreciation	18,729	(490)	18,239
Finance leasing	22,560	(636)	21,924
Other differences	5,787	(943)	4,844
Total deferred tax liabilities	**47,076**	**(2,069)**	**45,007**
Deferred tax assets			
Taxed provisions	7,167	(885)	6,282
Depreciation and finance leasing	23,024	(904)	22,120
Tax benefits on losses carried forward	12,856	4,531	17,387
Total deferred tax assets	**43,047**	**2,742**	**45,789**

As at December 31st, 2018, prepaid tax assets include tax losses that may be carried forward amounting to EUR 17,387 thousand (EUR 12,856 as at December 31st, 2017). Overall, tax losses that can be carried forward by companies included within the scope of full consolidation amount to EUR 228 million (EUR 268 million as at December 31st, 2017). Tax losses have mainly been recorded by Italian, French, Russian, and South African companies controlled by the Group, and the majority may be unlimitedly carried forward. The theoretical tax benefit of such losses would amount to a total of EUR 58 million as at December 31st, 2018 (as opposed to EUR 68 million as at December 31st, 2017), of which EUR 17 million were actually booked as at December 31st, 2018 (EUR 13 million as at December 31st, 2017). The EUR 41 million gap (EUR 55 million as at December 31st, 2017) represents the portion of tax benefit not applied.

8.16 OTHER NON-CURRENT LIABILITIES

Details of the item "Other non-current liabilities" as at December 31st, 2018 and 2017, are outlined as follows:

	Fiscal year ended on December 31		
€/000	**2018**	**2017**	**Difference**
Accrued liabilities/deferred income	6,505	4,202	2,303
Other non-current payables	29,656	37,470	(7,814)
Total	**36,161**	**41,672**	**(5,511)**

Other non-current payables mainly include the amount of purchase options on minority shareholdings in subsidiaries recorded in the fiscal year: such value is subject to recalculation on an annual basis as a function of the potential price fluctuations throughout the fiscal year and of the financial effects of discounting.

8.17 TRADE PAYABLES

The item "Trade payables" includes payables for goods and services, amounting to EUR 393,025 thousand as at December 31st, 2018 (EUR 376,662 thousand as at December 31st, 2017).

8.18 CURRENT TAX LIABILITIES

"Current tax liabilities", amounting to EUR 5,143 thousand as at December 31st, 2018 (EUR 2,551 thousand as at December 31st, 2017), refer to payables due to the taxation authority in terms of current taxes, net of the related receivables.

8.19 OTHER CURRENT LIABILITIES

Details of the item "Other current liabilities" as at December 31st, 2018 and 2017, are outlined as follows:

	Fiscal year ended on December 31		
€/000	**2018**	**2017**	**Difference**
Payables related to investment and increase in fixed assets (*)	52,830	30,000	22,830
Welfare and social security payables	14,864	13,892	972
Payables owed to employees/staff	26,039	27,109	(1,070)
VAT payables	13,481	9,947	3,534
Accrued liabilities/deferred income	4,977	9,505	(4,528)
Payables for tooling and other current payables	34,511	16,990	17,521
Total (*)	**146,702**	**107,443**	**39,258**

(*) The values shown in the table have been adjusted from the consolidated financial statements as at 31 December 2017 to allow a better understanding of the operations.

9. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

9.1 NET REVENUE FROM CONTRACTS WITH CUSTOMERS

Details of the item "Net revenue from contracts with customers" for the fiscal years ended on December 31st, 2018 and 2017, are outlined as follows:

	Fiscal year ended on December 31		
€/000	**2018**	**2017**	**Difference**
Net revenue from contracts with customers:			
Italy	402,876	382,608	20,269
Other EU countries	1,003,527	953,470	50,057
Non-EU countries	251,526	245,413	6,114
Revenue from sales of parts and components	**1,657,929**	**1,581,490**	**76,439**
Revenue from tooling (*)	**91,827**	**147,468**	**(55,641)**

(*) The values shown in the table have been adjusted as a result of certain reclassifications due to the introduction of the new standard IFRS 15.

9.2 OTHER OPERATING INCOME

Details for the item "Other operating income" for the fiscal years ended on December 31st, 2018 and 2017, are outlined below:

	Fiscal year ended on December 31		
€/000	**2018**	**2017**	**Difference**
Scrap and waste	107,419	90,314	17,105
Rental fees	2,805	3,027	(222)
Release of risk provisions	1,725	3,167	(1,442)
Capital gains from disposal of fixed assets	6,271	4,686	1,585
Grants received	3,305	2,157	1,148
Other income	25,879	22,384	3,495
Total (*)	**147,405**	**125,735**	**21,670**

(*) The values shown in the table have been adjusted as a result of certain reclassifications due to the introduction of the new standard IFRS 15.

The amount of Grants received (EUR 3,305 thousand) mainly refers to grants received from customers in South Africa.

9.3 RAW MATERIAL CONSUMABLES AND GOODS

Details of the item "Raw material consumables and goods" for the fiscal years ended on December 31st, 2018 and 2017, are outlined as follows:

	Fiscal year ended on December 31		
€/000	**2018**	**2017**	**Difference**
Purchases of raw material, net of change in inventory	1,048,321	1,001,118	47,203
Purchases of consumable supplies	75,996	79,920	(3,924)
Goods for sale	24,577	30,307	(5,730)
Other purchases	31,550	46,461	(14,911)
Total	**1,180,444**	**1,157,805**	**22,638**

9.4 PERSONNEL EXPENSES

Details for the item "Personnel expenses" for fiscal years ended on December 31st, 2018 and 2017, are outlined below:

€/000	**2018**	**2017**	**Difference**
Wages and salaries	224,142	210,653	13,489
Social charges	47,620	45,714	1,906
Staff severance indemnity	5,202	4,592	610
Cost of temporary work	49,536	51,767	(2,231)
Restructuring costs	3,605	3,169	436
Other costs	8,455	8,053	402
Total	**338,560**	**323,949**	**14,612**

The following table highlights the average and year-end number of employees and collaborators by category during the 2018 and 2017 fiscal years:

	Fiscal year 2018		Fiscal year 2017	
	Average	Year end	Average	Year end
Directors	154	147	157	161
Employees	1,537	1,632	1,416	1,442
Manual workers	5,945	5,940	5,874	5,951
Total employees	**7,636**	**7,719**	**7,447**	**7,554**

9.5 OTHER OPERATING COSTS

Details for the item "Other operating costs" for the fiscal years ended on December 31st, 2018 and 2017, are outlined below:

	Fiscal year ended on December 31		
€/000	**2018**	**2017**	**Difference**
Transportation	33,225	32,446	779
Labor assigned to third parties	47,010	44,743	2,267
Maintenance services	32,550	31,772	778
Energy purchases	30,510	27,763	2,747
Rental Fees	17,162	17,351	(189)
Purchase of other utilities	6,438	6,914	(476)
Indirect taxes	7,812	7,420	392
Legal, consultancy, auditing	7,107	5,871	1,236
Travel expenses	6,298	6,040	258
Directors' emoluments	1,291	1,375	(84)
Other costs for services	50,569	45,426	5,143
Total	**239,973**	**227,119**	**12,854**

The item "Other costs for services" mainly includes costs for technical consultancy, insurance costs, bank charges, and costs for cleaning and security services, as well as costs related to the corporate canteen, telephone, and email services.

9.6 DEPRECIATION, AMORTIZATION, AND IMPAIRMENT LOSSES

Details for item "Depreciation, amortization, and impairment losses" for the fiscal years ended on December 31st, 2018 and 2017, are outlined below:

	Fiscal year ended on December 31		
€/000	**2018**	**2017**	**Difference**
Depreciation and impairments of tangible fixed assets	81,388	76,020	5,368
Amortization of intangible fixed assets	6,207	6,703	(496)
Total	**87,596**	**82,723**	**4,873**

9.7 FINANCIAL INCOME

Details for the item “Financial income” for the fiscal years ended on December 31st, 2018 and 2017, are outlined below:

	Fiscal year ended on December 31		
€/000	**2018**	**2017**	**Difference**
Interest on bank accounts	499	1,853	(1,354)
Other interest and financial income	4,202	2,222	1,980
Gains on exchange rates	7,970	4,227	3,743
Total	**12,671**	**8,302**	**4,369**

9.8 FINANCIAL EXPENSES

Details for the item “Financial expenses” for the fiscal years ended on December 31st, 2018 and 2017, are outlined below:

	Fiscal year ended on December 31		
€/000	**2018**	**2017**	**Difference**
Interest on bank borrowings	15,849	15,139	710
Interests on bonds	4,861	4,854	7
Interests for finance lease agreements and for factoring	7,654	7,778	(124)
Other financial expenses	7,469	7,095	374
Losses on exchange rates	9,303	11,842	(2,539)
Total	**45,136**	**46,709**	**(1,572)**

9.9 RESULTS FROM INVESTMENTS

Below the detail of “Results from investments” for the years ending December 31st, 2018 and 2017:

	Fiscal year ended on December 31		
€/000	**2018**	**2017**	**Difference**
ArcelorMittal CLN Distribuzione Italia srl	(3,246)	5,510	(8,756)
CLN Serbia D.o.o.	(492)	(175)	(317)
MA Automotive Argentina S.A.	(3,034)	(3,714)	680
MA Automotive Brasil Ltda.	(1,640)	(2,934)	1,294
Coskunoz MA A.S. Turkey	1,920	2,165	(244)
Jantsa MW Turkey	(117)	195	(313)
Shougang MA Metal Co., China	(604)	1,634	(2,238)
PMC Melfi S.r.l.	1,564	-	1,564
Topy Industries Ltd. Japan	(3,571)	1,251	(4,822)
Gianetti Ruote S.r.l.	(2,253)	29	(2,282)
Cellino S.r.l.	481	-	481
BAO Steel MW China	-	(3,099)	3,099
JBM MA India	-	(946)	946
Other companies	166	(11)	177
Total	**(10,827)**	**(96)**	**(10,731)**

9.10 INCOME TAX

Details for the item “Income tax” for the fiscal years ended on December 31st, 2018 and 2017, are outlined as follows:

	Fiscal year ended on December 31		
€/000	**2018**	**2017**	**Difference**
Income taxes	7,864	9,959	(2,095)
IRAP (Italian regional tax on productive activities) and similar	4,613	4,089	524
Deferred taxes	(6,279)	(6,668)	389
Other taxes	852	208	644
Total	**7,050**	**7,588**	**(538)**

The reconciliation between the theoretical and effective tax rate is outlined as follows:

	Fiscal year ended on December 31		
€/000	**2018**	**2017**	**Difference**
Result before income tax	**7,295**	**24,594**	**(17,299)**
Results from investments	(10,827)	(96)	(10,731)
Adjusted Result before income tax	**18,122**	**24,960**	**(6,568)**
Theoretical income tax (*)	(4,530)	(6,172)	1,642
Tax not calculated on the result before taxes (IRAP and similar)	(4,613)	(4,089)	(524)
Tax effect from permanent differences and other differences	2,093	2,673	(580)
Total	**(7,050)**	**(7,588)**	**538**
Effective tax rate	38%	31%	

(*) Considering an average tax rate of 25%.

9.11 NON-RECURRING INCOME AND EXPENSES

Details for the item “Non-recurring income and expenses” for the fiscal years ended on December 31st, 2018 and 2017, are outlined in the table below:

	Fiscal year ended on December 31		
€/000	**2018**	**2017**	**Difference**
Costs for corporate restructuring	3,605	3,169	436
Tax litigation provision	-	300	(300)
Other non-recurring net costs	1,323	1,735	(412)
Total	**4,928**	**5,204**	**(276)**

In 2018 the Group has borne restructuring costs and other non-recurring net costs amounting to EUR 4,928 thousand (as opposed to EUR 5,204 thousand as at 2017). The item includes restructuring costs amounting to EUR 3,605 thousand (EUR 3,169 thousand in 2017), as well as litigation provisions and other net costs amounting to EUR 1,323 thousand.

10. TRANSACTIONS WITH RELATED PARTIES

Relations between the Group's companies and with other related parties are governed under market conditions. Relations between C.L.N. S.p.A. and its subsidiary and associate companies, as well as between such companies, are mainly of a commercial and financial nature.

Details of the balance sheet and income statement results concerning transactions with related parties for the fiscal year ended on December 31st, 2018, are provided below:

	Fiscal year ended on December 31, 2018				As at December 31, 2018			
€/000	Sales revenue	Raw material purchase	Other operating revenue (expenses)	Financial income (expenses)	Trade Receivables	Trade Payables	Other receivables (payables)	Financial receivables (payables)
ArcelorMittal Group	16	(189,687)	586	-	746	(46,368)	(78)	-
ArcelorMittal CLN srl	5,750	(36,326)	1,197	6	576	(6,655)	(5,313)	-
Tamagnone Srl	-	(993)	(4,188)	-	-	(1,817)	262	-
Cellino Srl	201	-	(57)	(66)	174	(1,743)	-	(504)
Celmac	-	(396)	(728)	-	(9)	1,149	-	-
CLN Serbia d.o.o.	-	-	-	-	771	-	(661)	-
Coşkunöz MA Otomotiv A.S.	-	-	5	-	5	-	-	-
Emarc Srl	-	-	-	-	536	(112)	-	-
FaM-MA S.A.	-	-	2	-	3	-	829	-
Gianetti Ruote Srl	-	(1,717)	10	-	79	-	(3,617)	-
IG Tooling & Light Engineering (Pty) Ltd	-	-	-	-	-	-	1,090	-
JBM - MA Automotive Pvt Ltd	-	-	-	-	-	-	(341)	-
Jantsa MW Turkey	5	(92)	34	(11)	137	(31)	(1,287)	(11)
MA Automotive Argentina S.A.	-	-	-	326	312	-	-	5,950
MA Automotive Brasil Ltda.	1,068	-	18	(61)	690	-	(2,314)	-
Marubeni-Itochu Group	342	(21,537)	-	-	-	(4,691)	-	-
Nichelino Immobiliare Srl	-	-	-	84	-	-	1,373	1,650
PMC Automotive Group	20,110	(18,680)	38	-	9,938	(9,489)	13	-
SHL Production	-	-	1,603	-	259	(9)	-	-
Topy Industries Japan	-	-	-	913	-	-	-	-
Other minor parties	-	-	82	-	4	-	82	-
Total related parties	**27,491**	**(269,427)**	**(1,398)**	**1,191**	**14,219**	**(69,767)**	**(9,963)**	**7,085**
Total for balance sheet items	**1,657,929**	**(1,180,444)**	**(741)**	**(32,465)**	**112,774**	**(393,025)**	**66,270**	**16,677**
% incidence on the total balance sheet item	**1.7%**	**22.8%**	**188.6%**	**-3.7%**	**12.6%**	**17.8%**	**-15.0%**	**42.5%**

Details of the balance sheet and income statement results concerning transactions with related parties for the Fiscal year ended on December 31st, 2017, are provided below.

	Fiscal year ended on December 31, 2017				As at December 31, 2017			
€/000	Sales revenue	Raw material purchase	Other operating revenue (expenses)	Financial income (expenses)	Trade Receivables	Trade Payables	Other receivables (payables)	Financial receivables (payables)
ArcelorMittal Group	369	(167,342)	519	-	519	(24,773)	-	-
ArcelorMittal CLN Srl	5,796	(58,717)	1,924	-	2,293	(22,725)	(1,565)	-
Tamagnone Srl	-	(1,355)	(4,235)	-	-	(2,047)	272	-
Cellino Srl	169	(1)	(283)	251	205	(1,818)	(46)	(1,519)
Celmac	-	(419)	(712)	-	(13)	1,203	31	-
CLN Serbia d.o.o.	-	-	-	-	826	-	-	900
Coşkunöz MA Otomotiv A.S.	-	-	(19)	1,846	-	-	-	-
Delna SpA	-	-	(411)	-	-	-	-	-
FaM-MA S.A.	-	-	5	-	3	-	829	-
Gianetti Ruote Srl	21	(1,764)	125	-	77	(454)	-	-
JBM - MA Automotive Pvt Ltd	-	-	155	13	1	-	-	-
Jantsa MW Turkey	-	(164)	301	(4)	192	(93)	(1,185)	(28)
MA Automotive Argentina S.A.	-	-	-	16	312	-	-	8,104
MA Automotive Brasil Ltda.	512	-	19	1,115	912	(2,300)	8,223	8,240
Marubeni-Itochu Group	379	(29,931)	-	-	14	(7,072)	-	-
Nichelino Immobiliare Srl	-	-	-	55	-	-	1,375	1,120
PMC Automotive Group	20,641	(14,195)	12	521	6,642	(4,499)	230	24,009
SHL Production	233	-	1,709	-	250	(13)	-	-
Topy Industries Japan	-	-	-	(511)	-	-	-	-
Other minor parties	-	(6)	(154)	-	9	-	256	(1)
Total related parties	**28,121**	**(273,894)**	**(1,044)**	**3,301**	**12,241**	**(64,591)**	**8,418**	**40,826**
Total for balance sheet items	**1,581,490**	**(1,157,805)**	**46,084**	**(38,407)**	**121,070**	**(376,662)**	**112,687**	**52,345**
% incidence on the total balance sheet item	**1.8%**	**23.7%**	**-2.3%**	**-8.6%**	**10.1%**	**17.2%**	**7.5%**	**78.0%**

11. PAYMENTS FOR DIRECTORS AND STATUTORY AUDITORS

Details of the payments for C.L.N. S.p.A. directors and statutory auditors for the fiscal years ended on December 31st, 2018 and 2017, are provided below.

€/000	Directors	Statutory auditors
As at December 31, 2018	**1,291**	**79**
As at December 31, 2017	1,375	79

12. EXTERNAL AUDITING FEES

Throughout the year 2018, the auditing firm PricewaterhouseCoopers Italia S.p.A. and its network of foreign branches have provided audit services to companies included in the scope of consolidation, generating fees as indicated below:

€/000	**Fiscal year ended on December 31, 2018**
Audit services	968
Assurance other than audit services	61
Tax consulting services	13
Other services	637
Total	**1,679**

13. GUARANTEES GIVEN

The guarantees given by the Group as at December 31st, 2018, amounted to EUR 4,409 thousand (as opposed to EUR 53,724 thousand in 2017) and mainly refer to bank guarantees issued in favor of joint venture companies.

Annex 1: companies included in the consolidation using the full consolidation method

	Headquarters	Business purpose	Currency	Share Capital	% in CLN
Parent Company					
C.L.N. S.p.A.	Caselette (Turin)	Metal sheet manufacturing and sale	Euro	235,000,000	
Subsidiaries					
C.L.N. Slovakia S.R.O.	Kosice (Slovakia)	Sheet metal manufacturing and sale	Euro	10,000,001	100.00
ITLA S.r.l.	Oggiono (Lecco)	Steel re-rolling	Euro	2,500,000	53.00
ITLA BONAITI S.r.l.	Oggiono (Lecco)	Holding company	Euro	5,000,000	34.45
MW Italia S.r.l.	Treuen (Germany)	Sheet metal manufacturing and sale	Euro	45,348,535	86.00
MW Aftermarket S.r.l.	Rivoli (Turin)	Steel wheel manufacturing and sale	Euro	10,000	86.00
MW France S.A.	Tergnier (France)	Steel wheel manufacturing and sale	Euro	14,894,152	86.00
MW Romania S.A.	Drăgășani (Romania)	Steel wheel manufacturing and sale	New Leu	29,323,712	84.80
MW Deutschland GmbH	Pluderhausen (Germany)	Steel wheel sale	Euro	100,000	86.00
D.R. S.A.R.L.	Pontcharra (France)	Steel wheel manufacturing and sale	Euro	50,000	86.00
MW Kingisepp LLC	Kingisepp (Russia)	Steel wheel manufacturing and sale	Rublo	1,768,558,574	86.00
MW Poland Sp. z o.o.	Warsaw (Poland)	Steel wheel manufacturing and sale	Złoty	50,000	86.00
MW Lublin Sp. z o.o.	Lublin (Poland)	Steel wheel manufacturing and sale	Złoty	45,888,000	86.00
MA S.r.l.	Melfi (Potenza)	Holding company	Euro	102,249,000	97.80
Eurostamp S.A.S.	Villers-la-Montagne (France)	Sheet metal forming and assembly	Euro	10,249,995	97.80
MA France S.A.S.	Aulnay-sous-Bois (France)	Sheet metal forming and assembly	Euro	15,000,000	97.80
MA Automotive Deutschland GmbH	Treuen (Germany)	Sheet metal forming and assembly	Euro	10,000,000	97.80
IDEST S.A.R.L.	Aulnay-sous-Bois (France)	Administrative and commercial services	Euro	8,000	97.80
Immobilière de Villers S.A.R.L.	Villers-la-Montagne (France)	Real estate management	Euro	29,510,000	97.80
DP Metal Processing Sp. z o.o.	Tychy (Poland)	Sheet metal manufacturing and sale	Złoty	50,000	97.80
Zakłady Wyrobów Metalowych SHL S.A.	Kielce (Poland)	Real estate management	Złoty	27,000,000	97.80
MA Polska S.A.	Tychy (Poland)	Sheet metal forming and assembly	Złoty	500,000	97.80
MA Automotive South Africa (Pty) Ltd.	Rosslyn (South Africa)	Holding company	Rand	1,199,012,749	69.08
MW Wheels SA (Pty) Ltd.	Port Elizabeth (South Africa)	Steel wheel manufacturing and sale	Rand	1,400	69.08
MA Tool and Die (Pty) Ltd.	Rosslyn (South Africa)	Die manufacturing	Rand	302	69.08
WM Automotive LLC	Kingisepp (Russia)	Sheet metal sale	Ruble	10,000	86.00

Attachment 2: companies valued using the Net Equity method

Registered company name	Headquarters	Currency	Share Capital	% in CLN
ArcelorMittal CLN Distribuzione Italia srl	Caselette (Turin)	Euro	60,010,000	51.00
MA Automotive Brasil Ltda.	Porto Real (Brazil)	Brazilian Real	26,741,757	58.68
Coşkunöz MA Otomotiv A.S.	Bursa (Turkey)	New Turkish Lira	5,850,000	48.90
O.M.V. S.p.A.	Lesmo (Monza and Brianza)	Euro	2,500,000	25.00
PMC Automotive Melfi S.r.l.	Rivoli (Turin)	Euro	4,000,000	50.07
MA Automotive Argentina S.A.	Buenos Aires (Argentina)	Argentine Peso	70,110,000	97.80
FaM-MA S.A.	Cordoba (Argentina)	Argentine Peso	100,000	48.90
JMW JANT SANAY I VE TICARET A.S.	Umurlu Aydin (Turkey)	New Turkish Lira	52,200,000	43.00
C.L.N. Serbia d.o.o.	Kostolac (Serbia)	Dinar	128,162	100.00
Cellino S.r.l.	Grugliasco (Turin)	Euro	245,902	39.00
Emarc S.r.l.	Drăgășani (Romania)	New Leu	90,000	47.92
Nichelino Immobiliare S.r.l.	Caselette (Turin)	Euro	10,000	80.00

Annex 3: companies classified as assets and liabilities held for sale

Registered company name	Headquarters	Currency	Share Capital	% in CLN
Beijing Shougang MA Metal Co. Ltd	Beijing (China)	US Dollar	9,020,000	48.90
UM Corporation S.A.S.	Biache-Saint-Vaast (France)	Euro	7,000,000	58.68

Annex 4: companies valued using the Cost method

Registered company name	Headquarters	Currency	Share Capital	% in CLN
Etromex S de RL de CV	San Pedro - Nuevo León (Mexico)	Mexican Peso	32,500,000	17.85
AR Machine Co.	Teheran (Iran)	Rial/000	33,000,000	8.60
August Lapple East London (Pty) Ltd	Rosslyn (South Africa)	Rand	4,000	69.08
Safen Fluid & Mechanical Engineering	Turin	Euro	12,500	17.20
P.I.CHI S.c.r.l.	Chivasso (Turin)	Euro	10,000	38.14
TOPY MW MANUFACTURING MEXICO, S.A. de C.V.	Silao (Mexico)	Peso	120,050,000	4.31
MA Automotive Components (Shanghai) Co., Ltd	China	Renminbi	1,300,000	97.80
MAAP – MA Automotive Portugal S.A.	Portugal	Euro	700,000	97.80
ITLA BONAITI GmbH	Germany	Euro	25,000	34.45

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AUDITORS' REPORTS

INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010 AND ARTICLE 10 OF REGULATION (EU) NO. 537/2014

CLN GROUP

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the Shareholders of
C.L.N. SpA

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of C.L.N. SpA and its subsidiaries (the "CLN Group" or the "Group"), which comprise the consolidated statement of financial position as of 31 December 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in net equity, the consolidated cash flow statement 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 CLN Group as of 31 December 2018, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

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 this report. We are independent of C.L.N. SpA (the "Company") pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers SpA

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	***Auditing procedures performed in response to key audit matters***
Valuation of the correct recognition in the financial statements of the receivables assigned without recourse *Notes to the consolidated financial statements as of 31 December 2018: note 8.7 "Trade receivables"*	
The consolidated financial statements of the CLN Group as of 31 December 2018 include trade receivables equal to Euro 112.8 million. These assets are recognised net of receivables sold without recourse (factoring and securitization contracts) amounting to Euro 293.0 million. When entering into factoring and securitization contracts, the Company management analyses terms and conditions, to correctly recognise these transactions, eliminating any financial asset from the balance sheet in accordance with the relevant accounting principle (IFRS 9); any contractual addendum is subject to the same analyses performed when signing the original contract. Such verifications entail a significant evaluation process by the Company management, due to specific requirements demanded by relevant accounting standards.	Our audit approach was based on a preliminary understanding and evaluating of procedures followed by the Company management to determine the parameters defining the assignment of trade receivables as without recourse. Our procedures mainly focused on the analysis of existing contracts to verify: - compliance with requirements allowing the classification of the assignments of receivables as without recourse; - consistency between the contracts and the accounting treatment of receivables assigned without recourse as of 31 December 2018. Furthermore, financial institutions involved in the assignment of receivables were requested to provide written confirmation to validate the transactions being analysed and the related residual amount at the end of the year.

Key Audit Matters	Auditing procedures performed in response to key audit matters
We deemed the item under examination significant for our audit activity, due to the complexity of the evaluation process, the size of receivables sold without recourse as of 31 December 2018 and the impact of the latter on the net financial position, which is a financial covenant envisaged by certain loan agreements.	Finally, we verified the accuracy and completeness of the information provided in the notes.

Responsibilities of the directors and the board of statutory auditors for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the CLN Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate C.L.N. SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, 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 auditors' 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we 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 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 evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify 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 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 obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We 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 identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 22 December 2015, the Shareholders of C.L.N. SpA in general meeting engaged us to perform the statutory audit of the Company's separate and consolidated financial statements for the years ending 31 December 2015 to 31 December 2023.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on compliance with other laws and regulations

Opinion in accordance with article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

The directors of C.L.N. SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the CLN Group as of 31 December 2018, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of the CLN Group as of 31 December 2018 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations mentioned above are consistent with the consolidated financial statements of the CLN Group as of 31 December 2018 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of C.L.N. SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016. We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Turin, 24 May 2019

PricewaterhouseCoopers SpA

Signed by

Piero De Lorenzi
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3, PARAGRAPH 10, OF LEGISLATIVE DECREE No. 254/2016 AND TO ARTICLE 5 OF CONSOB REGULATION ADOPTED BY RESOLUTION No. 20267 OF 18 JANUARY 2018

C.L.N. SPA

YEAR ENDED 31 DECEMBER 2018

Independent auditor's report on the consolidated non-financial statement

pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation adopted by resolution No. 20267 of 18 January 2018

To the Board of Directors of
C.L.N. SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have performed a limited assurance engagement on the consolidated non-financial statements of C.L.N. SpA and its subsidiaries (hereafter the "CLN Group" or the "Group") for the year ended 31 December 2018 prepared in accordance with article 4 of the Decree and approved by the Board of Directors on 9 May 2019 (hereafter the "NFS").

Responsibility of the Directors and of the Board of Statutory Auditors for the NFS

The directors are responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree and with the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by the GRI - Global Reporting Initiative ("GRI Standards"), with reference to selected GRI Standards, as laid down in paragraph "Introduction - Methodological aspects" of the NFS, identified by them as the reporting standards.

The directors are responsible, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

The directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

The directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, the compliance with the Decree.

PricewaterhouseCoopers SpA

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Auditor’s Independence and Quality Control

We are independent in accordance with the principles of ethics and independence set out in the Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts International Standard on Quality Control 1 (ISQC Italy 1) and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

Auditor’s responsibilities

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and GRI Standards. We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information (hereafter “ISAE 3000 Revised”), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily of company personnel responsible for the preparation of the information presented in the NFS, analyses of documents, recalculations and other procedures designed to obtain evidence considered useful.

In particular, we performed the following procedures:

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and the with the reporting standard adopted;

2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;

3. comparison of the financial information reported in the NFS with the information reported in the Group’s consolidated financial statements;

4. understanding of the following matters:
   - business and organisational model of the Group, with reference to the management of the matters specified by article 3 of the Decree;
   - policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
   - main risks, generated and/or faced by the Group, with reference to the matters specified in article 3 of the Decree.

   With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below;

5. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS. In particular, we held meetings and interviews with the personnel and top management of C.L.N. SpA, and we performed limited analyses of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

   Moreover, for material information, considering the activities and characteristics of the Group:

   - at the parent company level, C.L.N. SpA:

     a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify their consistency with available evidence;
     b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information.

   - for the following companies: C.L.N. SpA, MA Automotive Deutschland GmbH, MW Lublin Sp. z.o.o. and C.L.N. Slovakia s.r.o., we gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusions

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the C.L.N Group as of 31 December 2018 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by the GRI - Global Reporting Initiative ("GRI Standards"), with reference to selected GRI Standards, as laid down in paragraph "Introduction - Methodological aspects" of the NFS.

Turin, 24 May 2019

PricewaterhouseCoopers SpA

Piero De Lorenzi
(Partner)

Paolo Bersani
(Authorized signatory)

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