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NIKOLAUS BAGNARA S.P.A. - A.G.

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KATARINA JAFAR

FOR AND BEHALF OF

NIKOLAUS BAGNARA SPA

NIKOLAUS BAGNARA S.P.A. - A.G.

Offices at Via Madonna del Riposo, 34, APPIANO SULLA STRADA DEL VINO -

Paid-up share capital of €516,500.00

Registered with the BOLZANO Chamber of Commerce, Industry, Crafts and Agriculture

Tax Code and Companies Registry entry no.00211420211

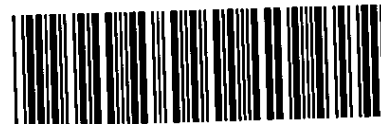
VAT no.: 00211420211 – Economic and Administrative Index no.:77007

Registration Data

Registered office at	APPIANO SULLA STRADA DEL VINO ¹
Tax Reference	00211420211
REA ² No.	BOLZANO77007
VAT No.	00211420211
Share Capital in euros	516,500,00 fully paid
Legal Status	LIMITED [JOINT-STOCK] COMPANY
Primary business sector (ATECO) ³	237010
Company in liquidation	No
Company with a Single Shareholder	No
Company subject to other managerial and coordination activities	No
Name of the company or entity which exercises managerial and coordination activities	
Membership of a group	No
Name of the parent company	
Country of the parent company	
Number on the List of Cooperatives	

The amounts shown are in Euros

WEDNESDAY



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27/09/2017
COMPANIES HOUSE

¹ Appaiano sulla Strada del Vino = Appaiano in a wine-growing area.

² REA – Repertorio Economico Amministrativo = Financial and Administrative Database

³ ATECO – *ATTività ECONomiche* = Economic Activities - a type of classification adopted by ISTAT, the Italian National Institute of Statistics.

Balance Sheet at 31/12/2016

STATEMENT OF ASSETS AND LIABILITIES

ASSETS	31/12/2016	31/12/2015
A) RECEIVABLES FROM SHAREHOLDERS FOR PAYMENTS STILL OWED		
Total receivables from shareholders for payments still owed (A)	0	0
B) FIXED ASSETS		
<i>I – Intangible assets</i>		
1) Set-up and expansion costs	12,661	0
3) Industrial patent rights and rights to use intellectual property	34,956	36,024
4) Concessions, licences, trademarks and similar rights	1,443	9,915
Total intangible assets	49,060	45,939
<i>II – Tangible assets</i>		
1) Land and buildings	13,000,946	7,932,203
2) Plant and machinery	1,287,255	464,126
3) Industrial and commercial equipment	234,702	166,327
4) Other assets	530,409	337,658
5) Current assets and payments on account	47,800	568,309
Total tangible assets	15,101,112	9,468,623
<i>III – Financial assets</i>		
1) Shareholdings in		
a) Controlled companies [subsidiaries]	774,207	794,207
b) Associated companies	369,309	369,309
d-bis) Other companies	11,197	11,197
Total shareholdings (1)	1,154,713	1,174,713
Total financial assets (III)	1,154,713	1,174,713
Total fixed assets (B)	16,304,885	10,689,275
C) CURRENT ASSETS		
<i>I) Inventory</i>		
1) Raw materials, subsidiary and expendable materials	12,393,765	10,123,490
5) Payments on account	698,774	753,109
Total inventory	13,092,539	10,876,599
<i>II) Receivables</i>		
1) from customers		
Payable within the next financial year	6,260,862	6,679,933
Total receivables from customers	6,260,862	6,679,933
2) from controlled companies [subsidiaries]		
Payable within the next financial year	2,555,377	2,994,950
Total receivables from subsidiaries	2,555,377	2,994,950
3) from associated companies		
Payable within the next financial year	2,347,435	2,352,371
Total receivables from associated companies	2,347,435	2,352,371
5-bis) Tax credits		
Payable within the next financial year	335,816	37,270
Payable beyond the next financial year	0	30,066
Total tax credits	335,816	67,336
5-ter) Taxes paid in advance	29,638	76,157
5-quater) from others		
Payable within the next financial year	15,206	6,681
Total receivables from others	15,206	62,681
Total receivables	11,544,334	12,233,428
<i>III – Financial assets which do not constitute fixed assets</i>		

Total financial assets which do not constitute fixed assets	0	0
<i>IV – Liquid assets</i>		
1) Bank and postal deposits	212,974	286,113
3) Money and valuables in cash	1,052	310
Total liquid assets	214,026	286,423
Total current assets (C)	24,850,899	23,396,450
D) ACCRUED REVENUES AND PREPAID EXPENSES	536,339	591,808
TOTAL ASSETS	41,692,123	34,677,533

STATEMENT OF ASSETS AND LIABILITIES

LIABILITIES	31/12/2016	31/12/2015
A) NET ASSETS		
I – Capital	516,500	516,500
II – Share premium reserve	0	0
III – Revaluation reserves	6,106,688	6,106,688
IV – Legal reserve	103,300	103,300
V – Statutory reserves	0	0
<i>VI – Other reserves, indicated separately</i>		
Extraordinary reserve	6,364,347	4,963,914
Payments into the capital account	287,481	287,481
Share capital reduction reserve	130,000	130,000
Reserve for profits on exchange transactions not carried out	417,339	156,167
Various other reserves	190,934	199,646
Total other reserves	7,390,101	5,737,208
VII – Reserve for transactions covering expected financial flows	0	0
VIII – Profits (losses) carried forward	0	0
IX – Profit (loss) for the year	1,094,172	1,652,893
Loss adjusted in the year	0	0
X – Negative reserve for own shares in portfolio	0	0
Total net assets	15,210,761	14,116,589
B) FUNDS FOR RISKS AND EXPENSES		
2) For taxes, including deferred ones	584,185	671,985
4) Others	111,736	114,131
Total funds for risks and expenses (B)	695,921	786,116
C) EMPLOYEES SEVERANCE INDEMNITY FUND	857,088	771,531
D) DEBTS		
3) Debts to shareholders for financing		
Payable beyond the next financial year	906,500	496,500
Total debts to shareholders for financing (3)	906,500	496,500
4) Debts to banks		
Payable within the next year	9,592,431	7,927,333
Payable beyond the next year	6,798,563	4,056,660
Total debts to banks (4)	16,390,994	11,983,993
6) Payments on account		
Payable within the next year	1,114,529	196,988
Total payments on account (6)	1,114,529	196,988
7) Debts to suppliers		
Payable within the next year	5,049,195	5,092,125
Total debts to suppliers (7)	5,049,195	5,092,125
9) Debts to subsidiary companies		
Payable within the next year	0	8,222
Total debts to subsidiary companies (9)	0	8,222
10) Debts to associated companies		
Payable within the next year	3,226	84,377
Total debts to controlled companies [subsidiaries] (10)	3,226	84,377

12) Tax debts		
Payable beyond the next year	116,888	505,086
Total tax debts (12)	116,888	505,086
13) Debts to welfare and social security institutions		
Payable within the next year	197,277	175,396
Total debts to welfare and social security institutions (13)	197,277	175,396
14) Other debts		
Payable within the next year	1,003,959	403,807
Payable beyond the next year	98,323	24,238
Total other debts (14)	1,102,282	428,045
Total debts (D)	24,880,891	18,970,732
E) ACCRUED LIABILITIES AND DEFERRED INCOME	47,462	32,565
TOTAL LIABILITIES	41,692,123	34,677,533

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PROFIT AND LOSS ACCOUNT

	31/12/2016	31/12/2015
A) VALUE OF PRODUCTION:		
1) Proceeds from sales and services rendered	31,561,412	33,615,671
4) Increases in fixed assets [investments?] for internal works	75,188	50,932
5) Other income and proceeds		
Subsidies for operating expenses	31,550	65,050
Others	784,170	904,536
Total other income and proceeds	815,720	969,586
Total value of production	32,452,320	34,636,189
B) PRODUCTION COSTS:		
6) For raw materials, subsidiary and expendable materials and goods	15,666,025	14,543,167
7) For services	11,429,705	10,729,539
8) For use of the assets of third parties	579,886	389,533
9) For personnel:		
a) Salaries and wages	2,672,162	2,369,336
b) Social security contributions	935,940	893,920
c) Severance indemnity	196,330	175,656
e) Other costs	23,882	20,125
Total personnel costs	3,828,314	3,459,037
10) Amortisation and depreciation:		
a) Amortisation of intangible fixed assets	37,146	25,472
b) Depreciation of tangible fixed assets	388,202	280,521
d) Depreciation of current asset credits and cash on hand/available funds	41,089	88,625
Total amortisation and depreciation	466,437	394,618
11) Variation in inventory of raw materials, subsidiary and expendable materials and goods	-2,270,275	300,080
12) Provision for risks and bad debts	38,930	41,325
14) Sundry operating costs/expenses	385,730	1,827,967
Total production costs	30,124,752	31,685,266
Difference between the value and costs of production (A-B)	2,327,568	2,950,923
C) FINANCIAL PROCEEDS AND EXPENSES:		
16) Other financial proceeds:		

⁴ Note the difference with regard to *ratei e risconti* [accruals and deferrals]: whilst the former [*ratei*] are translated as **accruals**, the latter [*risconti*] are translated as **prepayments** (if assets) and **deferred income** (if liabilities).

a) from credits entered under fixed assets		
Others	42,433	39,865
Total financial proceeds from credits entered under fixed assets	42,433	39,865
d) Proceeds other than the foregoing		
Others	6,484	1,869
Total proceeds other than the foregoing	6,484	1,869
Totale other financial proceeds	48,917	41,734
17) Interest and other financial expenses		
Others	561,896	619,394
Total interest and other financial expenses	561,896	619,394
17-bis) Profits and losses on exchange transactions	-106,077	27,379
Total financial proceeds and expenses (C)		
(15+16-17-17-bis)	-619,056	-550,281
D) ADJUSTMENTS OF THE AMOUNTS OF THE FINANCIAL ASSETS AND LIABILITIES:		
Total adjustments of the amounts of financial assets and liabilities (18-19)	0	0
PRETAX RESULT (A-B+-C+-D)	1,708,512	2,400,642
20) Current, advance and deferred income tax payments for the year, including tax paid in advance		
Current taxes	624,201	730,960
Deferred taxes and taxes paid in advance	-9,861	16,789
Total income tax payments for the year, both current, advance and deferred	614,340	747,749
21) PROFIT (LOSS) FOR THE YEAR	1,094,172	1,652,893

FINANCIAL STATEMENT (CASH FLOW ACCORDING TO THE INDIRECT METHOD)		
	Current Year	Previous Year
A. Financial flows derived from operating activity (indirect method)		
Profit (loss) for the year	1,094,172	1,652,893
Income tax	614,340	747,749
Interest payable (receivable)	512,979	577,660
(Dividends)	0	0
(Capital gains)/Capital losses resulting from the transfer of assets	14,880	(1,196,205)
1. Profit / (loss) for the year before tax on income, interest, dividends and capital gains/losses as a result of transfer	2,236,371	1,782,097
<i>Adjustments for non-monetary items which do not have a contra entry under net working capital</i>		
Appropriations to funds	163,618	157,422
Amortisation of intangible assets	425,348	305,993
Depreciation for durable losses of value	0	0
Adjustments of the value of financial assets and liabilities, of financial instruments which do not involve currency movements	0	0
Other upward/downward adjustments for non-monetary items	128,614	88,625
<i>Total adjustments for non-monetary items which do not have a contra entry under net working capital</i>	717,580	552,040
2. Financial flow before variations in the net working capital current assets	2,953,951	2,334,137

<i>Variations in the net working capital</i>		
Decrease/(Increase) in the inventory	(2,215,940)	(141,142)
Decrease/(Increase) in receivables from customers	419,345	(468,270)
Increase/(Decrease) in debts to suppliers	(1,780,372)	(751,582)
Decrease/(Increase) in prepayments and accrued income	56,331	(312,613)
Increase/(Decrease) in accrued liabilities and deferred income	(62,544)	1,356
Other decreases / (Other increases) in the net working capital	1,742,876	(285,792)
<i>Total variations in the net working capital</i>	<i>(1,840,304)</i>	<i>(1,958,043)</i>
3. Financial flow after the variations in the net working capital	1,113,647	376,094
<i>Other adjustments</i>		
Interest collected/(paid)	(201,495)	0
(Income tax paid)	(980,379)	(485,816)
Dividends collected	0	0
(Utilisation of funds)	(168,256)	(123,133)
Other proceeds/(payments)	0	0
<i>Total other adjustments</i>	<i>(1,350,130)</i>	<i>(608,949)</i>
Financial flow of operating activities (A)	(236,483)	(232,855)
B. Financial flow resulting from investment		
<i>Tangible assets</i>		
(Investments)	(2,109,928)	1,686,452
Disinvestments	34,373	1,581,939
<i>Intangible assets</i>		
(Investments)	(17,123)	22,320
Disinvestments	0	0
<i>Financial assets</i>		
(Investments)	0	(25,000)
Disinvestments	24,076	0
<i>Financial assets other than fixed assets</i>		
(Investments)	0	0
Disinvestments	0	0
(Acquisition of business branches net of liquid assets)	(275,827)	0
Transfer of branches net of cash in hand	0	0
Financial flow of investment activity (B)	(2,344,429)	3,265,711
C. Financial flows resulting from financing activity		
<i>Borrowed capital</i>		
Increase/(Decrease) in short-term debts owed to banks	1,448,395	(187,443)
Taking out of loans	1,060,120	0
(Reimbursement of loans)	0	(2,689,829)
<i>Shareholders' equity</i>		
Paid increase of capital	0	1
(Reimbursement of capital)	0	0
Assignment/Transfer (Purchase) of company's own shares	0	0

(Dividends and payments on account on paid dividends)	0	0
Financial flow of financing activity (C)	2,508,515	(2,877,271)
Increase (decrease) in liquid assets (A ± B ± C)	(72,397)	155,585
Effect of exchange rates on liquid assets	0	0
Available funds at the beginning of the year		
Bank and postal deposits	286,113	0
Cheques	0	0
Cash and securities	310	0
Total available funds at the beginning of the year	286,423	0
Of which those not freely utilisable	0	0
Available funds at the end of the year		
Bank and postal deposits	212,974	286,113
Cheques	0	0
Cash and securities on hand	1,052	310
Total available funds at the end of the year	214,026	286,423
Of which not freely available	0	0

Notes to the Balance Sheet at 31/12/2016

PREFACE

The Balance Sheet for the year ending 31/12/2016, of which the present notes are an integral part pursuant to art. 2423 clause 1 of the Civil Code, corresponds to the results of the accounting records, which have been kept regularly and drafted in accordance with articles 2423, 2423-ter, 2424, 2424-bis, 2425, 2425-bis and 2425-ter of the Civil Code, in compliance with the accounting principles established by art. 2423-bis and the valuation criteria established in art. 2426 of the Civil Code.

The valuation criteria referred to in art. 2426 of the Civil Code are in conformity with those which were used to draw up the balance sheet for the previous year, with the exception of the items for which D.Lgs [Legislative Decree] 139/2015 introduced new valuation criteria and no exceptional events have occurred which would have necessitated departure from arts. 2423-bis clause 2 and 2423 clause 5 of the Civil Code.

With regard to the application of the transitional regulations concerning the changes introduced by D.Lgs [Legislative Decree] 139/2015 and in part already defined in the new accounting principles, in the event of retroactive application pursuant to OIC⁵ 29, the effect of the change has been to rectify the opening net assets and, where feasible, the comparative effects have been redetermined. The specific sections of these Notes illustrate the criteria according to which art. 2423 clause 4 is implemented in the event of failure to comply with the information gathering, evaluation and presentation rules, when compliance with them does not significantly affect the true and proper representation of the accounting position.

Where applicable, the principles and recommendations published by the OIC – *Organismo Italiano di Contabilità* [Italian Accounting Body] have, moreover, been observed, supplemented, where missing, by the IAS⁶/IFRS⁷ regulations issued by the IASB⁸, in order to give a true and proper representation of the asset, financial and economic position.

There are no items under assets and liabilities which come under more than one heading in the balance sheet.

In order to enable the balances to be compared, pursuant to art. 2423-ter clause 5 of the Civil Code, the balances for the previous financial year have been reclassified.

CRITERIA ADOPTED FOR PREPARATION OF THE BALANCE SHEET

⁵ OIC – Organismo Italiano di Contabilità = Italian Accounting Body.

⁶ IAS = International Accreditation Service.

⁷ IFRS = International Financial Reporting Standards.

⁸ IASB = International Accounting Standards Board.

Pursuant to article 2423-*bis* of the Civil Code, the following procedures have been adopted in drawing up the Balance Sheet:

- The individual items have been prudently evaluated with a view to normal continuation of the business;
- Only the profits actually achieved during the year have been included;
- The proceeds and costs have been determined in accordance with the applicable timespan, irrespective of their financial manifestation [*sic*];
- All the applicable risks and losses have been included, even if they only became known after the year-end;
- Sundry items included under the various balance sheet headings have been separately considered for valuation purposes;
- The same valuation criteria have been used as those which were adopted in the previous year.

VALUATION CRITERIA

The criteria adopted to value the items on the balance sheet, as shown hereunder, are in compliance with what is laid down in art. 2426 of the Civil Code and they have only been applied to balance sheet items actually recorded.

Intangible fixed assets

The intangible assets have been entered, within the limits of their recoverable value, at the purchase or internal production cost, including all the direct additional charges and they have been systematically amortised by the straight-line method, according to the residual possibility of use of the asset concerned.

The intangible assets for which payment is deferred in relation to the normal market conditions have been entered on the basis of the amortised cost criterion, at the value corresponding to the debt determined pursuant to OIC 19 “Debts”.

The industrial patent rights and intellectual property utilisation rights have been amortised on the basis of their presumed duration of use and in any case at a figure not higher than that fixed by the licence contracts.

Current fixed assets, if recorded, are not the subject of amortisation.

Fixed assets whose value at the year-end was durably lower than the residual cost to be amortised have been entered at that lower value; this is only maintained if, in subsequent years, the reasons for the adjustment cease to apply.

The entry and valorisation of the items included under intangible assets have been done with the consent of the Board of Statutory Auditors, where permitted by the Civil Code.

Tangible fixed assets

The tangible assets have been shown under the date on which transfer of the risks and benefits took place in connection with the assets acquired, within the limit of their recuperable value, at the purchase or production cost net of the relevant depreciation funds, including all the directly-chargeable additional costs and burdens, the indirect costs inherent in internal production and the internal manufacturing financing costs incurred during the manufacturing period, up until the time at which the asset in question may be used.

The assets for which payment is deferred, compared with the normal market conditions, have been entered on the basis of the depreciated cost criterion, at the value corresponding to the debt determined pursuant to OIC 19 "Debts".

The costs incurred regarding existing assets for expansion, modernisation and improvement of the structural elements, as well as those incurred to improve compliance with the purposes for which they were purchased and extraordinary maintenance costs, in accordance with paragraphs 49 to 53 of OIC 16, have only been capitalised if there has been a significant and measurable increase in their productive capacity or useful life.

For such assets, the depreciation has been applied unitarily to the new accounting value, taking their residual useful life into account.

For tangible assets consisting of a coordinated group of assets, pursuant to OIC 16 paragraphs 45 and 46, the values of the individual assets have been determined in order to identify the different durations of their respective useful lives.

The tangible assets acquired free of charge, pursuant to OIC 16 paragraphs 47 and 48, have been entered in the Profit and Loss Account on the basis of the market value, with a counter-entry under item "A.5 – Other receipts/revenues and proceeds".

With reference to the capitalisation of tax burdens, note that, if done, it was done in accordance with OIC 16 paragraphs 41 to 44, considering that:

- These were one-off expenses incurred and objectively determinable, within the recuperable value of the assets concerned;
- The capitalised charges do not exceed the tax burdens, net of the temporary investment of funds taken as a loan, applicable to realisation of the asset and incurred in the year;
- The financial charges levied on funds taken as loans have generally been capitalised within the limits of the amount attributable to fixed assets in the process of construction;
- The capitalised charges only apply to assets requiring a significant construction period.

The cost of fixed assets the use of which is limited in time has been systematically depreciated in each financial year by the straight-line method, in relation to their residual possibility of use, with an explicit indication of the depreciations and of any devaluations made;

The rates applied reflect the results of the technical depreciation schemes, confirmed by the company's actual situation and reduced to half for the acquisitions for the year, insofar as the conditions established/provided by OIC 16 paragraph 61 on the basis of financial-technical rates determined in relation to the residual possibility of use apply.

The depreciation runs from the moment at which the assets become available and ready to use; in accordance with paragraph 70 of OIC 16, the depreciation schemes are reviewed in the event of a change in their residual possibility of use.

All the assets, including those temporarily not in use, have been depreciated, with the exception of those the use of which has not been exhausted, consisting of land, buildings which are not exploitable and works of art.

According to OIC 16 paragraph 60, if the value of the buildings also incorporates the value of the land on which they stand, the value of the building has been incorporated.

Obsolete assets and those which will no longer be used or usable in the production cycle, on the basis of OIC 16 paragraph 80, have not been depreciated and have been valued at whichever figure is lower of the following: the net book value or the recoverable value.

The rates applied are specified below:

Buildings: 3%-4%

Plant and machinery: 10%-15%

Industrial and commercial equipment: 10%

Other assets:

- Furniture and fittings: 12%
- Electronic office machinery: 20%
- Motor vehicles: 25%
- Lorries: 20%
- Improvements to third-party assets: rate based on the duration of the leasehold agreement.

The cost has not been revalued in accordance with currency revaluation laws.

Public contributions for plant and for the financial year

Contributions for the plant delivered by the Autonomous Province of Bolzano have been recorded in accordance with OIC 16 para. 87, as they have basically been acquired on a permanent basis.

They have been reported using the indirect method and they are therefore shown in the Profit and Loss Account under "A5 – Other revenues/receipts and proceeds" and postponed to subsequent years, through entry of the contribution as a special item under accrued liabilities and deferred income.

The contributions made for the year have been entered in the accounts under income.

Notes on the first application of D.Lgs [Legislative Decree] 139/2015***Assets payment for which payment is deferred in relation to the normal market conditions***

The company has only applied the amortised cost criterion to debts which have arisen since 2016; therefore the assets acquired in the previous years continue to be entered according to the previous accounting principle.

Shareholdings

Shareholdings have been classified under fixed assets, or current assets, depending on the purpose for which they are intended.

Long-term equity

Fixed assets have been valued by attributing the cost specifically incurred to each shareholding, increased by the directly-chargeable expenses and any renunciations of financing made in favour of the parties in whom the shares are held, as well as the payments made to cover the losses in implementation of a special resolution by a meeting.

Pursuant to art. 2426 point 3 of the Civil Code, the cost has been rectified in the event of durable losses in value, defined and determined on the basis of OIC 21, paragraphs 31 to 41.

In the year in which the conditions which had determined an adjustment of the value in previous years ceased to apply, a value determined on the basis of paragraphs 42 and 43 of OIC 21 was reinstated.

The credits/receivables entered under financial assets are shown at their presumed realisation value.

That value was determined by adjusting the nominal value of the existing credits/receivables in such a way as to take all the risks of non-realisation into account.

Inventory

For valuation of the inventory, two of the criteria allowed by art. 2426 point 10) of the Civil Code have been adopted. In particular:

- for the raw materials, subsidiary and expendable materials and goods intended for resale, the LIFO⁹ criterion was adopted; the valuation of the blocks of marble and granite in stock in the *piazzale* [meaning unknown] was of particular complexity, as usual. From careful analyses, it can be seen that some blocks do not have the expected morphological, structural and/or formal characteristics, compared with the time at which they were purchased in the caves; in fact the purchases may also take place at the extraction stage, or they may even be purchased per cubic metre at some time, in batches which are not always calculable. In many cases, therefore, for the aforesaid types of material, a valuation has been made which has taken the market value into

⁹ LIFO = last in first out.

consideration, as it was appreciably lower than the purchase price;

- for goods in process and finished products and for work in progress with a duration of less than a year, the criterion used was that of the cost obtained by valorisation of the raw material according to the criterion described above, to which all the costs which are directly attributable to the product or to the work have been added, in relation to the works performed.

Receivables/Credits

Receivables/Credits have been classified under fixed assets, or under current assets, depending on the origin/destination thereof with respect to ordinary activity, and they have been entered at their presumed realisation value.

The subdivision of the amounts collectable within and beyond the financial year has been done with reference to the contractual or legal expiry date, also taking into account facts and events which may determine a change in the original expiry date, the debtor's realistic ability to fulfil obligations in contractual terms and the timescale in which payment of the credit may reasonably be exacted.

The Receivables/Credits pursuant to art. 2426 clause 1 point 8) of the Civil Code have been recorded according to the amortised cost criterion, with the exception of those receivables/credits for which the effects of application of the amortised cost have been applied, pursuant to art. 2423 clause 4 of the Civil Code and they are irrelevant (e.g. with a due date of less than twelve months). Furthermore, due to the principle of relevance already mentioned, the credits have not been brought up to date where the interest rate deducible from the contractual conditions is not significantly different from the market interest rate. (e.g. with a due date of less than twelve months).

The receivables/credits for which the amortised cost criterion has not been applied have been shown at their presumable realisation value.

Regardless of whether the amortised cost has been applied, the receivables/credits are shown on the balance sheet net of any entry in a depreciation [sinking] fund to cover receivables/credits which are regarded as irrecoverable, as well as the general risk concerning the remaining receivables/credits, based on estimates in the light of past experience, the trend for seniority indices of overdue receivables/credits, the general economic situation and the country sector and risk situation, as well as facts which have occurred since the year-end, which have affected the values at the date of the balance sheet.

In the light of that provision, to which, moreover, fiscal validity has not been given, attention has been drawn to the recording of the respective advance taxes for IRES¹⁰ purposes only.

¹⁰ IRES – *Imposta sul Reddito delle Società* = Corporaton Tax.

Note, moreover, that the amount of receivables/credits from persons subject to competitive procedures is offset by a similar amount entered to rectify the value shown under assets, which is therefore cancelled out.

For credits assisted by guarantees, account has been taken of the effects of enforcement of the guarantees and for insurance credits, only the amount not covered by insurance has been taken into account.

Notes on the first application of D.Lgs 139/2015

The company has availed itself of the right (pursuant to OIC para, 89) not to apply the amortised cost and updating criteria for the credits entered on the balance sheet at 31/12/2015; therefore such credits have only been applied to the relevant credits starting from 1 January 2016 and only if the necessary conditions have been met.

The credits entered on the balance sheet at 31 December 2015 have been valued at their presumable realisation value.

Tax credits and advance tax payments

The item "Tax Credits" includes the definite and specific amounts derived from credits for which a right of realisation by means of reimbursement or offsetting has arisen.

The item "Advance Taxes" includes advanced tax assets determined on the basis of the deductible time differences or carrying forward of fiscal losses, applying the estimated rate in force at the time at which such differences shall apply.

The advance tax assets in connection with a fiscal loss have been shown where there is a reasonable certainty of their future recovery, proven by: fiscal planning for a reasonable period of time, which envisages sufficient taxable income to use the losses to be carried over and/or by the presence of sufficient taxable time differences to absorb the losses to be carried over.

Financial assets entered under current assets

Shareholdings and securities which do not constitute fixed assets, if any, have been entered at whichever is the lower value between the purchase cost and the presumed realisation value, deduced from the market trend. The credits entered under financial assets, if any, are shown at their presumed realisation value.

That value has been determined by adjusting the nominal value of the existing credits, in order to take all the risks of failure to realise them into account.

Liquid assets

The liquid assets are shown at their nominal value.

Prepayments and accrued income Accrued revenues and prepaid expenses

The prepayments and accrued income have been entered on the basis of the principle of temporal economic competence [accrual basis] and they contain the relevant proceeds/costs which are

payable in subsequent years and the proceeds/costs incurred before the year-end, but applicable to subsequent financial years.

Accordingly, only the amounts for costs and proceeds common to two or more years (the size of which varies over time) have been entered.

At the end of the year, the conditions which determined the initial finding were found to have been met, making the necessary adjustments of value if appropriate, also taking possible recuperability into account, as well as the time factor.

The accrued income items, amounting to operating credits, have been evaluated at their presumed realisation value, making a reduction – should that value prove to be lower than the book value – in the profit and loss account.

The accrued expenses, amounting to debts, have been valued at their nominal value.

For the prepaid expenses/deferred charges the future economic benefit in relation to deferred costs has been evaluated and should such a benefit prove to be lower than the amount entered, the value will be adjusted.

Shareholders' Equity

The share capital has been entered at the nominal value of the shares subscribed by the shareholders, with regard to operations on the said capital which have already been completed.

The reserves have been entered at their nominal value.

Fondi per rischi ed oneri Provision for contingent charges [risks and expenses]

The provision for risks represents the liabilities with regard to situations in existence on the date of the balance sheet, the occurrence of which is only probable.

The provision for charges represents definite liabilities in connection with negative components of the income for the year, but ones the figures for which will only be apparent in the following year.

The estimation process takes place and/or is adjusted on the date of closure of the balance sheet, on the basis of past experience and any useful information available.

Pursuant to l'OIC 31 para. 19, as the criterion of classification by nature of costs must prevail, the appropriations to the risks and charges funds have been entered under managerial activity, to which the operation refers (characteristic, supplementary or financial).

Retirement pension funds and similar obligations

Where present, these represent the liabilities in relation to supplementary welfare provision and a one-off payment to employees, autonomous workers and collaborators, by law or by contract, at the time of cessation of the working relationship.

The provision for the year is determined, partly on the basis of estimates, in such a way as to permit progressive adjustment of the relevant fund to the amount which has accrued overall at the

end of the accounting period.

Fund for taxes, including deferred ones

Where present, this includes the probable liabilities for taxes, derived from current non-definitive and disputed findings and the liabilities for deferred taxes determined on the basis of the temporary taxable time differences, by applying the estimated amount in force at the time at which it is believed that those differences will apply.

The fund for deferred taxes also includes, pursuant to OIC 25 paragraphs 53 to 85, the deferred taxes resulting from extraordinary operations, revaluation of assets and the suspended tax reserve which are not transferred from the profit and loss account or the net worth.

With reference to the suspended tax reserves, which would be liable to tax in the event of distribution to shareholders, the deferred taxes have not been calculated because, according to OIC 25 para. 64, there are sufficient grounds to believe that they will not be used in such a way as to give rise to taxability prerequisites.

Employees' severance indemnity fund

The employees' severance indemnity fund has been entered in accordance with the current regulations and corresponds to the company's actual commitment in relation to individual employees, on the date of closure of the balance sheet, after having deducted the advance payments made.

Debts

The debts pursuant to art. 2426 clause 1 point 8 of the Civil Code have been ascertained in accordance with the amortised cost criterion, with the exception of debts for which the effect of application of the amortised cost, pursuant to art. 2423 clause 4 of the Civil Code, are irrelevant (e.g. payable in less than twelve months). Due to the *principio di rilevanza* principle of relevance already mentioned, the debts have not been updated if the interest rate deducible from the contractual conditions is not significantly different from the market interest rate.

The "time factor" has also been taken into account, pursuant to art. 2426, clause 1 point 8), updating the debts maturing in more than twelve months' time, in the case of a significant difference between the actual interest rate and the market rate.

The debts for which the amortised cost criterion has not been applied have been entered at their nominal value.

The subdivision of the amounts payable within and beyond the financial year has been done with reference to the contractual or legal due date, also taking into account facts and events which may determine a change in the original due date,

The debts arising from acquisitions of assets have been entered at the time at which the risks, charges and benefits have been transferred; those for services have been calculated at the time at

which the service was performed; financial debts and debts of another nature have been calculated at the time at which the obligation to the opposite party is triggered.

The tax debts include definite, specific tax liabilities as well as the deductions made as a substitution and not yet paid at the date of the balance sheet and, where set-off/offsetting is permitted, they have been entered net of payments on account, withholding tax and tax credits.

Notes on the first application of D.Lgs 139/2015

The company has availed itself of the right (pursuant to OIC 19 para. 90) not to apply the criteria of amortised cost and updating for the debts entered on the balance sheet at 31 December 2015: therefore those criteria have only been applied to the reported debts, starting from 1 January 2016 and only if the necessary conditions apply.

The debts entered on the balance sheet at 31 December 2015 have been entered at their nominal value.

Amounts in currency

The monetary assets and liabilities in foreign currency, if any, have been entered at the spot exchange rate on the date of closure of the financial year: the corresponding profits and losses on exchange transactions have been charged to the profit and loss account.

The possible net profit resulting from adjustment to the exchange rates has been entered – for the part not absorbed by any loss during the year – in a special, non-distributable reserve up until the time of realisation.

The assets and liabilities in currency of a non-monetary nature, if any, have been entered at the exchange rate in force at the time of their acquisition, pursuant to 'OIC 26 para. 31, when the balance sheet was drawn up; that cost is compared, in accordance with the accounting principles concerned, with the recoverable value (fixed assets) or with the value deducible from the market trend (current assets).

Note, in relation to what is stated in art. 2427, point 6-*bis* of the Civil Code, subsequently to closure of the financial year, that the exchange differences not realised, if assessed on 24/02/2017, without taking into account the equity movements which took place in the period from 01/01/2017 to 24/02/2017, show a positive net balance of 449,929 euros (whereas the same exchange differences, calculated according to the year-end exchange rate, show a positive net balance of 329,814 euros).

Cost and proceeds

These have been shown according to the principle of prudence and economic competence.

Note that the economic and financial transactions with companies in the group and with correlated opposite parties took place under normal market conditions.

INFORMATION ON THE BALANCE SHEET
[STATEMENT OF ASSETS AND LIABILITIES]
ASSETS

DUES FROM SHAREHOLDERS

There were no entries at the year-end under dues from shareholders, for payments still owed.

FIXED ASSETS

Intangible assets

The intangible assets amount to 49,060 euros (45,939 euros in the previous year).

The composition and movements of the individual items are as follows:

	Set-up and expansion costs	Industrial patent rights and intellectual property rights	Concessions, licences, trademarks and similar rights	Total intangible assets
Value at the beginning of the year				
Cost	0	193,654	38,887	232,541
Amortisation and Depreciation (Sinking fund)	0	157,630	28,972	186,602
Book value	0	36,024	9,915	45,939
Variations over the year				
Increases for acquisitions	18,991	21,276	0	40,267
Amortisation/Depreciation over the year	6,330	22,344	8,472	37,146
Total variations	12,661	-1,068	-8,472	3,121
Value at the end of the year				
Cost	18,991	214,930	38,887	272,808
Amortisation and Depreciation (Sinking fund)	6,330	179,974	37,444	223,748
Book value	12,661	34,956	1,443	49,060

The following additional information is provided below:

Composition of the item "Other intangible assets"

There are no entries entitled "Other intangible assets"

Composition of the "Set-up and expansion costs" and of the "development costs"

With regard to art. 2427 clause 1 point 3) of the Civil Code, the following tables show the composition of the set-up and expansion costs and of the development costs.

Composition of the set-up and expansion costs:

	Description	Value at the beginning of the year	Increases for the year	Amortisation/ Depreciation for the year	Other decreases	Total variations	Value at the end of the year
	NB Immobiliare S r l merger costs	0	18,991	6,330	0	12,661	12,661
Total		0	18,991	6,330	0	12,661	12,661

These are expenses incurred for accomplishment of a merger by incorporation of a subsidiary company.

Composition of the development costs:

There were no entries under development costs.

Tangible assets

The tangible assets amounted to 15,101,112 euros (9,468,623 euros in the previous year).

The composition and movements of the individual items were as follows:

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Current tangible assets and payments on account	Total Tangible assets
Value at the beginning of the year						
Cost	2,289,948	1,948,466	444,088	1,414,562	568,309	6,665,373
Revaluations	7,022,077	0	0	0	0	7,022,077
Amortisation (sinking fund)	1,379,822	1,484,340	277,761	1,076,904	0	4,218,827
Balance sheet/Book value	7,932,203	464,126	166,327	337,658	568,309	9,468,623
Variations over the year						
Increases for acquisitions	5,285,145	946,403	107,743	347,913	1,228,639	7,915,843
Decreases for transfers and divestments (of the book value)	46,616	0	0	3,189	1,749,148	1,798,953
Depreciation for the year	92,615	123,274	39,368	132,945	0	388,202
Other variations	-77,171	0	0	-19,028	0	-96,199
Total variations	5,068,743	823,129	68,375	192,751	-520,509	5,632,489
Value at the end of the year						
Cost	14,550,555	2,733,424	550,435	1,320,519	47,800	19,202,733
Depreciation (Sinking fund)	1,549,609	1,446,169	315,733	790,110	0	4,101,621
Book value	13,000,946	1,287,255	234,702	530,409	47,800	15,101,112

The following additional information is provided:

Composition of the item "Other assets"

The item "Other assets", equal to 530,409 euros, comprises:

	Description	Value at the beginning of the year	Variations during the year	Value at the end of the year
	Ordinary office furniture and machinery	16,110	151,606	167,716
	Electronic office machinery	69,748	17,015	86,763
	Motor vehicles	92,866	-19,203	73,663
	Lorries	46,176	-15,050	31,126
	Improvement works on assets belonging to third parties	112,758	58,383	171,141
Total		337,658	192,751	530,409

Financial leasing operations

These include information about financial leasing operations, pursuant to art. 2427 clause 1 point 22) of the Civil Code, concerning the effects on the "net assets" and on the "result for the year":

	Amount
Total amount for assets being leased at the end of the year	3,201,504
Depreciation applicable for the year	93,000
Value adjustments and resumptions of value which would have applied to the year	0
Current value of instalments not due for payment at the end of the year	2,184,173
Financial charges applicable to the year on the basis of the actual interest rate	40,844

The following table details the information mentioned above with regard to the individual contracts in force:

	Description	Re contract with leasing company	Current value of instalments not yet due	Debit interest applicable	Historical cost	Depreciation fund at the beginning of the year	Depreciation for the year	Value adjustments for the year	Book value - Value contabile
	Land with Equipment at Rivoli Veronese	Unicredit Leasing Spa - IF/13252115	546,158	9,920	890,504	0	0	0	546,158
	Robotic cutting and milling plant	SG Leasing - SS 312097	50,476	3,761	170,000	59,500	17,000	0	93,500
	2 bridge cranes for marble	SG Leasing - SS 320477	43,817	3,890	140,000	49,000	14,000	0	77,000
	Granite processing plant	SG Leasing - Si 341382	390,457	6,809	620,000	31,000	62,000	0	527,000
	Land with Equipment at Cavaion Veronese	Cassa Rurale Renon [Coop Soc.] No. 00019263	1,153,265	16,464	1,381,000	0	0	0	1,153,265

Total			2,184,173	40,844	3,201,504	139,500	93,000	0	2,396,923
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Financial Assets

Shareholdings, other securities and instruments derived from financial assets

The shareholdings included under financial assets are equal to 1,154,713 euros (€1,174,713 in the previous year).

Note that the financial assets basically consist of shareholdings:

- in four subsidiary companies, two of which are subject to British [*sic*] Law, operating in the extractive sector, one of which is subject to U.S. Law and which has a significant shareholding in a company operating in the sector, and one of which is subject to national [Italian] Law, operating in the stone services sector;
- in four foreign associated companies, some of which operate in the cave exploitation sector and others in the production and marketing of marble and granite blocks, slabs and paving tiles;
- in a resident company operating in the goods handling sector, mainly loading and unloading blocks; in two consortiums [consortia] and one association involving derisory [trivial] numbers of subscribed shares;

The composition and movements of the individual items are as shown below:

	Shareholdings in controlled companies [subsidiaries]	Shareholdings in associated companies	Shareholdings in other companies	Total Shareholdings
Value at the beginning of the year				
Cost	794,207	369,309	11,197	1,174,713
Book value	794,207	369,309	11,197	1,174,713
Variations over the year				
Decreases for transfers (of the book value)	20,000	0	0	20,000
Total variations	-20,000	0	0	-20,000
Value at the end of the year				
Cost	774,207	369,309	11,197	1,154,713
Book value	774,207	369,309	11,197	1,154,713

The variation [decrease] refers to the aforesaid operation for merger by incorporation of a subsidiary company.

Frozen credit

No frozen credit was entered under financial assets.

Shareholdings in subsidiary companies

The following table shows the data with regard to shareholdings in subsidiary companies, pursuant to art. 2427 clause 1 point 5) of the Civil Code:

Name	Town (in Italy or Foreign Country)	Tax Reference (for Italian companies)	Capital in euros	Profit (loss) in the last year in euros	Net worth in euros	Shareholding in euros	% Share owned	Book value of shareholding in euros
Bagnara Holding Company Inc	Georgia - (USA)		474	170,864	1,814,140	474	100.00	740,671
Clifford Limited Ltd Company Reg. No 04649060	London - (United Kingdom)		7,785	-5,588	-10,285	7,785	100.00	7,535
Sheringham Limited Company Reg. No 05260621	Romford, (United Kingdom)		3,000	5,821	-574,968	2,000	66.67	1,001
Bagnara Stonecare Srl	Italy	02884150216	25,000	1,643	26,642	25,000	100.00	25,000
Total								774,207

Note: We take note that Clifford Limited is taking advantage of exemption from audit as per section 479A of the Companies Act 2006, in relation to the financial statements ended 31 December 2016.

Shareholdings in associated companies

The following table shows the data with regard to shareholdings in associated companies, pursuant to art. 2427, clause 1 point 5) of the Civil Code:

Name	Town (in Italy or Foreign Country)	Tax Reference (for Italian companies)	Capital in euros	Profit (loss) in the last year in euros	Net worth in euros	Shareholding in euros	% Share owned	Book value of shareholding in euros
Shin Bagnara Co Ltd	Seoul - (South Korea)		259,974	166,965	2,000,969	129,987	50.00	112,332
Azul Aran S L	Barcelona - (Spain)		6,010	6,883	195,836	3,005	50.00	3,005
Intenia S L	Lleida - (Spain)		4,000	1,284	5,695	2,000	50.00	2,000
C R G Quarries (PVT) Ltd	Mutoko (Zimbabwe)		3	-97,639	-1,631,105	1	33.33	251,972
Total								369,309

With regard to the company C.R.G. Quarries (PVT) Ltd. in which Nikolaus Bagnara SpA has a shareholding, it is considered that it should maintain the registration value of the shareholding which is higher than the amount of net worth owned, in relation to the significant latent capital gains regarding the tangible and intangible values owned by the company in which it has a shareholding. That company, which specialises in granite extraction, is the owner of a cave from which considerable quantities of prized material ("Absolute Black") are extracted. All the

extraction is reserved for the shareholders and constitutes a secure source of supply.

Note, pursuant to art. 2361 clause 2 of the Civil Code, that the company does not own any shareholdings involving unlimited liability.

Frozen credit – Distribution by geographical area

At the end of the accounting period in question no frozen credit was entered on the balance sheet, therefore distribution of the same by geographical area has been omitted, pursuant to art. 2427 clause 1 point 6) of the Civil Code.

Frozen credit – Transactions with retrocession at term

Note that the company does not own any frozen credit derived from transactions committing the purchaser to retrocession at term, pursuant to art. 2427 clause 1 point 6-ter of the Civil Code.

Financial assets entered/registered at a value higher than the *fair value*

Pursuant to art. 2427-bis clause 1 point 2 letter a) of the Civil Code, note that no financial assets have been entered at a value higher than the *fair value*.

CURRENT ASSETS

Inventory

The assets entered under inventory at the time at which the transfer takes place of the risks and benefits relating to the assets acquired, and they therefore include the assets at the company's warehouses, excluding those received from/by third parties for whom right of ownership has not been acquired (under inspection, in process, deposited) and assets in transit to third parties, where the risks and benefits relating to the assets purchased have been transferred.

The inventory items included under current assets are equal to 13,092,539 euros (10,876,599 euros in the previous financial year).

The composition and movements of the individual items are represented as follows:

	Value at the beginning of the year	Variation over the year	Value at the end of the year
Raw materials, subsidiary and expendable materials	10,123,490	2,270,275	12,393,765
Payments on account	753,109	-54,335	698,774
Total inventory	10,876,599	2,215,940	13,092,539

Tangible assets intended for sale

No tangible assets intended for sale were entered on the balance sheet.

Credits/Receivables

The credits/receivables included under current assets are equal to 11,544,334 euros (12,233,428 euros in the previous year).

Their composition is as follows:

	Payable within the next year	Payable after the end of the financial year	Total nominal value	(Risk/Depreciation Funds)	Net value
From customers	7,483,915	0	7,483,915	1,223,053	6,260,862
From subsidiary companies	2,555,377	0	2,555,377	0	2,555,377
From associated companies	2,347,435	0	2,347,435	0	2,347,435
Tax credits	335,816	0	335,816		335,816
Taxes paid in advance			29,638		29,638
From others	15,206	0	15,206	0	15,206
Total	12,737,749	0	12,767,387	1,223,053	11,544,334

Credits/Receivables – Distinguished by due date

The data concerning the subdivision of credits/receivables by due date, are shown below, pursuant to art. 2427 clause 1 point 6) of the Civil Code.

	Value at the beginning of the year	Variation over the year	Value at the end of the year	Amount payable within the year	Amount payable beyond the year	Of which of a residual duration in excess of 5 years
Receivables from customers entered under current assets	6,679,933	-419,071	6,260,862	6,260,862	0	0
Receivables from subsidiary companies entered under current assets	2,994,950	-439,573	2,555,377	2,555,377	0	0
Receivables under associated companies entered under current assets	2,352,371	-4,936	2,347,435	2,347,435	0	0
Tax credits entered under current assets	67,336	268,480	335,816	335,816	0	0
Taxes paid in advance and entered under current assets	76,157	-46,519	29,638			
Receivables from others entered under current assets	62,681	-47,475	15,206	15,206	0	0
Total credits entered under current assets	12,233,428	-689,094	11,544,334	11,514,696	0	0

Credits – Distribution by geographical area

The following are the data concerning the subdivision of credits entered under current assets by geographical area, pursuant to art. 2427, clause 1 point 6) of the Civil Code:

Credits – Transactions with retrocession at term

Note that there are no credit entries under current assets, derived from operations committing the purchaser to retrocession at term, pursuant to art. 2427 clause 1 point 6-ter) of the Civil Code.

Financial Assets

Note that the current assets do not include any entries under financial assets.

Shareholdings in subsidiary companies

Note that the current assets do not include any entries under shareholdings in subsidiary companies, pursuant to art. 2427 clause 1 point 5) of the Civil Code.

Note: We take note that Clifford Limited is taking advantage of exemption from audit as per section 479A of the Companies Act 2006, in relation to the financial statements ended 31 December 2016.

Shareholdings in associated companies

Note that the current assets do not include any entries under shareholdings in associated companies, pursuant to art. 2427, clause 1 point 5) of the Civil Code.

Cash

The cash included under current assets amounts to 214,026 euros (286,423 euros in the previous year).

The composition and movements of the individual items are as follows:

	Value at the beginning of the year	Variations over the year	Value at the end of the year
Bank and postal deposits	286,113	-73,139	212,974
Money and other cash valuables	310	742	1,052
Total cash on hand	286,423	-72,397	214,026

ADJUSTMENT ACCOUNTS [PREPAYMENTS AND ACCRUED INCOME]

The prepayments and accrued income amount to 536,339 euros (591.808 euros in the previous

year).

The composition and movements of the individual items are as follows:

	Value at the beginning of the year	Variation over the year	Value at the end of the year
Prepaid expenses	591,808	-55,469	536,339
Total prepayments and accrued income	591,808	-55,469	536,339

Composition of the prepayments and accrued income

No accrued income was entered.

The prepayments mainly refer to costs incurred for insurance, consumptions, other services and advance payment of leasing instalments applicable to subsequent financial years.

Capitalised financial charges

There are no financial charges attributable during the year to values entered under assets in the Balance Sheet, pursuant to art. 2427 clause 1 point 8) of the Civil Code.

To supplement the information provided on assets in the Balance Sheet, two items are specified hereunder: "Depreciation due to durable losses of value" and "Revaluations of tangible and intangible assets"

Devaluations due to durable losses of value, entered under tangible and intangible assets

Pursuant to art. 2427, clause 1 point 3-bis) of the Civil Code, note that no reductions in value have been applied to the tangible and intangible fixed assets.

Revaluation of tangible and intangible assets

Note that the company has not done any revaluations of tangible and intangible assets, pursuant to art. 10 of Law 72/1983.

The company did, however, avail itself in 2008 of the facility introduced by Decree 185/08 (converted into Law No. 2 of 28 January 2009) in order to revalue, for civil purposes only, the depreciable business premises, as well as the corresponding land entered under its assets on 31/12/2017, the accounting [book] value of which was lower than the market value.

By means of the aforesaid revaluation, a prudential adjustment has been made of the residual book value of the fixed assets belonging to the category of depreciable properties equal to 1,135,020 euros at the market value of 3,643,323 euros and of the properties belonging to the category of

non-depreciable immovable properties, equal to 1,640,883 euros at the market value of 5,932,349 euros.

The revaluation was done in accordance with the legal instructions and the value of the revalued assets does not exceed the limit established pursuant to clause 2 art. 11 of Law 342/2000, expressly referred to in D.L. [Decree Law], 185/2008.

The accounting method used provides for revaluation of the historical cost, with the result that the depreciation period is extended.

**INFORMATION ABOUT THE BALANCE SHEET/
[STATEMENT OF ASSETS AND LIABILITIES]
LIABILITIES AND NET WORTH**

NET WORTH

The net worth at the end of the year amounted to 15,210,761 euros (14,116,589 euros in the previous year).

The following tables show the movements affecting the individual items which go to make up the Net Worth during the year and the details of the item entitled "Other Reserves".

In particular, the profit for the year of 1,652,893 euros was allocated to the Extraordinary Reserve. Furthermore, steps were taken to tie up an amount equal to 8,567 euros of the Extraordinary Reserve, allocating it to the "Tied Reserve for Advance Tax Payments" and to tie an amount equal to 261,172 euros, taking it from the Extraordinary Reserve to a Non-available Reserve for exchange differences not realised.

The company also arranged to release part of the "Tied Reserve", in order to reimburse IRES for the years 2007-2011 by an amount equal to 17,279 euros.

	Value at the beginning of the year	Assignment of dividends	Other destinations	Increases
Capital	516,500	0	0	0
Revaluation reserves	6,106,688	0	0	0
Legal reserve	103,300	0	0	0
Other reserves				
Extraordinary reserve	4,963,914	0	1,652,893	17,279
Payments into capital account	287,481	0	0	0
Share capital reduction reserve	130,000	0	0	0
Reserve for profits on exchange transactions not carried out	156,167	0	0	261,172
Various other reserves	199,646	0	0	8,567
Total other reserves	5,737,208	0	1,652,893	287,018

Profit (loss) for the period	1,652,893	0	-1,652,893	0
Total Net Worth	14,116,589	0	0	287,018

	Decreases	Reclassifications	Result for the year	Value at the end of the year
Capital	0	0		516,500
Revaluation reserves	0	0		6,106,688
Legal reserve	0	0		103,300
Other reserves				
Extraordinary reserve	269,739	0		6,364,347
Payments into capital account	0	0		287,481
Share capital reduction reserve	0	0		130,000
Reserve for profits on exchange transactions not carried out	0	0		417,339
Various other reserves	17,279	0		190,934
Total other reserves	287,018	0		7,390,101
Profit (loss) for the period	0	0	1,094,172	1,094,172
Total Net Worth	287,018	0	1,094,172	15,210,761

	Description	Amount
	Profit contribution reserve pursuant to art. 55 of TUIR [Income tax Consolidation Act]	84,711
	Tied reserve for taxes paid in advance	76,157
	Tied reserve for reimbursement of IRES [Corporate Income Tax]	30,066
Total		190,934

In order to make the variations in the net worth easier to understand, the movements of the items for the previous year under net worth net worth are shown below:

	Value at the beginning of the year	Assignment of dividends	Other appropriations	Increases
Capital	516,500	0	0	0
Revaluation reserves	6,106,688	0	0	0
Legal reserve	103,300	0	0	0
Extraordinary reserve	3,977,664	0	1,083,921	0
Payments into capital account	287,481	0	0	0
Share capital reduction reserve	130,000	0	0	0
Reserve for profits on exchange transactions not carried out	0	0	0	156,167
Various other reserves	258,142	0	0	0
Total other reserves	4,653,287	0	1,083,921	156,167
Profit (loss) for the year	1,083,921	0	-1,083,921	0
Total Net Worth	12,463,696	0	0	156,167

	Decreases	Reclassifications	Result for the period	Value at the end of the period
Capital	0	0		516,500
Revaluation reserves	0	0		6,106,688
Legal reserve	0	0		103,300
Other reserves				
Extraordinary reserve	97,671	0		4,963,914
Payments into capital account	0	0		287,481
Share capital reduction reserve	0	0		130,000
Reserve for profits on exchange transactions not carried out	0	0		156,167
Various other reserves	58,495	-1		199,646
Total other reserves	156,166	-1		5,737,208
Profit (loss) for the period	0	0	1,652,893	1,652,893
Total Net Worth	156,166	-1	1,652,893	14,116,589

Availability and utilisation of the items under net worth

The information required by article 2427 clause 1 point 7-bis) of the Civil Code, concerning specification of the items under net worth with reference to their origin, possibility of use and distributability, as well as their actual use in previous accounting periods, may be deduced from the following tables:

	Amount	Origin/nature	Possibility of use	Available quota	Summary of the availments in the last three accounting periods – to cover losses	Summary of the availments in the last three accounting periods – for other reasons
Capital	516,500	Contribution of shareholders		0	0	0
Revaluation reserves	6,106,688	Other Nature	A-B-C	6,106,688	0	0
Legal reserve	103,300	Profits	B	103,300	0	0
Other reserves						
Extraordinary reserve	6,364,347	Profits	A-B-C	6,364,347	0	0
Payments into capital account	287,481	Contribution of shareholders	A-B	287,481	0	0
Share capital reduction reserve	130,000	Other Nature	A-B-C	130,000	0	0
Reserve for profits on exchange transactions not carried out	417,339	Profits	A-B	417,339	0	0
Various other reserves	190,934	Profits	A-B-C	190,934	0	0
Total other reserves	7,390,101			7,390,101	0	0
Total	14,116,589			13,600,089	0	0
Residual distributable quota				13,600,089		
Key A for increase in capital, B to cover losses, C for distribution to shareholders, D for other						

statutory obligations: E
Other

Description	Amount	Origin/ Nature	Possibility of use	Available quota	Summary of availments in the last three accounting periods to cover losses	Summary of availments in the last three accounting periods for other reasons	Key: A: for increase of capital; B: to cover losses; C: from distribution to shareholders; D: for other statutory obligations; E: Other
Profit contribution reserve pursuant to art 55 TUJR	84,711		A-B-C	84,711	0	0	
Tied reserve for advance tax payments	76,157	Profits	A-B-C tied	76,157	0	0	
Tied reserve for reimbursement of IRES	30,066	Profits	A-B-C tied	30,066	0	0	
Total	190,934						

Reserve for transactions to cover expected financial flows

No provision has been made for transactions to cover expected financial flows.

To supplement the information provided on the Net Worth, the following additional information is specified below:

Revaluation reserves

The composition of the revaluation reserve is as follows:

	Value at the beginning of the year	Utilisation to cover losses	Other movements	Value at the end of the year
Law No. 2/2009	6,106,688	0	0	6,106,688
Other revaluations				
Total revaluation reserves	6,106,688	0	0	6,106,688

RISK AND CONTINGENCY FUNDS

The risk and contingency funds have been entered under liabilities for a total sum of 695,921 euros (786,116 euros in the previous accounting period).

The composition and movements of the individual items are as shown below:

	Fund for retirement pension and similar commitments	Fund for taxes including deferred ones	Financial instruments Derived liabilities	Other funds	Total risk and contingency funds
Value at the beginning of the year	0	671,985	0	114,131	786,116
Variations over the year					
Appropriation over the year	0	0	0	38,930	38,930
Utilisation over the year	0	87,800	0	41,325	129,125
Total variations	0	-87,800	0	-2,395	-90,195
Value at the end of the year	0	584,185	0	111,736	695,921

Note that among the other contingency funds (funds for risks and charges) there is an entry entitled “Restoration and Improvement Fund”, for the sum of 72,806 euros, derived from reclassification of the Land Depreciation Fund, as arranged and the Credit Risks Fund.

With regard to the information concerning the movements of the “Deferred Taxes Fund”, see the section entitled “Current, deferred and advance income taxes for the year”.

EMPLOYEE SEVERANCE INDEMNITY

The employee severance indemnity is entered under liabilities for a total sum of 857,088 euros (771,531 euros in the previous year).

The composition and movements of the individual items are as shown below:

	Employee severance indemnity fund
Value at the beginning of the year	771,531
Variations over the year	
Appropriation over the year	124,688
Utilisation over the year	39,131
Total variations	85,557

Value at the end of the year	857.088
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DEBTS

The debts have been entered under liabilities for the total sum of 24,880,891 euros (18,970,732 euros in the previous year).

The composition of the individual items is as follows:

	Value at the beginning of the year	Variations over the year	Value at the end of the year
Debts to shareholders for loans	496,500	410,000	906,500
Debts to banks	11,983,993	4,407,001	16,390,994
Payments on account	196,988	917,541	1,114,529
Debts to suppliers	5,092,125	-42,930	5,049,195
Debts to subsidiary companies	8,222	-8,222	0
Debts to associated companies	84,377	-81,151	3,226
Tax debts	505,086	-388,198	116,888
Debts to welfare and social security institutions	175,396	21,881	197,277
Other debts	428,045	674,237	1,102,282
Total	18,970,732	5,910,159	24,880,891

Debts – Distinguished by due date [maturity]

The data concerning the subdivision of debts by due date [maturity] are shown below, pursuant to art. 2427 clause 1 point 6) of the Civil Code:

	Value at the beginning of the year	Variation over the year	Value at the end of the year	Amount payable within the year	Amount payable beyond the year	That with a duration in excess of 5 years
Debts to shareholders for loans	496,500	410,000	906,500	0	906,500	0
Debts to banks	11,983,993	4,407,001	16,390,994	9,592,431	6,798,563	1,032,885
Payments on account	196,988	917,541	1,114,529	1,114,529	0	0
Debts to suppliers	5,092,125	-42,930	5,049,195	5,049,195	0	0
Debts to subsidiary companies	8,222	-8,222	0	0	0	0
Debts to associated companies	84,377	-81,151	3,226	3,226	0	0
Tax debts	505,086	-388,198	116,888	116,888	0	0
Debts to welfare and social security institutions	175,396	21,881	197,277	197,277	0	0

Other debts	428,045	674,237	1,102,282	1,003,959	98,323	0
Total debts	18,970,732	5,910,159	24,880,891	17,077,505	7,803,386	1,032,885

Debts – Distribution by geographical area

The data concerning the subdivision of debts by geographical area are provided below, pursuant to art. 2427, clause 1 point 6) of the Civil Code:

Debts assisted by real guarantees on company assets

The debts assisted by real guarantees on company assets are given below, pursuant art. 2427, clause 1 point 6) of the Civil Code.

Debts – Transactions with retrocession at term

No debts have been entered on the balance sheet due to operations committing the purchaser to retrocession at term, pursuant to art. 2427 clause 1 point 6-ter) of the Civil Code.

Financing by shareholders

The information concerning financing by shareholders is given below, pursuant to art. 2427 clause 1 point 19-bis) of the Civil Code.

These are non-interest-bearing loans, with expiry date or obligation to postpone them.

Restructuring of the debt

Note that the company has not activated any debt restructuring operation. .

ACCRUED LIABILITIES AND DEFERRED INCOME

The accrued liabilities and deferred income have been entered under liabilities for a total sum of 47,462 euros (32,565 euros in the previous year).

The composition and movements of the individual items are as follows:

	Value at the beginning of the year	Variation over the year	Value at the end of the year
Accrued liabilities	15,481	2,346	17,827
Deferred income	17,084	12,551	29,635
Total accrued liabilities and deferred income	32,565	14,897	47,462

Composition of the accrued liabilities and deferred income

Note that the accrued liabilities refer to the amount of bank interest payable in the year in question.

The deferred income refers to the contributions received from the Autonomous Province of Bolzano, which apply to subsequent years.

INFORMATION ABOUT THE PROFIT AND LOSS ACCOUNT

VALUE OF PRODUCTION

Proceeds from sales and services rendered. Distribution by type of activity

With regard to art. 2427 clause 1 point 10) of the Civil Code, the distribution of proceeds by type of activity is shown in the following tables:

	Type of activity	Value in the current year
	Provision of services	182,543
	Sale of raw materials, subsidiary materials and unfinished products	31,378,869
Total		31,561,412

Proceeds from sales and services – Distribution by geographical area

With regard to art. 2427 clause 1 point 10) of the Civil Code, the geographical distribution of the proceeds is as shown below:

	Geographical area	Value in the current year
	Italy	10,563,663
	EU	9,738,554
	Outside the EU	11,259,195
Total		31,561,412

Other receipts and proceeds

The other receipts and proceeds have been entered at their production value in the profit and loss account, for a total sum of 815,720 euros (969,586 euros in the previous financial year).

The composition of the individual items is as follows:

	Value in the previous financial year	Variation	Value in the current year
Contributions for the year	65,050	-33,500	31,550
Others			
Earnings from fixed assets [land and buildings]	36,294	30,192	66,486
Reimbursement of expenses	347,573	40,901	388,474
Reimbursement of insurance costs	21,570	-9,171	12,399

Capital gains of a non-financial nature	199,375	-198,451	924
Extraordinary income and contingent assets	16,187	4,267	20,454
Reinstatement of value of previous devaluations	65,446	-13,515	51,931
Contribution in capital account (shares)	1,778	4,615	6,393
Other income and proceeds	216,313	20,796	237,109
Total other	904,536	-120,366	784,170
Total other income and proceeds	969,586	-153,866	815,720

PRODUCTION COSTS

Expenses for services

The expenses for services have been entered in the profit and loss account, under production costs, for a total sum of 11,429,705 euros (10,729,539 euros in the previous year).

The composition of the individual items is as follows:

	Value in the previous financial year	Variation	Value in the current financial year
Transport	3,602,137	-134,228	3,467,909
Warehousing	31,909	-17,461	14,448
External works	4,152,096	817,572	4,969,668
Electricity	226,996	-9,982	217,014
Water	38,896	2,119	41,015
Maintenance and repair costs	232,817	55,406	288,223
Technical services and consultancy costs	380,787	13,840	394,627
Directors' fees	231,549	47,723	279,272
Commission payable	684,991	-102,413	582,578
Advertising	369,916	-67,520	302,396
Legal and consultancy costs	13,485	35,943	49,428
Telephone costs	65,290	9,222	74,512
Insurance	73,349	-8,780	64,569
Entertainment expenses	11,249	4,680	15,929
Travel and transfer expenses	255,086	19,972	275,058
Updating and training expenses	5,137	1,644	6,781
Others	353,849	32,429	386,278
Total	10,729,539	700,166	11,429,705

Expenses for the use of property belonging to third parties

The expenses for the use of property belonging to third parties have been entered in the profit and loss account under production costs, for a total sum of 579,886 euros (389,533 euros in the previous year).

The composition of the individual items is as follows:

	Value in the previous year	Variation	Value in the current year
Rent and leases	172,490	37,499	209,989
Leasing instalments for movable property	217,043	152,854	369,897
Total	389,533	190,353	579,886

Sundry operating costs

The sundry operating costs have been entered in the profit and loss account under production costs, for a total sum of 385,730 euros (1.827,967 euros in the previous year).

The composition of the individual items is as follows: :

	Value in the previous year	Variation	Value in the current year
ICI ¹¹ /IMU ¹²	78,190	6,740	84,930
Registration tax	1,375	644	2,019
Losses on credits	72,568	-50,759	21,809
Subscription to newspapers, magazines	889	-862	27
Contingent liabilities/ Extraordinary losses	167,392	-84,799	82,593
Capital losses of a non-financial nature	1,395,580	-1,379,776	15,804
Other operating expenses	111,973	66,575	178,548
Total	1,827,967	-1,442,237	385,730

FINANCIAL EARNINGS AND EXPENSES

Proceeds from shareholdings

Pursuant to art. 2427, clause 1 point 11) of the Civil Code, note that no proceeds from shareholdings other than dividends are present.

Interest and other financial charges – Distribution by type of debt

Pursuant to art. 2427, clause 1 point 12) of the Civil Code, the subdivision of the item “Interest and other financial charges” is shown in the following table”:

	Interest and other financial charges
Debts to banks	311,484
Others	250,412

¹¹ ICI – *Imposta Comunale sugli Immobili* = Council Tax on Real Estate.

¹² IMU – *Imposta Municipale Unica* = Single Municipal Tax [council tax]

Total	561,896
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Profits and losses on exchange transactions

The following table contains information about the subdivision of profits and losses on exchange transactions, derived from the valuation at the end of the financial year, compared with those already achieved:

	Parte valutativa	Parte realizzata	Totale
Profits on foreign exchange transactions	412,046	-200,408	211,638
Losses on foreign exchange transactions	82,232	235,483	317,715

PROCEEDS OF AN EXCEPTIONAL AMOUNT OR INCIDENCE

With regard to art. 2427 clause 1 point 13 of the Civil Code, note that no proceeds of an exceptional amount or incidence have been recorded.

COST OF AN EXCEPTIONAL AMOUNT OR INCIDENCE

Note, with regard to art. 2427 clause 1 point 13) of the Civil Code, that no costs of an exceptional amount or incidence have been recorded.

CORPORATE INCOME TAX, CURRENT, DEFERRED AND PAID IN ADVANCE

The composition of the individual items is as shown below:

	Current taxes	Taxes for previous years	Deferred taxes	Taxes paid in advance	Proceeds (charges) for subscription to the consolidated tax regime [fiscal transparency]
IRES ¹³	516,440	0	0	9,861	
IRAP ¹⁴	107,761	0	0	0	
Total	624,201	0	0	9,861	0

The following tables, which have been drawn up on the basis of the figures suggested by OIC 25, contain the information required by art. 2427, clause 1 point 14), letters a) and b) of the Civil Code. They contain, in particular, information about the summarised values of the movements in the year for “Total advance and deferred taxation”, about the composition of the temporary deductible differences which have given rise to “Assets due to taxes paid in advance”, about the composition of the temporary taxable differences which have given rise to “Liabilities for deferred taxes” and information about the utilisation of fiscal losses. Also specified are the temporary differences for which deferred fiscality has not been reported.

¹³ IRES – *Imposta sul Reddito delle Società* – Corporation Tax.

¹⁴ IRAP – *Imposta Regionale sulle Attività Produttive* = Regional Tax on Productive Activities.

	IRES	IRAP
A) Temporary differences		
Total temporary deductible differences	123,491	0
Total temporary taxable differences	2,161,841	1,921,818
Net temporary differences	2,038,350	1,921,818
B) Fiscal effects		
Deferred (advanced) tax fund at the beginning of the year	530,485	65,343
Deferred (advance) taxes for the year	-41,281	0
Deferred (advance) tax fund at the end of the year	489,204	65,343

	Description	Amount at the end of the previous year	Variation occurring during the year	Amount at the end of the year	IRES rate	IRES fiscal effect	IRAP rate	IRAP fiscal effect
	Unpaid directors' fees	7,975	-7,975	0	0	0	0	0
	Depreciation of credits and provision for risks on non-deductible credits	268,960	-145,469	123,491	24.00	29,638	0	0

	Description	Amount at the end of the previous year	Variation over the year	Amount at the end of the year	IRES quota	IRES fiscal effect	IRAP quota	IRAP fiscal effect
	Ordinary Capital Gains	157,650	-39,410	118,240	24.00	28,378	0	0
	Contingent liabilities Depollution Fiscal – Amortisation	126,503	-4,720	121,783	24.00	29,228	0	0
	Civil revaluation of real estate	1,921,818	0	1,921,818	24.00	461,236	3.40	65,343

OTHER INFORMATION

Employment data

Pursuant to art. 2427 clause 1 point 15) of the Civil Code, the following information is provided about personnel:

	Average number
Executives	1
White-collar workers	52
Blue-collar workers	38
Total Employees	91

Remunerations, advances and credits awarded to company bodies

Pursuant to art. 2427 clause 1 point 16) of the Civil Code, the following information is provided about remunerations, advances and credits awarded to the directors and auditors:

	Directors	Auditors
Remunerations	232,404	35,410

Remunerations to the statutory auditor or to the auditing company

Pursuant to art. 2427 clause 1 point 16-*bis*) of the Civil Code, the following information is provided about the fees payable to the statutory auditor.

	Value
Auditing of the annual accounts	6,947
Total amounts payable to the auditor or auditing company	6,947

Categories of shares issued by the company

Pursuant to article 2427, clause 1 point 17) of the Civil Code concerning data on the shares which make up the company's capital and the number and nominal value of the shares subscribed in the year, the relevant information can be seen from the following tables:

	Description	Initial extent, number	Initial extent, nominal value	Shares subscribed in the year, number	Shares subscribed in the year, nominal value	Final extent, number	Final extent, nominal value
	Ordinary shares	10,000	516,500	0	0	10,000	516,500
Total		10,000	516,500	0	0	10,000	516,500

Securities issued by the company

Pursuant to article 2427 clause 1 point 18) of the Civil Code, note that the company has not issued any dividend-right shares or convertible debentures.

Financial instruments

Pursuant to article 2427 clause 1 point 19) of the Civil Code, note that the company has not issued any financial instruments and for that reason the *fair value* has not been shown, or their extent and nature, pursuant to art. 2427-*bis* clause 1, point 1) of the Civil Code.

Commitments, guarantees and potential liabilities not resulting from the balance sheet

Pursuant to art. 2427, clause 1 point 9) of the Civil Code, the following table shows commitments, guarantees and potential liabilities not apparent from the balance sheet:

	Amount
Commitments	2,491,463
Guarantees	150,000

Guarantees

Note, with reference to those guarantees, the bank suretyship issued on our behalf in favour of the subsidiary company Bagnara Stonecare S.r.l. for the sum of 150,000 euros.

Other memorandum accounts

The amounts still to be paid in relation to current financial leasing contracts are shown in the memorandum accounts, under commitments.

Information about assets and financing intended for a specific business

Note that no assets having been earmarked for a specific business, pursuant to art. 2447-*bis* of the Civil Code.

Furthermore, no financing has been earmarked for a specific business, pursuant to art. 2447-*decies* of the Civil Code.

Operations with correlated parties

Pursuant to art. 2427, clause 1, point 22-*bis*) of the Civil Code, note that no transactions have been carried out with executives, directors, auditors and shareholders of the company or of subsidiary, or associated, or controlling companies and companies subject to control by the latter, in accordance with the national accounting principles.

Note that in the accounting period in question sizeable operations were carried out with correlated parties. They were operations of a commercial nature, both to purchase and to sell goods, conducted with foreign associated companies, both directly and indirectly, but in any case under normal market conditions.

The commercial relations indicated above gave rise to proceeds for the sale of blocks, slabs and processed items for the sum of 2,246 thousand euros and costs for the purchase of blocks for a total sum of 2,890 thousand euros.

Agreements not apparent from the Balance Sheet

There are no agreements not apparent from the balance sheet, pursuant to art. 2427, clause 1 point 22-*ter*) of the Civil Code.

Significant events occurring after the year-end

Note that no significant events occurred after the year-end, pursuant to art. 2427, clause 1 point 22-*quater*) of the Civil Code.

Name and registered office of the companies which drew up the consolidated balance sheet of the largest/smallest company of which it is a part

The company is not obliged to draw up a consolidated balance sheet.

Place at which a copy of the consolidated balance sheet is available

No consolidated balance sheet has been drawn up, pursuant to art. 2427, clause 1, point 22-*sexies*) of the Civil Code.

Derived financial instruments

Note, pursuant to art. 2427-*bis* clause 1 point 1) of the Civil Code, that the company has not used any derived financial instruments.

Information about the companies or bodies which direct and coordinate the business, pursuant to art. 2497-*bis* of the Civil Code

The company is not subject to management and/or coordination by [other] companies or bodies.

Information required by law concerning Start-up and innovative SMEs

No information to report.

Allocation of the result [profit] for the year

Pursuant to art. 2427, clause 1, point 22-*septies*) of the Civil Code, we propose:

- to allocate the profit for the year, equal to 1,094,172, to the "Extraordinary Reserve";
- to release a sum equal to 46,519 euros from the "Tied Reserve for advance tax payments", to be allocated to the "Extraordinary Reserve", in such a way that the said "Tied Reserve" pays the credit for advance taxes entered under assets for the sum of 29,639 euros;
- to release the total "Tied Reserve for reimbursement of IRES for the years 2007 to 2011" for a sum of 30,066 euros, equal to the amount reimbursed in financial year 2016;
- to release a quota of the "Unavailable reserve for foreign exchange differences not realised" equal to 87,524.81 euros, allocating it to the "Extraordinary Reserve", in such a way that the unavailable reserve pays the positive exchange differences not realised, as entered in the Profit and Loss Account and equal to 329,814 euros.

The Chair of the Board of Directors

Bagnara Bruno

AUDITOR'S REPORT PERSUANT TO ART.14 OF LEG. DECREE
OF 27th JANUARY 2010 n.39

**To the shareholders Meeting of
NIKOLAUS BAGNARA S.P.A.**

Report on the financial statement

I have audited the enclosed financial statement of the company Nikolaus Bagnara S.p.a., consisting of the balance sheet as at 31/12/2016, of the profit and loss for the financial year ended on that date and of the notes.

Responsibility of the management for the financial statement

The responsibility for compiling the financial statement in faithful and correct compliance with the Italian regulations that define its execution criteria lies with the company management.

Responsibility of the auditor

My responsibility is to provide a professional opinion about the financial statement based on the findings of the audit. My analysis has been conducted in accordance with the international standards on auditing (ISA Italia) as stated by article 11 of Leg. Decree number 39/10. Such standards require that the audit is run respecting ethical principles, and that its planning and execution are not marred by significant errors.

The audit implies the implementation of procedures due to acquire audit evidence which supports the balances and information shown in the financial statement. Such procedures depend on the auditor's professional opinion, as well as the risk assessment of significant errors in the financial statement due to frauds or accidental events or conducts. To make such assessment, the auditor has considered whether the financial statement's internal audit is faithful and correct in order to detect the most appropriate audit procedures, and not to give an opinion on the effectiveness of the company internal audit. The audit also includes the appropriateness evaluation of the accounting criteria used, the fairness of the estimations made by the management, as well as the evaluation of the financial statement on the whole.

I consider to have collected sufficient and appropriate audit evidence as to provide my professional opinion.

Opinion

In my opinion, the financial statement faithfully and correctly represents the balance of assets and the economic performance of Nikolaus Bagnara S.p.A. for the financial year ending on 31/12/2016 as well as the income statement and the cash flow related to the same financial year, in accordance with the auditing principles as defined by the Italian law.

Report on other laws and regulations

Opinion about the cohesiveness of the report with the financial statement

I have applied the procedures described by the auditing standards (SA Italia) no.720B in order to express, in compliance with the regulations, a judgement on the cohesiveness of the internal audit, which rests with the management of Nikolaus Bagnara S.p.A., with the financial statement of Nikolaus Bagnara S.p.A as at 31/12/2016. It is my opinion that the management report is consistent with the financial report of Nikolaus Bagnara S.p.A. as at 31/12/2016.

THE LEGAL AUDITOR

Walter Pison

23rd May 2017
Bolzano

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5 September 2017

TRANSLATOR'S CERTIFICATE

I Valerie Louise Palmer, a Member of the Chartered Institute of Linguists (MCIL), with whom I am registered as a Chartered Linguist (CL), a member of the Institute of Translation and Interpreting (MITI) and a highly-experienced translator from French, Italian and Portuguese into English, declare that the accounting document saved under the name "Bagnara Spa Bilancio 2016_21-08-17_12,314 words" is, to the best of my knowledge and belief, an accurate English translation of the Italian source document which I received from Mr. Aslam Ibrahim earlier that month.

Signature: *Valerie Louise Palmer*

Date: *12/09/2017*

VALERIE PALMER