Annual Financial Report

year ended
31 December 2017

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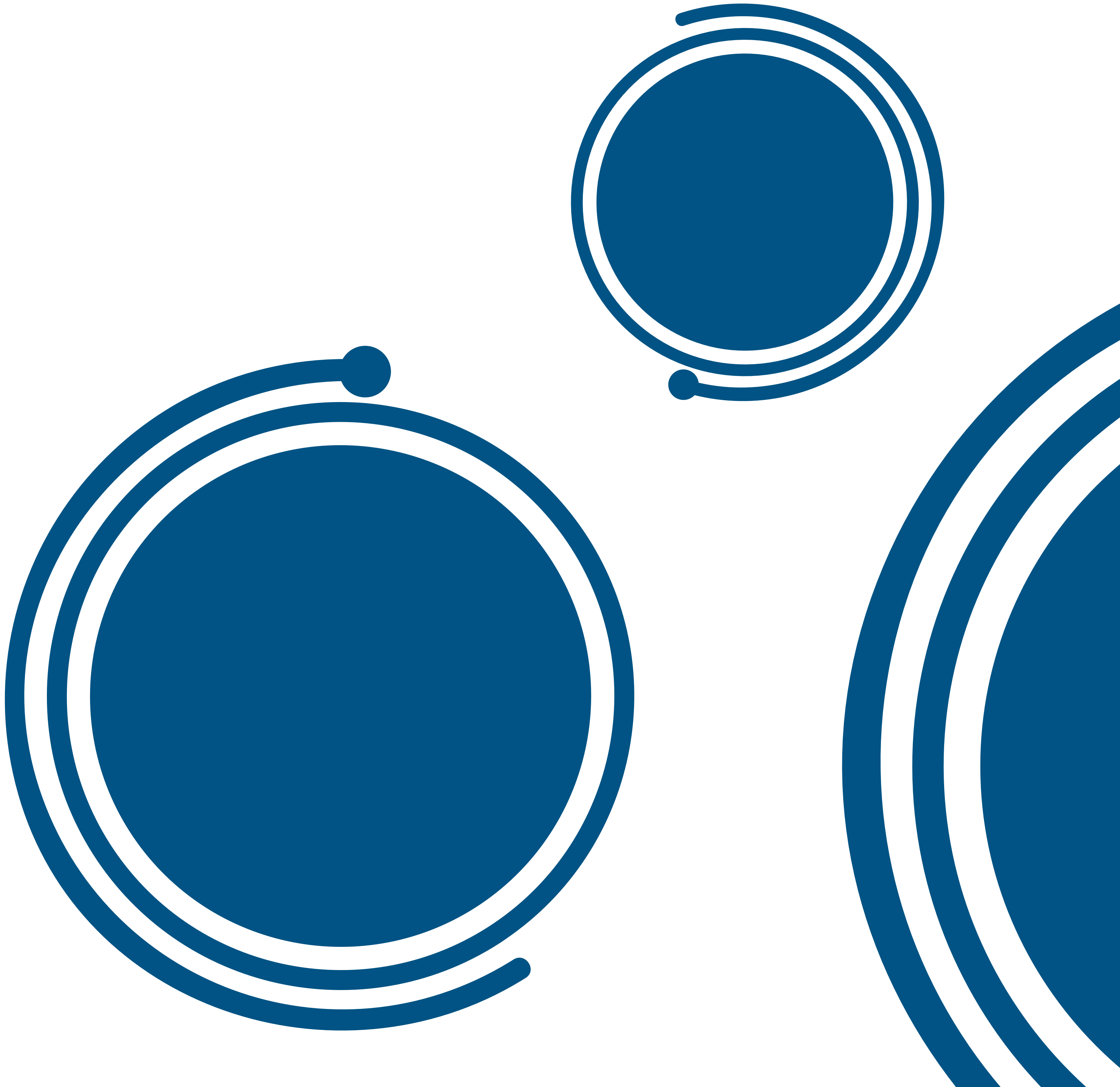
CLN GROUP



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
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LETTER TO THE SHAREHOLDERS

Dear Shareholders,

Throughout 2017, the Group has achieved significant growth in comparison with the previous fiscal year, consolidating the trend of continuous improvement undertaken since 2015. Such growth is the result of positive business management in an overall favorable macroeconomic and sector-specific scenario.

In particular, in 2017 the Group's consolidated results included a 14.4% increase in sales revenue compared to 2016, with a consequent improvement of the operating return in terms of adjusted EBITDA (which increased by EUR 16,020 thousand). Moreover, in 2017 the Group achieved a positive net result of EUR 17,006 thousand, with a considerable growth recorded compared to the previous year (EUR 2,381 thousand).

Growth in revenue is a result of the gradual implementation of investment projects launched in the latest years. The growth was facilitated on one hand by the positive trend of the automotive market in Europe (the Group's market of reference), and on the other hand by the progressive increase in steel prices compared to the average values recorded in the previous year. With particular reference to the European market, passenger car and commercial vehicle registrations in 2017 grew for the fourth consecutive year. A 3% growth in registrations was recorded, with a total amount of 17.1 million registered vehicles recorded compared to 16.6 million in 2016.

Development investments to support the growth of our main customers have grown in 2017. Projects calling for the most significant investments throughout the year were mainly concentrated in Germany, South Africa, Poland, and Italy: constant update of manufacturing processes is an absolute priority so that such investments – which represent the Group's distant future – may boast high levels of efficiency and reliability from the production start-up phase onwards.

In an internal and external scenario of growing awareness campaigns concerning Corporate Social Responsibility topics, the Group has initiated a development process concerning environmental and social management. For this purpose – and for the first time ever – this annual financial report includes a Consolidated Disclosure of Non-Financial Information, which provides an in-depth analysis of main topics related to sustainability.

Even in the scope of sustainable growth, the positive results obtained must be the starting point for new development goals to achieve thanks to the skills and passion of the people working in the Group.

CORPORATE BODIES

In accordance with the resolution of the Shareholders' Meeting of C.L.N. S.p.A., held on June 24th, 2016, the Corporate Bodies are constituted as follows as at December 31st, 2017.

BOARD OF DIRECTORS

CHAIRMAN	Aurora Magnetto
MANAGING DIRECTORS AND CEO	Aurora Magnetto Gabriele Perris Magnetto
DIRECTOR WITH SPECIAL APPOINTMENTS	Vincenzo Perris
DIRECTORS	Mario Astengo Amulio Cipriani Gianni Coda Nishio Fumitaka Vijay Goyal Alain Marie Legrix de la Salle Raffaella Perris Magnetto José Manuel Arias García

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

NET RESULTS

	Financial year as at December 31		Change	%
€/000	2017	2016		
Revenue	**1,581,490**	**1,382,063**	**199,427**	**14.4%**
Adjusted EBITDA (*)	**151,024**	**135,004**	**16,020**	**11.9%**
As a percentage of revenue	*9.5%*	*9.8%*		
Adjusted EBIT (**)	**68,301**	**59,276**	**9,025**	**15.2%**
As a percentage of revenue	*4.3%*	*4.3%*		
Result before income tax	**24,594**	**14,740**	**9,854**	**66.9%**
As a percentage of revenue	*1.6%*	*1.1%*		
Net results from continuing operations	**17,006**	**2,783**	**14,223**	**511.1%**
As a percentage of revenue	*1.1%*	*0.2%*		
Net results from discontinued operations	**-**	**(402)**	**402**	**-100.0%**
Net result for the year	**17,006**	**2,381**	**14,625**	**614.3%**

(*) 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 POSITION

	Financial year as at December 31		Change	%
€/000	2017	2016		
Net Capital Invested	**590,255**	**585,672**	**4,582**	**0.8%**
Net Equity	**244,045**	**227,721**	**16,323**	**7.2%**
Net Financial Position	**346,210**	**357,951**	**(11,741)**	**-3.3%**

STAFF AND MAIN INDICATORS

	Financial year as at December 31		Change	%
	2017	2016		
Staff at the end of the period *(n.)*	**7,554**	**7,341**	**212**	**2.9%**
Net financial indebtment/Net Equity	**1.4**	**1.6**	**(0.2)**	**-9.7%**
Net financial indebtment/Adjusted EBITDA	**2.3**	**2.7**	**(0.4)**	**-13.5%**
ROCE before tax (*) (%)	**11.6%**	**10.1%**	**1.5%**	**14.3%**

(*) Adjusted EBIT/Net Capital Invested

MAIN INDICATORS

	2017	2016
REVENUE €/000	1,581,490	1,382,063
ADJUSTED EBITDA €/000	151,024	135,004
ROCE %	11.6%	10.1%
NET INVESTED CAPITAL €/000	590,255	585,672
NET EQUITY €/000	244,045	227,721
NET FINANCIAL POSITION €/000	346,210	357,951

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MANAGEMENT REPORT

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CLN GROUP AND THE MARKET

MACROECONOMIC SCENARIO

According to data published by the International Monetary Fund (IMF) in January 2018, world GDP has recorded a growth of 3.7%, confirming a trend of overall growth recorded in the past years, and a half percentage point greater than that recorded in 2016.

Economic activity greatly improved, with surprisingly positive results obtained in Europe and Asia. Predictions for the world economy in 2018 and 2019 also improved, and were adjusted to around 3.9% for both years. The adjustment in fact reflects the increase in world market growth and the impact of fiscal policies recently approved and implemented by the United States. It is in fact predicted that such changes may stimulate the market, with a short-term impact within the US, mainly led by the reaction of investors to corporate income tax reductions. Growth in North America, standing at +2.3% in 2017, is expected to be positive until 2020, but is also planned to fall in later years due to the temporary nature of some of tax break conditions.

In the so-called "advanced economies", growth was recorded – in particular – in Germany, South Korea, and the United States, with an overall improvement by 2.3%. In the Eurozone, growth rate recorded was beyond expectations, with a 2.4% increase in overall GDP in 2017. Such growth was mainly triggered by Germany, Italy, and The Netherlands, achieving strong improvement in domestic demand and a substantial improvement in foreign demand. Growth predictions for the year 2018 have further improved in the first few months of the year, reaching the record highest level over nearly the past 12 years.

Within the Eurozone, Italy maintained a solid growth trend (+1.6%), thus certainly improving the result recorded in the previous year (+0.9%). It is worth mentioning that the IMF warns of possible political tension in 2018, mentioning the Italian elections – along with those in Brazil, Colombia, and Mexico – in the chapter dedicated to "risks".

Economic progress in emerging economies recorded an overall improvement compared to the previous fiscal year – standing at 4.7% – especially within the so-called "BRICS". In particular, in 2017 Russia seems to have overcome its financial crisis, as it consolidated a 1.8% increase in GDP; Brazil achieved recovery (+1.1%) especially due to the favorable effects of the changes in price of raw material, after a number of years in recession (-3.5% in 2016); and the Chinese economy was stable compared to the previous year (+6.8%, versus +6,7% in 2016).

As published by the IMF, predictions for 2018 see an international growth, which should stand at around 3.9% (+2.3% in advanced economies and +4.9% in emerging economies). Relevant changes compared to 2017 are expected in Brazil, which is planned to continue its growth process, and Mexico, which should benefit of an increase in demand from the United States.

Finally, in terms of the currency market – in terms of currency most closely linked to the Group's operations – a revaluation of the Polish Zloty (+5.3% compared to the end of the 2016 fiscal year) and a devaluation in the South African Rand (2.4%) have been recorded in 2017. The Brazilian Real (-16% compared to the 2016 end-of-year result), the Turkish Lira (-23%), and the Argentine Peso (-37%) have instead recorded considerable devaluation in 2017.

GROUP ACTIVITY AND REFERENCE MARKETS

Group Activity

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

- ***Metalforming:*** stamping, roll forming, and assembly of metal components for the automotive market; dies design and manufacturing; component testing.
- ***Wheels:*** engineering and manufacturing of steel wheels for passenger cars and light commercial vehicles; wheel distribution; wheel validation through functional testing, material analysis, and metrological analysis.
- ***Steel:*** processing and distribution of flat steel products.

The divisions operating in the metal automotive components sector represent the Group's core business.

MA Division – the Metal Automotive Components division – is one of the main global suppliers of metal parts, stamped and roll-formed components (external and structural), components for propulsion/powertrain systems, as well as assembled parts for any type of passenger car and commercial vehicle in the automobile industry. It is present – with subsidiaries and joint venture companies – in Europe, Turkey, South Africa, Latin America and China.

MW Division – the Steel Wheel 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. The division has plants in Europe, Russia, and South Africa, as well as joint ventures in Turkey, China, and Mexico.

In 2017, through the establishment of a new company, the Group has further increased its presence in the high carbon flat steel re-rolling sector within the Italian high carbon cold rolled flat steel manufacturing market through a transaction that brought under the control of the Group the re-rolling activities related to Giuseppe & F.lli Bonaiti S.p.A. Moreover – through its shareholdings in ArcelorMittal CLN – it is a leader in the Italian flat steel processing and supply (from steel service centers) markets. The full and joint control activities related to steel re-rolling and supply report to the **SSC Division**.

As described more in depth in the Consolidated Disclosures of Non-Financial Information, the Group operates responsibly and with maximum care, in particular, to the topic of health and safety at the workplace, considered one of the major corporate values.
It is committed to the development, industrialization, and assembly of high-tech steel products, in order to provide customers with dedicated services and solutions, with a strong focus on working excellence and sustainability. The numerous Supplier Awards assigned to the Group by major OEMs (Original Equipment Manufacturers) in the past years are a witness of such effort.

The Group has confirmed to be constantly involved in:

- concentrating its industrial presence in countries considered geographically strategic;
- developing new products, with a special focus on the implementation of the most innovative characteristics of steel;
- strengthening and consolidating long-term relationships with its customers.

In its constant pursuit of innovation, the Group recently engaged in a Corporate Capital Venture program. The program includes such an investment in start-ups that are in close cooperation with scientific and technological parks, business incubators, and universities in sectors such as automotive engineering, robotics, environmental sustainability, and social responsibility.

Markets of reference

The Group's main market of reference is represented by manufacturers of passenger cars and light commercial vehicles (OEMs).
MA and MW Divisions operate on this market 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.

Data referring only to subsidiaries.

In 2017, the number of new passenger car and light commercial vehicle registrations globally increased – compared to the previous year – by about 2.4% (86.1 million registrations considering the 52 main markets). The number grew by 3% (17.1 million registrations) in Europe, 2.3% (25.8 million) in China, and 2.3% (5.2 million) in Japan; Brazil – with a 9% growth (2.2 million registrations) – and Russia – with a 12% growth (1.6 million) – recorded a considerable recovery compared to the previous year. The United States was the only exception (-2%, 17.2 million registrations).

In Europe, the Group's main market, growth recorded in Italy was 6.8%, (2.2 million registrations), 5.1% in France (2.5 million), 2.8% in Germany (3.7 million), and 8.7% in Spain (1.4 million). Registrations instead fell in the United Kingdom by 5.4%, (2.9 million).

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

World steel production increased by 5.4% in 2017, compared to the previous year (about 1.7 billion tons produced, around half of which in China), mostly thanks to a parallel growth recorded by China, the United States, and Europe.

In terms of actual steel consumption, in 2017 demand recorded a significant improvement compared to the previous year (+3%), after a number of years distinguished by a 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 29% growth in 2017 compared to the same value in 2016.

REVENUE BY GEOGRAPHICAL AREA AND DIVISION

€/000

Geographical Area	2017		2016		Change	
Italy	382,608	24.2%	334,273	24.2%	48,335	14.5%
France	353,080	22.3%	272,820	19.7%	80,260	29.4%
Poland	181,268	11.5%	176,092	12.7%	5,176	2.9%
Germany	197,032	12.5%	179,506	13.0%	17,526	9.8%
Spain	72,234	4.6%	67,304	4.9%	4,930	7.3%
Czech Rep. and Slovak Rep.	56,168	3.6%	40,651	2.9%	15,517	38.2%
Romania	27,872	1.8%	19,137	1.4%	8,735	45.6%
United Kingdom	15,834	1.0%	17,039	1.2%	(1,205)	-7.1%
Serbia	3,736	0.2%	4,346	0.3%	(610)	-14.0%
Turkey	910	0.1%	481	0.0%	429	89.2%
Other European countries	45,335	2.9%	44,807	3.2%	528	1.2%
Total Europe	**1,336,077**	**84.5%**	**1,156,456**	**83.7%**	**179,621**	**15.5%**
South Africa	209,469	13.2%	186,889	13.5%	22,580	12.1%
Argentina	-	0.0%	7,964	0.6%	(7,964)	-100.0%
Russia	16,265	1.0%	10,006	0.7%	6,259	62.5%
China	4,493	0.3%	5,769	0.4%	(1,276)	-22.1%
Japan	6,527	0.4%	8,527	0.6%	(2,000)	-23.5%
Brazil	1,225	0.1%	209	0.0%	1,016	486.3%
India	747	0.0%	550	0.0%	197	35.9%
Rest of the world	6,687	0.4%	5,693	0.4%	994	17.5%
Total outside of Europe	**245,413**	**15.5%**	**225,607**	**16.3%**	**19,806**	**8.8%**
Total Revenue	**1,581,490**	**100.0%**	**1,382,063**	**100.0%**	**199,427**	**14.4%**

€/000

Revenue by Division	2017		2016		Change	
MA Division – Automotive	1,229,765	77.8%	1,102,946	79.8%	126,819	11.5%
MW Division – Wheels	233,642	14.8%	193,428	14.0%	40,214	20.8%
SSC Division – Service Centers	133,084	8.4%	97,512	7.1%	35,572	36.5%
Eliminations	(15,000)	-0.9%	(11,823)	-0.9%	(3,177)	26.9%
Total Revenue	**1,581,490**	**100.0%**	**1,382,063**	**100.0%**	**199,427**	**14.4%**

CONSOLIDATED RESULT

The following paragraphs present the economic and financial data of the Group as at December 31st, 2017. The results were drafted following International Financial Reporting 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

	Financial year as at December 31		Change	%
€/000	**2017**	**2016**		
Revenue	**1,581,490**	**1,382,063**	**199,427**	**14.4%**
Adjusted EBITDA (*)	**151,024**	**135,004**	**16,020**	**11.9%**
Depreciation, amortization, and impairment losses	(82,723)	(75,728)	(6,995)	9.2%
Adjusted EBIT (**)	**68,301**	**59,276**	**9,025**	**15.2%**
Net Financial expenses	(38,406)	(31,926)	(6,480)	20.3%
Restructuring Costs and non-recurring items	(5,204)	(11,987)	6,783	-56.6%
Investments accounted for using the Equity method	(97)	(624)	526	-84.4%
Result before income tax	**24,594**	**14,740**	**9,854**	**66.9%**
Income tax expenses	(7,588)	(11,957)	4,370	-36.5%
Net results from continuing operations	**17,006**	**2,783**	**14,223**	**511.1%**
Net results from discontinued operations	-	(402)	402	-100.0%
Net results for the year	**17,006**	**2,381**	**14,625**	**614.3%**
Results attributable to:				
- Group	*13,927*	*1,232*	*12,694*	*1030.0%*
- Non-controlling interest	*3,080*	*1,149*	*1,931*	*168.1%*

(*) 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	Financial year as at December 31		Change	%
	2017	2016		
Gross Operating Income	**145,820**	**123,018**	**22,802**	**18.5%**
Costs for corporate restructuring	3,169	5,046	(1,877)	-37.2%
Settlement agreements	-	4,090	(4,090)	-100.0%
Tax litigation provisions	300	2,250	(1,950)	-86.7%
Other net costs	1,735	601	1,134	188.8%
Adjusted EBITDA	**151,024**	**135,004**	**16,020**	**11.9%**

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

The 2017 **Revenue** trend was positive in comparison with the previous fiscal year. Revenue at the end of 2017 amounted to EUR 1,581,490 thousand, with a 14.4% growth compared to 2016 (EUR 1,382,063 thousand). At a geographic level, the main regions of operation recorded the most significant growth levels, in particular France (+29%), Italy (+14%), South Africa (+12%), and Germany (+10%). Such growth levels are partially ascribable to a general increase in steel prices throughout the year.

In 2017, the Group's **Adjusted EBITDA** was equal to EUR 151,024 thousand (9.5% of revenue), with a significant improvement compared to the previous fiscal year (EUR 135,004 thousand). Such growth, equal to 11.9%, is mainly related to the mentioned increase in volumes.

The Group's **Adjusted EBIT** was equal to EUR 68,301 thousand (4.3% of revenue), with an improvement compared to the 2016 result (EUR 59,276 thousand), and influenced by a depreciation and amortization amounting to EUR 82,723 thousand, which was greater than the previous fiscal year (EUR 75,728 thousand) due to the recent implementation of an depreciation plan on new investments.

The total amount of **net financial expenses** was EUR 38,406 thousand, of which EUR 7,615 thousand ascribable to foreign exchange losses. Interest payable – net of such foreign exchange variations – amounted to EUR 30,791 thousand (EUR 31,931 thousand in 2016), reflecting a general improvement in economic conditions for funding compared to the previous fiscal year.

During 2017, the Group has sustained **restructuring costs and other non-recurring costs** amounting to EUR 5,204 thousand (as opposed to EUR 11,987 thousand in 2016). The item includes restructuring costs amounted to EUR 3,169 thousand (EUR 5,046 thousand in 2016), and provisions for litigations and other net cost items amounted to EUR 2,035 thousand (EUR 6,941 thousand in 2016).

The net cost deriving from i**nvestment accounted for using the equity method** was EUR 97 thousand, with an improvement compared to the previous fiscal year (net devaluation by EUR 624 thousand). This value mostly includes the pro rata calculation of the positive results achieved by the joint venture ArcelorMittal CLN Distribuzione Italia srl, which was compensated by the losses of the Group's not consolidated companies operating in South America.

Taxes amounted to EUR 7,588 thousand in 2017 (as opposed to EUR 11,957 thousand in 2016), including EUR 14,256 thousand in current taxes (and other taxes), partially compensated by the recording of deferred tax assets amounting to EUR 6,668 thousand.

The net result for the year 2017 was equal to EUR 17,006 thousand (EUR 2,381 thousand in 2016). The component attributable to the Group amounted to EUR 13,927 thousand (EUR 1,232 thousand in 2016).

STATEMENT OF FINANCIAL POSITION

	Financial year as at December 31		Change	%
€/000	**2017**	**2016**		
Inventory	185,204	171,533	13,671	8.0%
Trade Receivables	121,070	108,510	12,560	11.6%
Trade Payables	(406,662)	(367,352)	(39,309)	10.7%
Other net receivables and payables	(15,173)	(18,405)	3,232	-17.6%
Net Working Capital	**(115,561)**	**(105,715)**	**(9,847)**	**9.3%**
Tangible and Intangible Fixed Assets	687,650	637,829	49,821	7.8%
Equity Investments reported using the Equity Method	93,798	95,338	(1,540)	-1.6%
Other non-current receivables and payables	(41,636)	258	(41,894)	n/a
Non-current Fixed Assets	**739,812**	**733,425**	**6,387**	**0.9%**
Provisions	(43,606)	(48,862)	5,256	-10.8%
Net deferred taxes	(4,030)	(7,591)	3,562	-46.9%
Assets and liabilities held for sale	13,640	14,416	(776)	-5.4%
Net Invested Capital	**590,255**	**585,672**	**4,582**	**0.8%**
Net Equity for the Group	211,071	208,853	2,218	1.1%
Minority Interest	32,974	18,868	14,106	74.8%
Total Net equity	**244,045**	**227,721**	**16,323**	**7.2%**
Net Financial Position	**346,210**	**357,951**	**(11,741)**	**-3.3%**

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 and non-current 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 liabilities 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, 2017 amounted to EUR 590,255 thousand, thus was essentially stable (+0.8%) compared to the previous year (EUR 585,672 thousand).

The **Net Financial Position** as at December 31st, 2017 amounted to EUR 346,210 thousand, thus positively improved in comparison with the previous fiscal year of EUR 11,741 thousand.

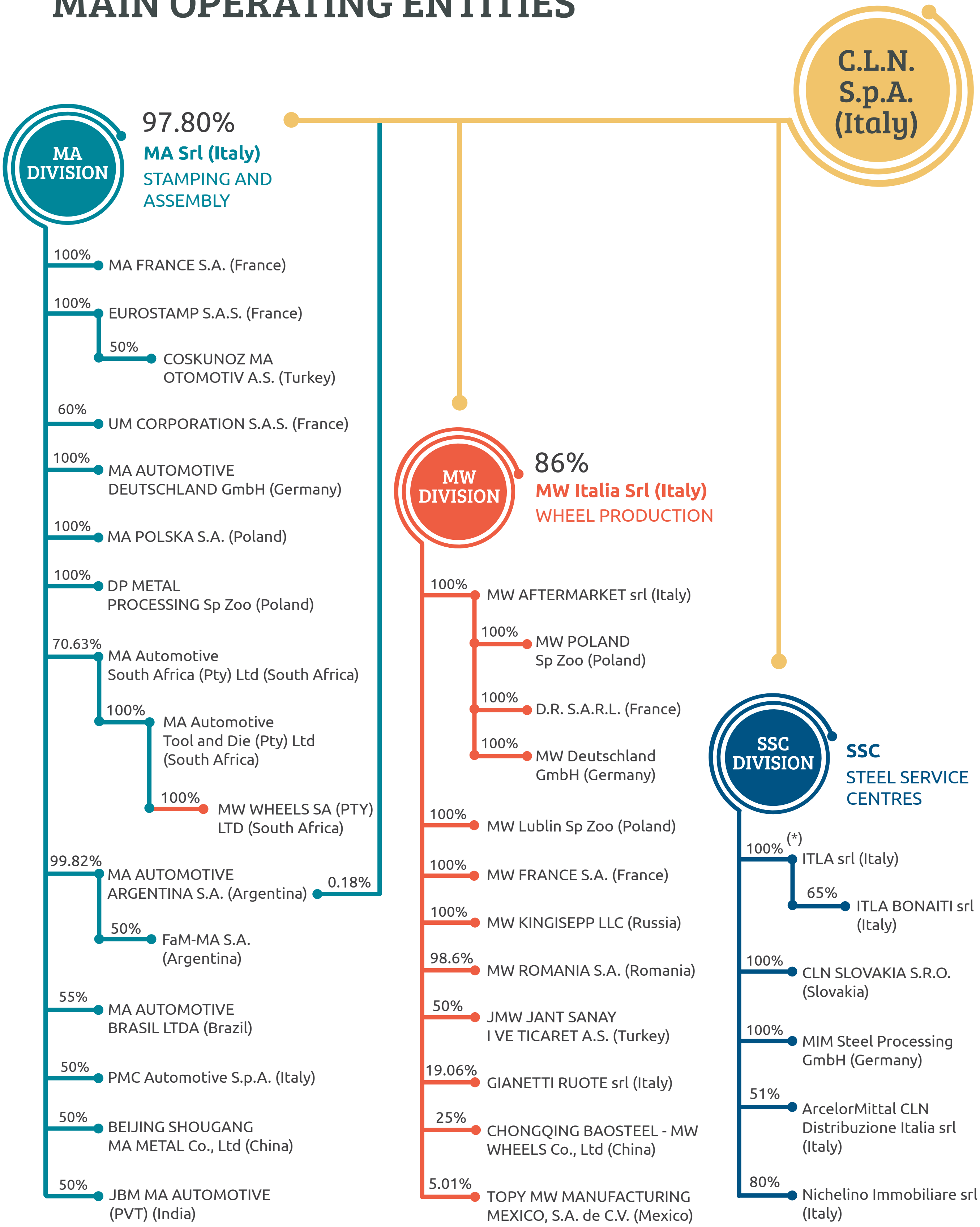
In 2017, the Operating Cash Generation, which the Group considers to include the following items:

- adjusted EBITDA (EUR 151,024 thousand)
- change in net working capital (+ EUR 9,847 thousand)
- ordinary and recurring investments in tangible, intangible, and financial fixed assets, with the exception of growth projects involving new businesses/ customers (EUR 72,480 thousand)
- restructuring costs (EUR 3,169 thousand)

amounted to EUR 85,222 thousand, with an increase compared to 2016 (EUR 82,887 thousand). This value indicates an Adjusted EBITDA cash conversion rate of 56.4% (61.4% in 2016).
Detailed information on the composition of the single items included in the financial position is provided in the Notes to the Consolidated Financial Statements.

The **Net Equity attributable to the Group** amounts to a total of EUR 211,071 thousand, with an increase by EUR 2,218 thousand compared to the previous fiscal year. The increase in Net Equity attributable to the Net Result of the Group (EUR 13,927 thousand) has been partially compensated by a reduction in the reserves controlled by the Group and related to the accounting of the first-time consolidation of a company established and controlled by CLN.

STRUCTURE OF THE GROUP
MAIN OPERATING ENTITIES



(*) Based on the existing put option.

INFORMATION CONCERNING RISKS AND UNCERTAINTIES

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

RISKS OF A FINANCIAL NATURE

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 car 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 Polish Zloty, the South African Rand, the Romanian Leu, the Brazilian Real, and the Russian Ruble.

Risk of interest rate fluctuations

A significant portion of the medium-long term debt 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, and up to 33% in France. In some 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, 2017, 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 recently been testified 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 has recently been aggravated by specific tensions concerning Greece and Great Britain's exit from the European Union.

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 can 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 evidence of volatility can also lie in the implementation of protectionist strategies by some 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 can 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 Brazil, India, and China. Negative developments in the economies and political systems of such countries, such as possible decreases in public investments for 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 their plants. 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 usually 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 are relations with respective partners, a shared vision of future strategies to be pursued, 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, Coskunoz and Jantsa in Turkey, JBM in India, 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 automotive. 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 and new sites entail risks deriving from initial production inefficiency, functioning of production equipment, initial manufacturing quality, and adequate personnel training.

Product quality

Any 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 production processes used.

Environment, Health and Safety

The Group is required to comply with a wide range of standards and regulations concerning the environment and health and safety at the workplace. Such norms differ from country to country and are increasingly strict. The costs of compliance with such norms 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 revocation of production authorizations.

Concentration of clients

Approximately 78% 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 designs development programs and opportunities for present and future cooperation with them.

Costs related to facility shutdown

If, for any reason, the Group were forced to shut down one of its production plants, the related operation costs would be quite 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 monitoring 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, protocols, 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 2017 the Group continued to undertake internal audit and risk management system development and standardization activity, with the end purpose of redefining and/or updating certain key corporate procedures, their implementation within the Group subsidiaries, and the successive creation of an Internal Audit department 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.

In particular, the MA Division is constantly in search of technological solutions to reduce component weight through a focused use of materials, in cooperation with suppliers (steel and aluminum manufacturers working for the automotive sector), car manufacturers, and academia.

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.

In this scope, the Group's TO PROVE LAB laboratory has been equipped with a new testing machine for fatigue testing of materials, including a special testing tool that simulates the standard geometric configurations of wheels. The shape of the testing tool has been patented jointly by MW and a main steel manufacturer.

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 roll forming processes and on 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) 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 site is also equipped with a lab for material testing, manufacturing quality assurance (mechanical properties, hardness and microhardness, metallography), and for the implementation of new steel types.

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;
- equipment for dimensional and shape analysis of semi-components and finished products, complementary to the traditional inspection methods (GOM GmbH systems);
- specific equipment to improve quality performance (run-out) and rim-disk joints;
- new solutions to optimize consumption and air flow using specific turbines and nozzles;
- new electronic tri-axis transfer on transfer press aimed at product quality improvement, waste reduction, and production capacity increase, specifically designed for styled rims (X-Free, semi full-face - SFF) and light commercial vehicle wheels;
- stress-strain curve control systems for press monitoring and process optimization (balancing of production loads – KISTLER system);
- new unwinding/flattening and cutting line for discs, in order to improve products and widen the material range (thickness, width, type);
- automatic inspection system for defect identification and wheel checking (mixing risk);
- development of a new rim-disk assembly line with integration of the latest solutions designed to improve run-out (including a new concept of lap joint press), welding times (CMT technology with robots), and line monitoring;
- automation of rim loading, inspection, and unloading systems for butt welding;
- implementation of new palletizing "stations" for an improved ergonomics and efficiency.

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

Following the conclusion of the EU-funded "PLUS-MOBY" project (FP7 programme) – which has led to the creation of a functioning light electric vehicle prototype with a modular structure and designed for urban use – the MA Division has continued its research and development activity involving "full electric" city vehicles, subscribing to a new project funded in the context of the EU HORIZON 2020 programme.

The project, named "DEMO BASE", involves an international-level team of industrial and academic partners. 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 holders).

Aiming to increase business opportunities and improve the quality of customer-oriented services, the technical area of the MA Division created a new Product Engineering department.
The new department, combined with the consolidated Process Engineering department, shall cooperate with clients in product design, allowing an early assessment of the practical 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. A successive experimental development phase is expected in order to prove the structural performance of the component and verify its technical feasibility in detail.
As for the MW Division, the French plant has consolidated the process of thrust flow rim forming (Flow-Type2) and launched new productions of styled rims with large vent holes (called “X-free”), which may be combined with integrated plastic rim covers for aesthetic purposes.

In the scope of product innovation, the MW Division 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 covers; 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;
- “hybrid” wheels with different combinations of rim and disc materials, disc forming technologies, and disc-rim joints.

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.

The MW Division has completed its research projects in cooperation with the Turin Polytechnic for the 2014-2017 period, and has begun a new project with the Mechanical Engineering Department (of the same institution) 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.

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 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 Disclosures of Non-Financial Information” section.

OTHER INFORMATION

SIGNIFICANT EVENTS OCCURRED THROUGHOUT THE FISCAL YEAR

2/17

Purchase by MW Italia S.r.l. of the plant in **Condove** (Turin) on February 28th, 2017. The plant has been disposed by the Lucchini S.p.A. Extraordinary Administration with effect from March 1st, 2017. The related contract includes the acquisition of the corporate branch encompassing the Condove area real estate complex, the related warehouses, and the hiring of all employees on staff as at the date of transfer.

4/17

TO PROVE LAB, the Group's laboratory specialized in testing of components for the automotive sector – awaiting due certification by the specific body Accredia, in accordance with UNI CEI EN ISO/IEC 17025:2005 standards – has added liquid penetrant testing to its range of certified functional tests.

7/17

Delfo Polska – currently MA Polska – has been awarded by FCA on the occasion of the "Su. Per" awarding ceremony. Su.Per (supplier performance) is an FCA program designed to award suppliers for their initiative in the identification of cost reduction operations related to the products supplied: Delfo Polska has been awarded for three process optimization techniques applied to stamped components for Lancia Ypsilon and Fiat 500 models.

9/17

Establishment of a **new company** controlled by CLN, which combines the activity of the company ITLA S.r.l., with headquarters in Oggiono (Lecco), and the similar activity of the company Giuseppe & F.lli Bonaiti S.p.A., with headquarters in Calolziocorte (Lecco).
In the new company, which took the name of Itla Bonaiti Srl, the assets of the plants of Oggiono (LC), Mogliano Veneto (VE) and Palazzago (BG) have been transferred.

The establishment of Itla Bonaiti S.r.l. is part of a consolidation process in the Italian high carbon steel re-rolling sector, and positioning as a market leader in the manufacture of high carbon steel sheets and cold re-rolled alloys.

11/17

On November 30th, 2017 the **purchase and sale agreement of Excel Rim Co. Ltd.** was signed between the CLN Group and the RK Group. Excel Rim Co. Ltd., a world leader in motorcycle rim manufacturing – owned by MW Italia S.r.l. – has been sold to Kilang Sprocket S.A. Sdn. Bhd., controlled by RK South Asia – a leading manufacturing group in the motorcycle parts sector.

12/17

The Group was **awarded the Raw Material Supplier of the Year Award by FCA** at the annual 2017 EMEA Supplier Conference, with the following motivation: “CLN-MA has been awarded for having proven its partnership spirit and long-term mentality in all aspects of the commercial and technical relationship with FCA. It constantly shows a strong commitment towards our plans and a forward-looking approach.”

On December 31st, 2017 **Itla Bonaiti**, the Group’s newly established company specialized in re-rolling of high carbon steel products, has purchased the plant located in Civate (Lecco) from ArcelorMittal CLN.
The Civate plant is specialized in flat rolling and tempering. Upon purchasing the facility, Itla Bonaiti consolidated its position as the single hub for re-rolling of high carbon content steel in Italy, able to compete with the main European re-rolling companies.

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SIGNIFICANT EVENTS OCCURRED AFTER THE FISCAL YEAR

1/18

On January 1st, 2018, the CLN Group has concluded – through its subsidiary MA S.r.l. – a commercial operation for the transfer of 50% of **PMC Automotive S.p.A.** and its subsidiaries, and the concurrent repurchase of 51.2% of shareholdings in PMC Automotive Melfi S.r.l.

On January 31st, 2018 the Group has concluded the selling of MA shareholdings (50%) in **JBM MA Automotive Pvt. Ltd.** – a joint venture with the Indian group JBM. The joint venture – which has operated in Pune, India, since 2007 – recently served the Indian car manufacturing industry. MA shareholdings were transferred to Neel Metal Products Limited (a local company affiliated to the JBM Group).

2/18

SIMEST – a company that, along with SACE, represents the export and internationalization branch of the CDP Group – has formalized the acquisition of shares in our Argentinian subsidiary **MA Automotive Argentina S.A.** in order to support the increase in car chassis stamping activity due to new orders from prominent international clients. The operation has been made possible through participation to MA Automotive Argentina S.A.'s specific 3 million EUR capital increase (about 48% of the share capital).

Selling of **San Polo Lamiere S.p.A.** to ArcelorMittal CLN Distribuzione Italia srl was executed on February 12th, 2018 with a selling price supported by a specific appraisal.

3/18

On March 19th, **MA Automotive Tool & Die Ltd. and Vexovision Ltd.** have reached an agreement for the sale and concurrent purchase, within 120 days, of assets related to "Plant 6", currently owned by the Group's South African company.

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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

The European automotive market trend (+5.9% registrations recorded as at February 2018 compared to the previous year), along with the encouraging results achieved in the early months of 2018 by the Group's Divisions, allow the Group to have a positive outlook on business evolutions in 2018.

April 11th, 2018

The Board of
Directors
The Chairman
Aurora Magnetto

2

CONSOLIDATED DISCLOSURES OF NON-FINANCIAL INFORMATION 2017

- MATERIALITY THRESHOLDS
- VALUES
- PEOPLE
- ENVIRONMENT
- PRODUCTS, CUSTOMERS, AND SUPPLY CHAIN
- SOCIAL ASPECTS AND RELATIONSHIP WITH THE LOCAL CONTEXT

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 – 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 first-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 and social sustainability, and health and safety to all its stakeholders, in full transparency. The results achieved are intended to incentivize a constant reduction of negative environmental and social impacts, and for the promotion of sustainability issues.

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 in the Decree to describe reporting of social and environmental data is the same defined as "GRI-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 Table GRI standards index (compliance with GRI standards) in the Appendix includes the code, name, and page of reference within this document for each GRI Standard.

A workgroup has been created to prepare 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 2017, but data concerning 2016 are also 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 external audit, 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 years 2016 and 2017;
- subsidiaries Excel Rim Japan and Excel Rim Malaysia, sold in 2017 and not included in the analysis of information concerning health and safety at the workplace and environment for the years 2016 and 2017.

Ultimately, the Group invests in developing a trusting relationship with its stakeholders, in its respect and care for local context, in the well-being of its employees, and in the integrity and transparency of its operations.

The information provided is evidenced by figures 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 for the automotive industry through its divisions:

MA | division for processing of metal components for the automotive sector

MW | division for manufacture of steel wheels

It is also active in the European steel supply and re-rolling market through its Steel Service Centers.

MISSION

The Group's objective is to be among global leaders in the development, industrialization, and assembly of high-tech steel products, in order to provide customers with dedicated services and solutions, to become a point of reference in terms of working excellence, and whilst sharing the successful results achieved with them.

CLN Group operates in nine countries worldwide – considering its subsidiaries only – thanks to the work of over 7,500 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 Division – the metal automotive components division – is one of the main global suppliers of metal parts, stamped and roll-formed components (external and structural), as well as welded parts, for any type of car or commercial vehicle in the automobile industry.

MW Division – 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) and for the supply of complete solutions for engineered wheels, from the product design phase to the selection of materials.

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

Moreover, the Group processes high carbon flat steel products (high carbon steel sheets and cold re-rolled alloys) and operates in the market of flat steel processing and supply from steel centers. Steel is a raw material that – due to its characteristics – is 100% recyclable, and may be recycled an infinite amount of times without losing its original properties. For this reason, today steel is by far the most recycled material in the world *(source: BIR – Bureau of International Recycling – World Steel Recycling)*. The lifecycle of steel is potentially endless, making it a true "permanent material", essential to the development of a sustainable economy, and perfectly integrated within the concept of the circular economy.

The Group operates responsibly and with maximum care, in particular, in the area of health and safety at the workplace, considered one of our corporate priorities. It is committed to the development, industrialization, and assembly of high-tech steel products, in order to provide customers with dedicated services and solutions, with a strong focus on quality, working excellence, and sustainability. The numerous supplier awards assigned to the Group by major OEMs in the past few years are a witness of such effort.

In the scope of its Corporate Capital Venture program, the Group's recent investment plans have been 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).

The Annual Meeting of Shareholders is the electing board convening on corporate decisions. It is a collective body that deliberates by way of majority vote in accordance with and concerning topics defined by law and by the corporate bylaw.

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 the CEO and directors 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 11 members (two female and nine male) representing all the Group shareholders. Aurora Magnetto and Gabriele Perris Magnetto share the role as Chief Executive Officer.

The Board of Statutory Auditors monitors compliance with the law and the corporate bylaw, respect of the principles of good management, and in particular the suitability of the organizational, administrative, and accounting structure implemented by the company, and the effectiveness thereof. The Board of Statutory Auditors includes three permanent members (one female and two male) and 2 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.

Members of corporate governing bodies (disclosure 405-1; disclosure 102-18)

Board of Directors	2016/2017		2015/2016	
< 50 years	1	1	2	1
≥ 50 years	8	1	7	1

Board of Statutor Auditors	2016/2017		2015/2016	
< 50 years	1	2	1	2
≥ 50 years	2	0	2	0

The C.L.N. S.p.A. Supervisory Board, nominated by the March 28th, 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.

Corporate Social Responsibility

In the external and internal context of growing awareness raising on topics related to Corporate Social Responsibility (CSR), in January 2018 the Group has nominated Adrian Gordon responsible for Group CSR.

All CSR projects are managed through a workgroup that operates at corporate level and includes representatives of the main company departments, in order to guarantee a common vision and a suitable transmission of information.

Among the most relevant projects, the Group has recently started a process of compliance with the United Nations Global Compact initiative. This membership will grant access to a series of opportunities, including:

- the adoption of a stable and globally recognized framework for the development, implementation, and description of environmental, social, and governance policies and practices;
- the promotion of sustainability solutions, in partnership with a wide pool of stakeholders such as UN agencies, governments, civil society, trade associations, and other non-business organizations;
- access to knowledge and experience in the field of 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;
- the possibility to be involved in activities focused on the different environmental, social, and governance issues.

For this purpose, the Group is launching a roadmap for the definition of internal guidelines to implement the basic principles of the Global Compact, in particular the topics pertaining to human rights, worker's rights, environmental sustainability, anti-corruption, and other topics corresponding to Legislative Decree n° 254/2016. The path taken has the purpose of helping to strengthen and respect ethical values, integrity, responsibility towards the environment and society as a whole, as well as respect for human rights.

1.4 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.

The main non-monetary risks identified may be classified as follows:

- **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 training activity.
- **Risks related to people**, namely those linked to health and safety at the workplace, employee management, respect for human rights, and equal opportunities. 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.
- **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.
- **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.

Finally, the Group is conscious that the mitigation of the above described risks is facilitated by the implementation of clear, accurate, and homogeneous operating procedures; this is why during 2016 the Group launched an Enterprise Risk Management project, with the participation of internal human resources and external consultants, which has the purpose of defining key procedures and the creation of an Internal Audit department, which will be assigned the role of monitoring compliance with such procedures.

2. MATERIALITY THRESHOLDS

2.1 IDENTIFICATION OF RELEVANT 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 consideration the requirements of the aforementioned Decree, and 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 specific sustainability context of 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 those 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
- » Waste management
- » Water management

4 - Products, Customers, 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 that guarantees compliance with its policies and Code of Ethics as well as the laws of the countries in which it operates.

3.1 CORPORATE VALUES AND REPUTATION

The Group has established a series of ethical policies 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 countries in which it operates.

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

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 these topics in the Code of Ethics.

C.L.N. S.p.A. and Italian subsidiaries MA S.r.l. and MW Italia S.r.l. have adopted:

- The Model for management, supervision, and organization in accordance with Legislative Decree n° 231/2001 and
- The 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. Accordingly, CLN Group 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 and the Model for management, supervision, and organization: namely the internal stakeholders such as 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.
Moreover, CLN is redesigning its structure in order to implement a specific procedure for internal reporting, through a web portal of whistleblowing.

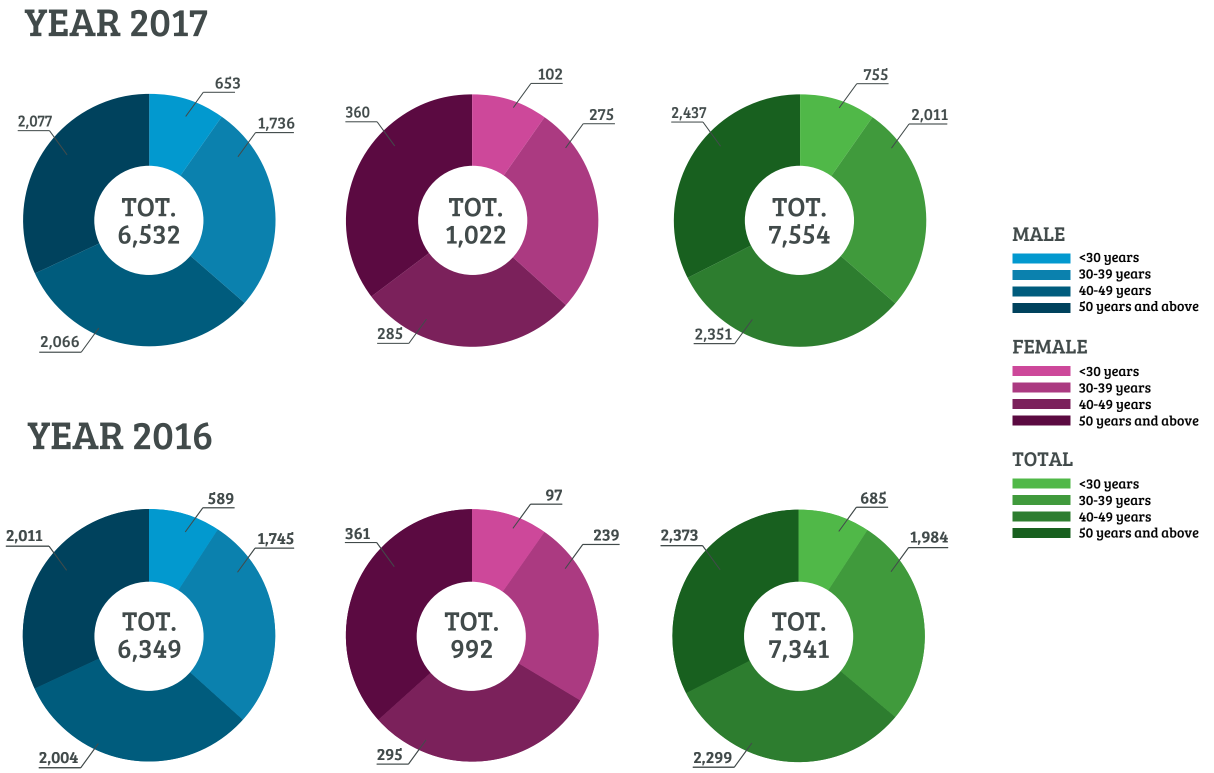
(disclosure: 419-1, 205-2, 205-3)

Significant fines for noncompliance with laws and regulations in the social and economic context	In 2017, as in previous years, no significant fines have been imposed for noncompliance with laws and regulations in the social and economic context.
Communication of and training on anti-corruption policies and procedures	The topic of anti-corruption policies and procedures has been dealt with during the training session on Legislative Decree 231/2001 carried out on 30/11/2017.
Cases of corruption and actions taken	In 2017, as in previous years, no cases of or losses ascribed to the "corruption and bribery" category have been recorded.

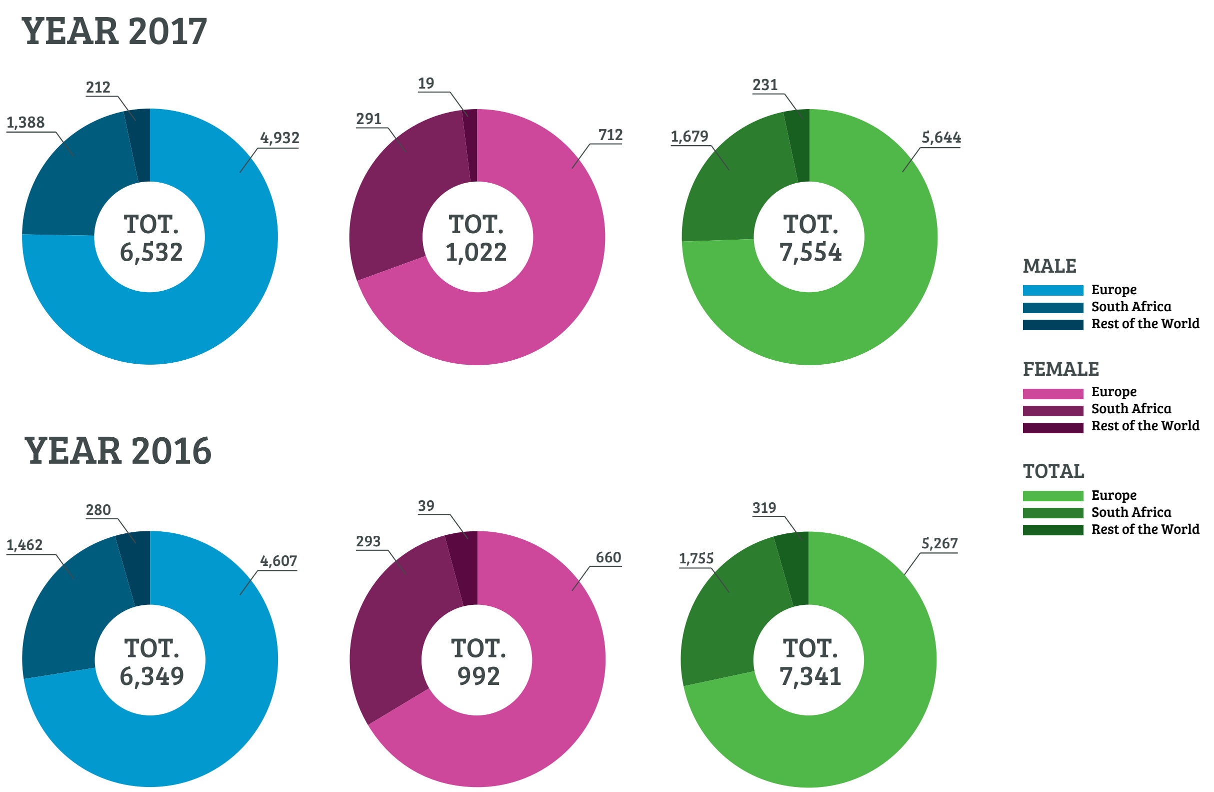
4. PEOPLE

CLN Group is comprised of a multicultural group of employees: about 7,500 individuals in total (counting subsidiaries only) as at December 31st, 2017.
Out of these, 24% work in Italy – which hosts the Group headquarters and most of the central technical and commercial offices supporting the plants – 26% work in Poland, 22% in South Africa, 15% in France, 5% in Germany, and the remaining 8% in Romania, Russia, and Slovakia.

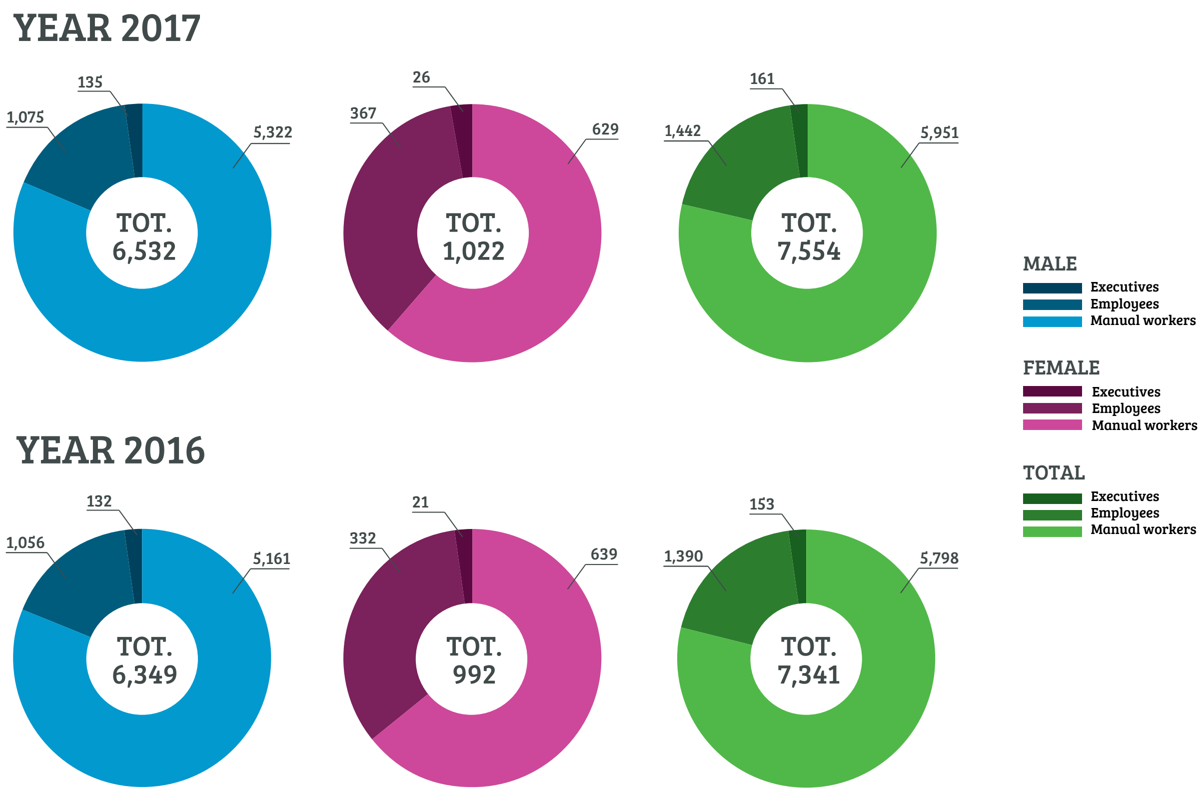
PERSONNEL BY AGE GROUP (N°)

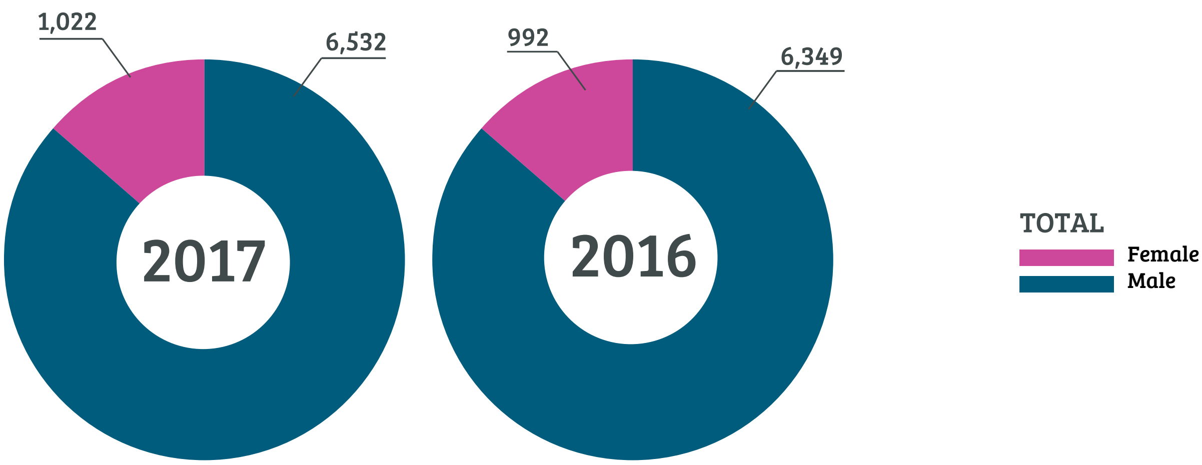


PERSONNEL BY GEOGRAPHIC AREA (N°)



PERSONNEL BY CATEGORY (N°)



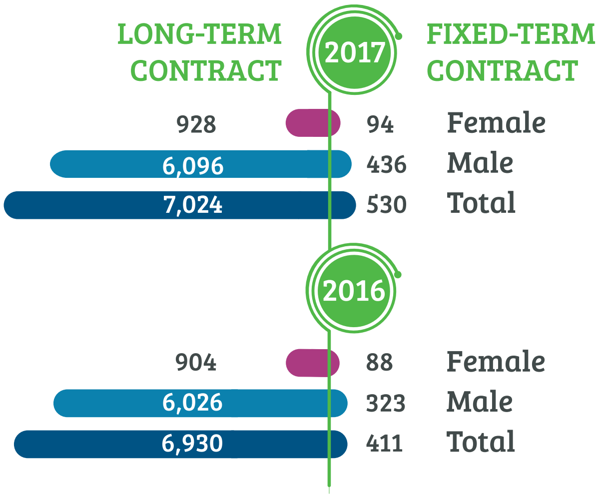


TOTAL PERSONNEL
7,554

TOTAL PERSONNEL
7,341

At the end of 2017, employees hired on long-term contracts represented 93% of the total number.

HIRED PERSONNEL (N.)



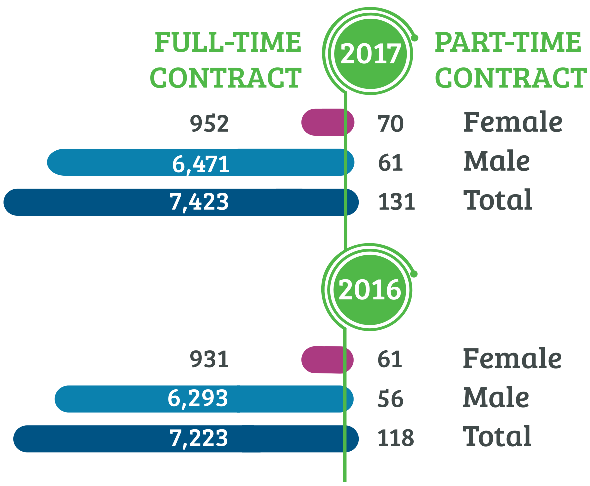
In 2017, the number of employees increased by 213 people as a result of a positive difference between new hires and resignations (+148 people) and variations in the Group's scope of consolidation amounting to 65 people.

Hires and resignations *(n°)*	**2017**		
	Male	*Female*	*Total*
Personnel as at 1/1	6,349	992	7,341
Hired employees	532	112	644
Resigned employees	(421)	(75)	(496)
Personnel added (lost) due to changes in scope of consolidation (*)	72	(7)	65
Personnel as at 31/12	**6,532**	**1,022**	**7,554**

(*) As a result of the sale of Excel-Rim (Japan and Malaysia), and the establishment of Itla Bonaiti (in connection with the assets transferred by Giuseppe & F.lli Bonaiti S.p.A.).

At the end of 2017, about 2% of total employees were hired through part-time contracts.

HIRED PERSONNEL (N°)



4.1 HEALTH AND SAFETY AT THE WORKPLACE

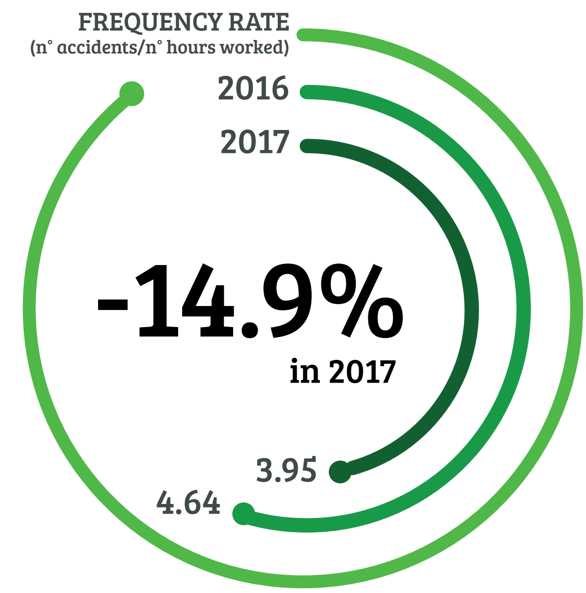
The topic of health and safety at the workplace is one of the Group's absolute priorities. To promote health and safety at the workplace requires the introduction of suitable measures and positive actions to ensure that employees may fully exercise their duties.

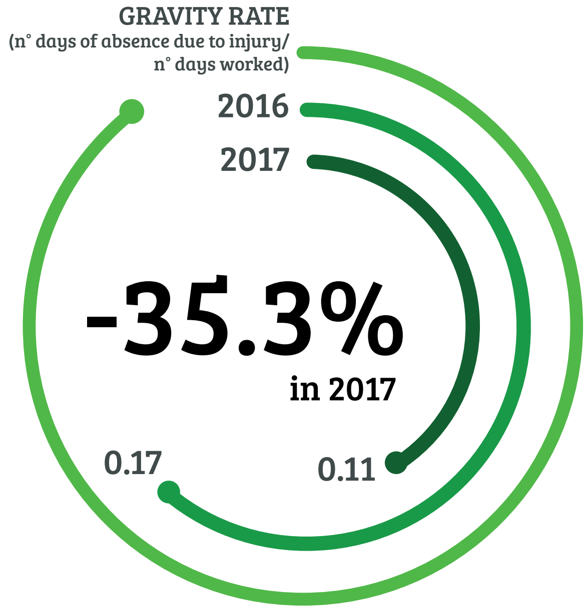
The requirements of the Group for this purpose, which are managed locally by Safety Managers present at each of the plants, are as follows:

- 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, the Safety Policy being implemented by the MA Division (and being updated and extended to all CLN Group companies) establishes that the protection of health and safety must be considered a priority and an essential responsibility for all levels of the workforce, as well as a constant commitment to be applied to all corporate activities. The CLN Group aims to reduce and prevent injuries and occupational diseases.
Such principles have been set in stone through the identification of annual goals for a constant and gradual reduction of injuries and corresponding indicators compared to the previous year, with a final objective of zero injuries, which has in fact already been achieved by a number of Group companies.

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.
As an example, we have the "safety days" initiative, created to train and raise awareness about 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. Another initiative which has also involved the sons and daughters of employees is the project "Sicurezza attraverso gli occhi dei bambini" *(safety in the eyes of children)* that has encouraged children to represent safety topics through illustrations. The best drawings were given an award and published in a corporate calendar.
Finally, we should highlight that 56% of the Group plants have achieved OHSAS 18001 certification, and the aim is to reach 80% by 2020.

4.2 RELATIONSHIPS WITH LABOR UNIONS

As at December 31st, 2017, about 95% of all the Group's employees were employed through collective bargaining agreements.

In all the regions 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 the employment area – in terms of human resource management.

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

Furthermore, where planned, the wage policy makers are made aware of the labor unions and the policies are subject to agreements with the most representative unions.

As a further proof of the proper functioning of this approach, we draw attention to the fact that 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 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

Employees employed through collective bargaining agreements *(n.)*	2017			2016		
	Male	*Female*	*Total*	*Male*	*Female*	*Total*
Total employees	6,532	1,022	7,554	6,349	992	7,341
Employed through collective bargaining agreements	6,117	966	7,083	5,943	943	6,886
Total	**94%**	**95%**	**94%**	**94%**	**95%**	**94%**

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

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 is implementing a new policy ("Equality & Diversity") that – as well as reiterating that any form of intimidation, bullying, stalking, harassment, or discrimination is not tolerated in the work environment – welcomes the promotion of a work environment in which employees feel free to express and share their own personality. The procedure will provide a suitable process to report actions which are not aligned with the aforementioned key principles.

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 130,000 hours of training in 2017.

Hours of training offered *(n.)*	**2017**			**2016**		
	Male	*Female*	*Total*	*Male*	*Female*	*Total*
Executives	1,038	111	1,148	839	116	955
Employees	26,233	6,793	33,026	25,752	7,317	33,069
Manual workers	78,935	17,255	96,190	69,917	13,874	83,791
Total	**106,205**	**24,158**	**130,364**	**96,508**	**21,307**	**117,816**

Average hours of training by category *(n.)*	**2017**			**2016**		
	Male	*Female*	*Total*	*Male*	*Female*	*Total*
Executives	8	4	7	6	6	6
Employees	24	19	23	24	22	24
Manual workers	15	27	16	14	22	14
Total	**16**	**24**	**17**	**15**	**21**	**16**

The types of training offered were mainly in the technical-professional, EHS, and management skills fields.

Types of training offered *(n. hours)*	**2017**			**2016**		
	Male	*Female*	*Total*	*Male*	*Female*	*Total*
Technical-professional skills	59,058	13,920	72,978	52,366	11,396	63,762
Environment, Health and Safety	26,303	4,770	31,074	26,978	4,332	31,310
Management skills	7,917	887	8,804	4,233	629	4,862
Other types	12,928	4,580	17,509	12,932	4,950	17,882
Total	**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:

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

Environment, health and safety

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

We should highlight that Italian plants benefit from the presence of trainees with graduate or post-graduate degrees in EHS-related fields, who are for the most part hired by the Group or enter as trainee placements where they receive important hands-on experience. This approach is gradually being applied to the other countries too.

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.

Other training types

Training is offered by the Group in other relevant areas, and in particular by way of language courses.

TOK ACADEMY project

September 2018 will mark the inauguration of the TOK (Transfer Of Knowledge) Academy in Chivasso (Turin), a professional training institution for students having earned a vocational school diploma and for internal personnel.

The academic path will be technical and production-oriented, providing skills not easily acquired on the job context. Corporate trainers will be internally selected or – to a lesser extent – external, and will not only provide technical training, but also teach broader topics such as safety and environment.

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 differing extents – the use of means of production and energy sources, 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 practicing their respective roles.

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

As a proof of the Group's effort in this direction, it is worth noticing that:

- all Group plants are required to monitor and reach the annual improvement goals set for the main indicators related to emissions, energy consumption, and water consumption;
- 76% of the plants have earned an ISO 14001 certification; the aim is to reach 85% by 2020.

5.1 ENERGY EFFICIENCY

In 2017, the Group's energy consumption was about 1.5 million GJ, mainly in the form of electrical energy (59%).

GRI disclosure 302-1 *(GJ)*	**2017**	**2016**
Electrical energy consumption	909,753	871,706
Heating consumption	630,302	582,016
Total energy consumption	**1,540,055**	**1,453,723**

Energy consumption has increased by about 6% compared to 2016, due to a growth in production output, which the Group calculates in terms of total hours worked, of about 12%. Consequently, the energy intensity ratio has fallen by about 6% in 2017 compared to the previous year.

It is worth highlighting that electrical energy consumption applies to both production plants and administration offices, whilst heating consumption is exclusively related to the heat output of the office heating systems (gas is not used as fuel in the manufacturing processes).

	2017	**2016**
Energy Intensity (Total energy consumption/n° hours worked)	93.55	99.29

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. For this purpose, throughout the year 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 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 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 2017 direct and indirect greenhouse gas emissions recorded amounted to 33,959 metric tons of carbon dioxide equivalent, growing by about 7% compared to 2016, in line with the growing production output.

GRI disclosure 305-1 (SCOPE 1)	**2017**	**2016**
Direct CO_2 emissions (metric tons of CO_2 equivalent)	32,768	30,380

GRI disclosure 305-1 (SCOPE 2)	**2017**	**2016**
Indirect CO_2 emissions (metric tons of CO_2 equivalent) (*)	1,191	1,168

SCOPE 1+2	**2017**	**2016**
Total direct and indirect emissions	33,959	31,548

(*) The figure includes emissions related to electrical energy purchased from third party suppliers.

In order to limit emissions as much as possible, the Group promotes the use of compensation measures. In particular, it promotes the creation of green spaces (trees, orchards, grass, and flowers) to increase carbon capture and sequestration, as well as increasing biodiversity. At the end of 2017, green spaces at the Group sites added up to a 163,649 m^2 (1,761,503 ft2) total surface area.

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 the main scrap material in manufacturing processes carried out at the Group plants. Throughout 2017, the Group has re-sold about 300,000 metric tons of metals (steel and, to a lesser extent, aluminum) destined for recycling.

The total amount of recycled metals is the most significant portion of non-dangerous waste generated by the Group. In addition to this, the Group has produced waste classifiable as dangerous (mainly waste oil and paint) in accordance with current local legislation, amounting to only 1% of its total waste in 2017.

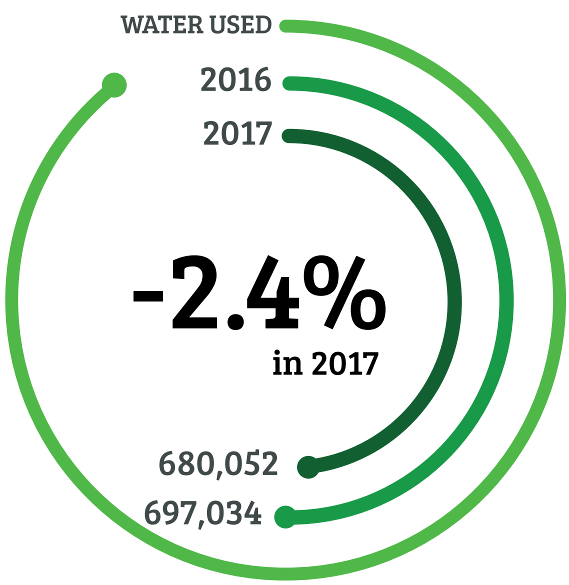
Metal scrap and dangerous waste *(metric tons)*	2017	2016
Metal scrap re-sold for recycling	378,469	351,688
Hazardous waste	3,496	2,940
Total scrap and waste produced (including metal scrap) (*)	**381,964**	**354,628**

(*) The figure does not take into account other types of non-hazardous waste produced at the facilities; the process for data collection concerning such waste is currently being implemented/developed.

5.4 WATER MANAGEMENT

Metal manufacturing sites require the use of water in the cooling process.
An uncontrolled use of water causes negative environmental impacts, such as the decrease in volumes of water available and the modification of natural ecosystems. The optimization of water use by our factories is important, as it may reduce their general effects on the environment, including alteration of water sources; this should have a positive impact on operating costs as well.
In 2017 the Group has used 680,000 m^3 (over 24 million ft^3) of water, a 2% reduction compared to the previous year.

WATER CONSUMPTION (m^3) (disclosure 303-1)



This reduction, achieved in spite of the increase in production output, is the result of the constant consumption optimization process undertaken by the Group. 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 waste reduction. The main elements of the project are the following:

- Constant measure 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 water from manufacturing processes through the setup of water recycling systems.
- Change in equipment: implementation of water-saving technology.

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 in order to be recognized as a global market leader in steel and aluminum processing.

To achieve excellence, the crucial activities to be carried out on a daily basis are:

- To update 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 piece of evidence in this area (EUR 459 million turnover growth in the past three years – CAGR 12.1%).

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

AWARDS AND RECOGNITIONS WON IN THE PAST FIVE YEARS

	MA Division	MW Division
2013	**MA** receives the **"Daimler Supplier Award".**	**MW Romania** receives the **2013 "Best Supplier" award** from **Magyar Suzuki**
2014	**MA Argentina** receives an award by **GM in recognition of quality, costs, technology, and service.**	
2015	**MA** receives the **"Metallic Supplier Award of the Year"** from **FCA** at the **2015 Quality Supplier Convention** **MA South Africa** receives the **"Supplier Award"** from **Toyota**	**MW South Africa** receives the **"Certificate of Appreciation" award** from **Toyota.**
2016	**MA** receives the **"2016 Supplier Award"** from **PSA**	**MW South Africa** receives the **"Special Award"** from **Toyota** at **"Annual Supplier Awards"**
2017	**MA** receives the **"Raw Material Supplier of the Year Award"** from **FCA** **MA Polska** is awarded by **FCA** on the occasion of the **"Su.Per" awarding ceremony**	**MW Kingisepp (Russia)** receives the **"Q1 Preferred Quality Status"** recognition from **Ford**

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 plant 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 cleaning. There is a vast supplier pool for such services, 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 raw materials and direct goods and services categories in 2017 was about EUR 1,318 million.

Proportion of spending on local suppliers (disclosure 204-1)

Value of raw materials and direct goods and services purchased by geographic area *(M€)*	**2017**	**2016**
Europe	800	634
South Africa	198	167
Rest of the World	14	7
Total raw materials (a)	**1,012**	**807**
Europe	284	261
South Africa	11	11
Rest of the World	11	15
Total direct goods and services for production purposes (b)	**307**	**287**
Total (a+b)	**1,318**	**1,094**

Purchases related to investments, plant 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 systems and machinery only amounted to about EUR 90 million in 2017.

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, the Group has launched a project that entails the subscription by main suppliers of a certification concerning Group guidelines in the scope of sustainability, related in particular to:

- Compliance with local legislation.
- The implementation of a solid internal governance structure dedicated to Corporate Social Responsibility.

- Raising awareness of its main suppliers on topics related to Corporate Social Responsibility.

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.

The Group has always put effort in supporting social, health, and cultural/natural heritage initiatives, just as it has always closely monitored the presence of new businesses arriving through university spinoffs and aligned to the Group in terms of core values.

7.1 SOCIAL INITIATIVES

The Group offers donations and contributions to charities operating in the fields of social well-being, medical research, and the safeguarding of cultural/natural heritage.

Regarding safeguarding cultural/natural heritage, there are the following examples:

- Supporting FAI, a not-for-profit foundation with the aim of protecting and promoting Italian historic, artistic, and natural heritage. CLN has confirmed its cooperation in 2017 by subscribing 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, and is actively involved in the organization's governing bodies and commissions. Along with the other member companies, it has helped Consulta invest over EUR 30 million since its establishment, and carry out 90 restoration and promotion initiatives.

Regarding social well-being:

- Gruppo Abele, an organization born in Turin in 1965 and founded by Father Luigi Ciotti to assist those in need of help to regain a place in society, through the Certosa 1515 charterhouse (an active accommodation and restaurant). CLN's donations have supported the maintenance and promotion of Certosa 1515 and its related or complementary activities, including prevention and opposition to social exclusion, involving – above all – young women and men with troubled backgrounds.
- E4Impact, a charity with the aim of supporting sustainable development of emerging economies and provide training for entrepreneurs hoping to make a high social and environmental impact; in particular, it supports the internationalization of Italian and foreign SMEs in Sub-Saharan Africa.

Regarding healthcare:

- 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 oncology center.

- Fondazione Italiana per la lotta al Neuroblastoma ONLUS, an Italian charity established to fight neuroblastoma cancer and solid tumors in children 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 on genetic immunotherapy led by Dr. Stefania Sorrentino: the activity was carried out at both a clinical level – for the differential diagnosis of tumors in children and the treatment of related neoplasms – and in terms of data collection from patients involved in active clinical and/or experimental protocols.

Additionally, the Mario and Anna Magnetto foundation, an ideal reflection of the social commitment of the Group's founder and his family, directly and indirectly supports projects in the following fields:

- Health: Support and research, prevention and assistance in the field of cardiovascular and neurological diseases.
- Work and entrepreneurship: The business viewed as a system combining work, willpower, innovative spirit, and responsibility. A job help desk to respond to the serious employment crisis in our country.
- Local context: Preservation, restoration, and promotion of the local context.
- Children: Support of pediatric activities, strong interest in primary schools and assistance to children living in situations of poverty or who are disabled.
- Culture: Support and promotion of cultural initiatives in the local context

www.fondazionemagnetto.org

In addition to the above, there are the various fundraising activities promoted by the Group's foreign branches and involving their own local contexts.

Among these, an initiative worth highlighting is the community garden in Berlin, South Africa (where the Group operates through various MA and MW plants): the project has rapidly grown and involved the entire population of Berlin; the garden was developed from industrial land and involves 18 previously unemployed workers, with an investment of about EUR 30,000 per year. The sale of goods produced in the garden – which boasts eco-friendly irrigation techniques – is open to the community, with corporate employees benefiting from a discount on fruit and vegetables purchased. The city of Berlin and the Eastern Cape Department of Social Development, as well as the local citizens, have become increasingly involved in the initiative. The aim is to make the corporate garden a primary source of food for the local community, in an environment affected by a great number of social issues.

The Group is also involved in other social development projects in South Africa, including numerous initiatives in the field of education

7.2 COOPERATION WITH UNIVERSITIES

For a number of years now, the Group has partnered several specialized cooperation projects with private research centers and universities, through the Open Innovation initiative, to promote – on the one hand – research and technological innovation in the main areas of operation of the Group's companies, and – on the other hand – to support, in terms of both funding and know-how, start-ups born from university research projects focused on sustainable transport.

Investments in such fields are included in a strategic development plan that involves, in particular, the electric vehicle and future transportation sectors. In this way, the Group aims 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.

The Group cooperates, among others, with:

- 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.
- Turin Polytechnic: research and development projects with undergraduate and PhD students, also through the awarding of scholarships.
- TO e-district/I-FEVS/POLI MODEL: development and manufacture of an electric city car, Plus Moby e-car, funded by the European Union; cooperation in material supply, cost engineering, and commercialization.
- BeonD: a business reality born as an idea of the IEHV (Innovative Electrical and Hybrid Vehicles) research team – which CLN owns 20% of – within the Department of Mechanical and Aerospace Engineering at the Turin Polytechnic, that has developed an innovative ULEV (Ultra Light Electric Vehicle) platform designed to be a model for sustainable urban transportation.

April 11th, 2018

The Board of Directors
The Chairman
Aurora Magnetto

8. APPENDIX

GRI STANDARDS	Disclosure	Chapter	Pages	Omissions/Notes concerning the coverage of GRI Disclosure
TOPICS D.LGS. 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	32	
	102-4 Locations of headquarters	4. People	37	
	102-16 Values, principles, standards, and norms of behavior	3. Values	36	
	102-18 Governance structure	1. Introduction	33	
TOPICS D.LGS. 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	
TOPICS D.LGS. 254/16: ENVIRONMENTAL ASPECTS				
GRI 302: ENERGY	302-1 Energy consumption within the organization	5. Environment	46	
	302-3 Energy intensity	5. Environment	46	
GRI 303: WATER	303-1 Water withdrawal by source	5. Environment	47	
GRI 305: EMISSIONS	305-1 Direct (Scope 1) GHG emissions	5. Environment	46	
	305-2 Energy indirect (Scope 2) GHG emissions	5. Environment	46	
TOPICS D.LGS. 254/16: PERSONNEL MANAGEMENT				
GRI 102: GENERAL DISCLOSURE	102-8 Information on employees and other workers	4. People	37	
	102-41 Collective bargaining agreements	4. People	42	
GRI 401: EMPLOYMENT	401-1 Average hours of training per year per employee by gender, and by classification	4. People	44	The data is only available by genre.
GRI 403: OCCUPATIONAL HEALTH AND SAFETY	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	4. People	41	
GRI 404: TRAINING AND EDUCATION	404-1 New employee hires and employee turnover	4. People	40	
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY	405-1 Diversity of governance bodies and employees	4. People	33/38	

continues

follows

GRI STANDARDS	Disclosure	Chapter	Pages	Omissions/Notes concerning the coverage of GRI Disclosure
TOPICS D.LGS. 254/16: SOCIAL ASPECTS				
GRI 419: SOCIOECONOMIC COMPLIANCE	419-1 Non-compliance with laws and regulations in the social and economic area	3. Values	37	
TOPICS D.LGS. 254/16: SUPPLY CHAIN AND SUB-CONTRACTING CHAIN				
GRI 102: GENERAL DISCLOSURE	102-9 Supply chain	6. Products, customers and supply chain	50	
GRI 204: PROCUREMENT PRACTICES	204-1 Proportion of spending on local suppliers	6. Products, customers and supply chain	50	
TOPICS D.LGS. 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	35	
	102-46 Defining report content and topic Boundaries	2. Materiality	35	
	102-47 List of material topics	2. Materiality	35	
	102- 55 GRI content index	8. Appendix	54	
	102-56 External assurance	Report of the independent auditors	116	The 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 Administration in the session of 11/04/2018.

3

CONSOLIDATED FINANCIAL STATEMENTS FOR FINANCIAL YEAR 2017

- CONSOLIDATED STATEMENT OF FINANCIAL POSITION
- CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
- CONSOLIDATED CASH FLOW STATEMENT
- CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY

- NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€/000		Financial Year as at December 31		
		2017	**2016**	**Change**
ASSETS	*Notes*			
Non-current assets				
Intangible assets	*8.1*	24,633	22,726	1,907
Property, plants, and equipment	*8.2*	663,017	615,103	47,914
Investments and other financial assets	*8.3*	98,313	99,967	(1,654)
Other receivables and other non-current assets	*8.4*	2,694	13,054	(10,360)
Deferred tax assets	*8.5*	43,047	39,375	3,672
Total non-current assets		**831,704**	**790,225**	**41,479**
Current assets				
Inventory	*8.6*	185,204	171,533	13,671
Trade receivables	*8.7*	121,070	108,510	12,560
Other receivables and current assets	*8.8*	109,993	103,667	6,326
Cash and cash equivalents	*8.9*	145,635	122,476	23,159
Total current assets		**561,902**	**506,186**	**55,716**
Disposal group assets classified as held for sale	*8.10*	13,640	14,416	(776)
TOTAL ASSETS		**1,407,246**	**1,310,827**	**96,419**
Share capital	*8.11*	235,000	235,000	-
Other reserves	*8.11*	70,361	71,796	(1,435)
Retained earnings (accumulated deficit)	*8.11*	(94,290)	(97,943)	3,653
Net Equity attributable to the Group	*8.11*	**211,071**	**208,853**	**2,218**
Net equity of non-controlling interests	*8.11*	32,974	18,868	14,106
TOTAL EQUITY	*8.11*	**244,045**	**227,721**	**16,324**
LIABILITIES				
Non-current liabilities				
Post-employment benefits	*8.12*	28,978	28,714	264
Provisions for risks and charges	*8.13*	14,629	20,148	(5,519)
Non-current borrowings	*8.14*	340,950	350,631	(9,681)
Deferred tax liabilities	*8.15*	47,076	46,966	110
Other non-current liabilities	*8.16*	41,672	19,638	22,034
Total non-current liabilities		**473,305**	**466,097**	**7,208**
Current liabilities				
Current borrowings	*8.14*	203,240	181,313	21,927
Trade payables	*8.17*	406,662	367,352	39,310
Current tax liabilities	*8.18*	2,551	1,499	1,052
Other current liabilities	*8.19*	77,443	66,845	10,598
Total current liabilities		**689,896**	**617,009**	**72,887**
TOTAL EQUITY AND LIABILITIES		**1,407,246**	**1,310,827**	**96,419**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€/000	*Notes*	Financial Year as at December 31 2017	2016	Change
Revenue	*9.1*	**1,581,490**	**1,382,063**	**199,427**
Other operating income	*9.2*	273,203	226,062	47,141
Raw materials, consumables, and goods	*9.3*	(1,157,805)	(978,636)	(179,169)
Personnel expenses	*9.4*	(323,949)	(290,290)	(33,659)
Other operating costs	*9.5*	(227,119)	(216,181)	(10,938)
Gross Operating Income		**145,820**	**123,018**	**22,802**
Depreciation, amortization, and impairment losses	*9.6*	(82,723)	(75,728)	(6,995)
Net Operating Income		**63,097**	**47,290**	**15,807**
Financial income	*9.7*	8,302	11,766	(3,464)
Financial expenses	*9.8*	(46,709)	(43,692)	(3,017)
Share of profit on investments accounted for using the Equity Method	*8.3*	(96)	(624)	528
Result before income tax		**24,594**	**14,740**	**9,854**
Income tax	*9.9*	(7,588)	(11,957)	4,369
Net Result from continuing operations (A)		**17,006**	**2,783**	**14,223**
Discontinued operations (B)	*8.10*	-	(402)	402
Results for the year (A+B)		**17,006**	**2,381**	**14,625**
Results attributable to:				
- Group		*13,926*	*1,232*	*12,694*
- Non-controlling interests		*3,080*	*1,149*	*1,931*
Components of the statement of comprehensive income which shall not be subsequently reclassified in the income statement				
Profits (losses) from remeasurement of defined benefits plans		-	(239)	(239)
Total of the components of the comprehensive income statement which shall not be subsequently reclassified in the income statement (C1)		**-**	**(239)**	**(239)**
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		(1,701)	7,859	(9,560)
Portion of Other profits (losses) of companies valued using the Equity Method	*8.3*	(201)	6,409	(6,610)
Profits (losses) on cash flow hedge instruments		26	20	6
Total of the components of the statement of comprehensive income which may be subsequently reclassified in the income statement (C2)		**(1,876)**	**14,288**	**(16,164)**
Total other comprehensive profits (losses), net of tax effect (C)= (C1)+(C2)		**(1,876)**	**14,049**	**(15,925)**
Total comprehensive net profit for the period (A)+(B)+(C)		**15,130**	**16,430**	**(1,300)**
Comprehensive net profit attributable to:				
- Group		*12,492*	*15,236*	*(2,744)*
- Non-controlling interests		*2,639*	*1,194*	*1,445*

CONSOLIDATED CASH FLOW STATEMENT

	Financial Year as at December 31		
€/000	**2017**	**2016**	**Change**
Results before income tax	24,594	14,740	9,854
Adjustment for:			
Depreciation, amortization, and impairment losses	82,723	75,728	6,995
Share of profit on investments accounted for using the Equity method	96	624	(528)
(Gain) Losses on disposals	(3,176)	(2,362)	(814)
Change in Post-Employment Benefits	(261)	337	(598)
Change in Provisions for Risks and Charges	(10,522)	2,227	(12,749)
Change in Net Working Capital			
Inventory	(7,202)	(12,562)	5,360
Trade receivables and other receivables	(8,687)	5,229	(13,916)
Trade payables and other payables	52,913	32,884	20,029
Cash Flow generated from operations	**130,478**	**116,845**	**13,633**
Paid Income Tax	(14,256)	(10,341)	(3,915)
Net Cash Flow from operating activities (A)	**116,223**	**106,504**	**9,719**
Equity Investments (net of disposals)	(3,904)	(8,793)	4,889
Acquisition of intangible fixed assets	(2,771)	(2,441)	(330)
Acquisition of tangible fixed assets	(105,332)	(93,209)	(23,263)
Disposal of tangible fixed assets	6,623	2,352	15,411
Disposal group assets classified as held for sale	5,450	-	5,450
Net cash flow absorbed by investing activities (B)	**(99,934)**	**(102,091)**	**2,157**
Dividends paid	(993)	(802)	(191)
Acquisition of minority shares in a subsidiary	-	-	-
Proceeds from borrowings and other financial liabilities	78,481	37,861	40,620
Repayment of long-term borrowings	(69,440)	(38,900)	(30,540)
Net Cash Flow from financing activities (C)	**8,047**	**(1,841)**	**9,889**
Total Cash Flow (A+B+C)	**24,336**	**2,572**	**21,764**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**122,476**	**116,896**	**5,580**
Change in scope of consolidation	(2,804)	-	(2,804)
Exchange rate differences on cash and cash equivalents	1,627	3,008	(1,381)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**145,635**	**122,476**	**23,159**

CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY

€/000	Share capital	Other reser-ves	Reserve for profits carried forward	Net equity of the Group	Minority interests in Net equity	Total equity
Balance as at December 31, 2015	**235,000**	**57,553**	**(95,880)**	**196,673**	**9,746**	**206,419**
Net profit for the 2016 period (A)			**1,232**	**1,232**	**1,149**	**2,381**
Other components of the comprehensive income statement						
Profits (losses) from remeasure-ment of defined benefit plans			(239)	**(239)**		**(239)**
Differences deriving from currency translation of financial statements of foreign companies		7,814		**7,814**	45	**7,859**
Profits (losses) on cash flow hedge instruments		6,429		**6,429**		**6,429**
Total other components of the comprehensive income statement (B)		**14,243**	**(239)**	**14,004**	**45**	**14,049**
Comprehensive net profit for the 2016 period (A+B)		**14,243**	**993**	**15,236**	**1,194**	**16,430**
Transactions with shareholders						
Dividends			(470)	**(470)**	(332)	**(802)**
Changes in scope of consolidation					485	**485**
Share capital increase					6.524	**6.524**
Other movements			(2.586)	**(2.586)**	1.251	**(1.335)**
Balance as at December 31, 2016	**235,000**	**71,796**	**(97,943)**	**208,853**	**18,868**	**227,721**
Net profit for the 2017 period (A)	**-**	**-**	**13,927**	**13,927**	**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 period (A+B)	**-**	**(1,435)**	**13,927**	**12,492**	**2,639**	**15,130**
Transactions with shareholders						
Dividends			(705)	**(705)**	(288)	**(993)**
Changes in scope of consolidation			(10,059)	**(10,059)**	12,459	**2,400**
Share capital increase			-	**-**	-	**-**
Other movements			490	**490**	(703)	**(213)**
Balance as at December 31, 2017	**235,000**	**70,361**	**(94,290)**	**211,071**	**32,974**	**244,045**

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 the transformation and marketing of flat steel products in several application fields. The Group's activities span from the automotive sector (steel and aluminum vehicle component stamping and assembly) to steel wheels for any other vehicle type, from home appliances to heavy-duty vehicles, and in general in all application sectors of steel.

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; dies design and manufacturing; component testing.
- **Wheels:** engineering and manufacturing of steel wheels for passenger cars and light commercial vehicles; wheel supply; wheel validation through functional testing, material analysis and metrological analysis.
- **Steel:** manufacturing of flat steel products.

The Group's industrial core mainly consists of its divisions operating in the metal automotive components sector:

MA Division – the Metal Automotive Components division – is one of the main global suppliers of metal parts, stamped and roll-formed components (external and structural), components for powetrain and transmission systems, as well as assembled parts, for any type of passenger and commercial vehicle in the automobile industry. Its subsidiaries and joint venture companies are present in Europe, Turkey, South Africa, Latin America, and China.

MW Division – the Steel Wheel division – is a market leader in the steel wheel manufacturing sector for all types of vehicles (passenger cars and light commercial vehicles), supplying clients with complete solutions for engineered wheels, from the design to the choice of materials. The division has facilities in Europe, Russia, and South Africa, as well as joint ventures in Turkey, China, and Mexico.

Furthermore, the Group is active in the sector of flat steel product cold re-rolling, and is a leader in the processing and supply – through steel service centers – of flat steel products in Italy through the ArcelorMittal CLN group. The steel re-rolling and distribution activities (both under the Group's direct control and through the ArcelorMittal CLN joint venture) are administered by the **SSC Division**.

C.L.N. S.p.A. is a company incorporated and based in Italy and 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 financial 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 adopted 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 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").

The present 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 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 financial years, in accordance with the procedures established by the accounting standards of reference on a case-by-case basis.

These consolidated financial statements were drafted with going concern basis of the business and based on the conventional criterion of historical cost, with the exception of certain account entries that are recorded at fair value, in accordance with the provisions contained in the International Accounting Standards.

The present consolidated financial statements were subject to approval by the Board of Directors of the Company on April 11th, 2018.

2.2 FORM AND CONTENT OF THE FINANCIAL STATEMENTS

In relation to the form and content of the consolidated financial statements, the Group has made the following choices:

a. the Consolidated Statement of Financial Position separately shows current and non-current assets, and similarly displays current and non-current liabilities;

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.

The Company has chosen to draft a statement of comprehensive income that includes both the net profit for the period and changes in net equity related to economic entries classified under the 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.
The present financial statements were drawn up in Euros, the Group's functional currency.
The values shown in the balance sheets as well as in the detailed tables included in the Notes to the Financial Statements are expressed in thousands of Euros, unless otherwise specified.

The present 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

The present consolidated financial statements include the financial statements of the parent company CLN 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 Statement are drafted in accordance with the same accounting principles adopted by the Parent company; 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 associated 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, 2017 and 2016 – 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 2017 the scope of consolidation has been expanded as follows:
- purchase by MW Italia of the Lucchini S.p.A. plant located in Condove (February);
- establishment of Itla Bonaiti S.r.l. that, as a subsidiary of the Group, has encompassed the similar activities carried out ITLA S.r.l. and Giuseppe & F.lli Bonaiti S.p.A. (September);
- purchase of plant located in Civate by Itla Bonaiti S.r.l. (December).

Such operations have implied the need to perform a Purchase Price Allocation analysis, as prescribed by IFRS 3. With regard to the purchase of the Civate plant only, the Purchase Price Allocation analysis will be completed throughout 2018.

Selling of Excel Rim Co. Ltd. – a Japanese company of the MW Division – and its Malaysian subsidiary Excel Rim Sdn Bhd was also completed in the month of November 2017.

It is specified that the following subsidiaries are consolidated using the net equity method rather than the full consolidation method, given the intangibility of the effects the latter would generate:

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

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

- IG Tooling and Light Engineering (Pty) Ltd.
- 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 full equity 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 acquisition date, 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 acquisition date, the identifiable assets acquired and liabilities assumed are purchased at their fair value as at the acquisition date. 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 belonging to third party minority interests, 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 acquisition date. If the value of the net assets and liabilities received on the acquisition date exceeds the total of the transferred compensation, the value of the net equity belonging to minority interests, 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 acquisition date, 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.

Associated companies

Associated companies are ones on which the Group has considerable influence on, namely when the Group's shareholdings and related voting rights are between 20% and 50%.
Shareholdings in associated companies are estimated using the equity method. Such evaluation criteria 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 they 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 associated company, or in any case to cover the losses – is recognized in a specific provision;

b. unrealized profits and losses generated on operations carried out between the parent company and the associated company valued using the net equity method are written off in accordance with the value of the Group shareholdings in the associated 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 recorded using cost method adjusted in case of impairment losses. Eventual shareholdings in companies listed on the stock exchange are instead valued at the fair value represented by the related end-of-year stock value.

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:

		Closing Exchange Rate		Average Exchange Rate	
Currency	*Nation*	2017	2016	2017	2016
Peso	Argentina	22.931	16.7488	18.7408	16.3420
Real	Brazil	3.9729	3.4305	3.6054	3.8561
Zloty	Poland	4.177	4.4103	4.257	4.3632
New Leu	Romania	4.6585	4.539	4.5688	4.4904
Renminbi	China	7.8044	7.3202	7.6290	7.3522
Indian Rupee	India	76.6055	71.5935	73.5324	74.3717
Ruble	Russia	69.392	64.300	65.9383	74.1446
Rand	South Africa	14.8054	14.457	15.0490	16.2645
Yen	Japan	135.01	123.4	126.7112	120.1966
Ringgit	Malaysia	4.8536	4.7287	4.8527	4.5835
Turkish Lira	Turkey	4.5464	3.7072	4.1206	3.3432
Dinar	Serbia	118.6386	123.403	121.3561	123.1061

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 payables and current 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 end date of the fiscal year. 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 CRITERIA OF VALUATION

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 acquired 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 depreciations 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.

Depreciations 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:

	Tax 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

Lease agreements

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 & lease back contracts, eventual capital gains between the selling cost and the book value of the asset are deferred until the end of the contract. Likewise, eventual capital losses would be deferred should they not be representative of an actual loss in value of the asset.

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.

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 the 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 entered 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.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or definable payments, not listed on an active market, which the company intends to keep until expiry. Such financial assets are classified among current assets if their expiry is within 12 months; otherwise they are classified among non-current assets.
Financial assets are initially recorded at fair value, including the additional costs of the transaction. After initial recording, held-to-maturity financial assets are valued at the amortized cost considering the criterion of effective interest rate, and are subject to assessment regarding value reduction.
On every balance sheet date, the Group assesses whether there is objective evidence that an asset or group of assets invested in has lost value. An investment or group of investments has lost value and must be devalued if and only if there is objective evidence of the loss in value as a consequence of events subsequent to the first itemization of the investment, and of the fact that the loss has an impact on reliably predictable future cash flows. Objective evidence of losses in value of the asset can be found in the following circumstances:

a. significant financial difficulties of the debtor;
b. contractual non-fulfillments, such as insolvency in the payment of interests or capital;
c. for economic or legal reasons connected to the financial difficulties of the debtor, the creditor grants the debtor subsidies which the latter would not have taken into consideration otherwise;
d. the debtor is likely to become bankrupt or is subject to insolvency proceedings;
e. disappearance of an active market on which the financial assets are listed.

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.

Contract work in progress related to casts is valued according to its percentage of completion based on the ratio between job order costs borne as at the date of the balance sheet and the estimate of total costs. These are shown net of down payments invoiced to clients. Eventual losses on such contracts are disclosed in the income statement at their full amount at the time they are known of.

Derivatives

All derivatives (including implicit, or so-called embedded, derivatives) are measured at fair value. The Group uses derivatives to cover risks concerning foreign exchange rates and changes in interest rates. As established by IAS 39, derivatives can be booked according to the methods established for hedge accounting only when:

- the formal designation and documentation for such hedge account exist at the start of coverage;
- it is presumed that the coverage is highly efficient;
- efficiency can be reliably measured;
- the coverage is highly efficient during the various accounting periods to which it is designated.

When the derivatives qualify to be booked under hedge accounting, the following accounting treatments are applied:
a) Fair value hedge – if a derivative is designated for the purposes of hedging exposure to changes in the current value of a booked asset or liability, the changes in fair value of the hedge derivative are included in the income statement coherently with the valuation of fair value of the assets and liabilities subject to coverage.
b) Cash flow hedge – when a derivative is designated for the purposes of hedging exposure to the variability of the cash flows of an asset, liability in the balance sheet, or to a transaction predicted to be highly likely and which could have effects on the income statement, the effective portion of profits or losses on the financial instrument will be recorded within net equity; the accumulated profit or loss are written off from net equity and recorded in the income statement during the same period in which the transaction subject to hedging is disclosed; the profit or loss associated to a hedge, or the part of hedge that has become inefficient, are entered in the income statement at the time the inefficiency is recorded.
If conditions to apply hedge accounting are not met, the changes in fair value of the derivative are recorded in the income statement.

Determining the fair value of financial instruments

The fair value of financial instruments listed on an active market is based on 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 criteria of the effective interest rate. 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.
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 balance sheet 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 financial 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 on 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 can 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 accounted for 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 credited to the Income statement in relation to the period of amortization of the asset to which they refer.

Assets 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 sales of such assets (or disposal groups);
- the sale must be highly probable;
- an active program to locate a buyer and complete the plan must have been initiated;
- the selling price should be reasonable in relation to its current fair value;
- the completion of the sale is 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 autonomous business segment or geographical area of business or 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.

Revenue recognition

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, 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 disclosed 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 as well.

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 period, 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 to apply accounting principles and methods that, in 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 balance 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 financial 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.
b. Prepaid taxes: accounting for prepaid taxes is done on the basis of the expected taxable income forecast for future fiscal years for 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 are made representing the risk of a negative outcome in order to counter legal and fiscal risks. The value of the provisions recorded in the financial statements in relation to such risks represents the best possible estimate as at the date considered by the administration. This estimate implies assumptions that depend on factors that may change over time and may

therefore have a 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 could 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 9 Financial Instruments	Fiscal years starting January 1st, 2018
IFRS 15 Revenue from Contracts with Customers	Fiscal years starting January 1st, 2018
IFRS 16 Leases	Fiscal years starting January 1st, 2019
IFRS 17 Insurance Contracts	Fiscal years starting January 1st, 2021
Amendments to IFRS 2 Share-Based Payment	Fiscal years starting January 1st, 2018
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	TBD
Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	Fiscal years starting January 1st, 2018
Clarifications to IFRS 15 Revenue from Contracts with Customers	Fiscal years starting January 1st, 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	Fiscal years starting January 1st, 2018
IFRIC 23 Uncertainty over Income Tax	Fiscal years starting January 1st, 2019
Amendments to IAS 40 Investment Properties	Fiscal years starting January 1st, 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle	Fiscal years starting January 1st, 2018

It is specified that the accounting standards and/or interpretations having compulsory application for the financial years starting from January 1st, 2018, 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. Specific plans have been activated within the Group for the adoption of IFRS 15, IFRS 16, and IFRS 9. Reliable estimates of the effects deriving from such principles will be available upon completion of each plan.

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.

- 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 translated (translation risk).

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

- EUR/Rand
- EUR/Zloty
- EUR/ Brazilian Real
- EUR/Leu
- EUR/Ruble
- EUR/Argentine Peso

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

- Forward contracts in Poland on purchases of raw material to cover the risk of fluctuations in the Zloty against the Euro. The main comprehensive characteristics of contracts existing as at December 31st, 2017 and 2016 are shown below:

	Purchases		Sales	
€/000	**December 31, 2017**	**December 31, 2016**	**December 31, 2017**	**December 31, 2016**
Notional value in Zloty	59,157	80,099	-	-
Average strike price	*4,270*	*4,411*	-	-
Notional value in Euros	13,855	18,160	-	-
Fair value	(308)	(2)	-	-

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 deviation percentage 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.

	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
Zloty (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)
Lira (Turkey)	2,360	23.3%	549	(549)
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)**

	December 31, 2016			
€/000	**Results included in the consolidation**	**Change**	**Effect of increase in exchange rate**	**Effect of decrease in exchange rate**
Rand (South Africa)	8,311	14.8%	1,227	(1,227)
Zloty (Poland)	20,469	4.3%	876	(876)
Leu (Romania)	4,169	1.0%	42	(42)
Real (Brazil)	(3,382)	4.2%	(142)	142
Ruble (Russia)	1,988	8.9%	177	(177)
Renminbi (China)	(1,006)	5.4%	(55)	55
Lira (Turkey)	1,364	10.5%	143	(143)
Peso (Argentina)	(4,515)	59.3%	(2,676)	2,676
Yen (Japan)	397	10.5%	42	(42)
Ringgit (Malaysia)	554	5.7%	31	(31)
Rupee (India)	677	4.5%	30	(30)
Peso (Mexico)	(2,000)	17.4%	(347)	347
Total	**27,026**		**(651)**	**651**

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 subscribed by the Group are summarized as follows:

	December 31	
	2017	**2016**
IRS BPM		
Transaction date	11/12/2014	11/12/2014
Expiry	28/06/2019	28/06/2019
Notional value *(€/000)*	2,587	4,220
Variable interest	6-month Euribor	6-month Euribor
Fixed interest	0.13%	0.13%
Fair value *(€/000)*	(16)	(42)

Sensitivity Analysis related to interest rate risk

The measurement of the Group's exposure to interest rate risk was carried out through 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 2017 fiscal year deriving from a hypothetical change in market rates that reflect an appreciation and 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, 2017. Such variation in the interest rates would lead to a higher (or lower) net pre-tax expense equal to EUR 2,047 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 in 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 smaller 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 breach of agreement 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 can 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 a 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.

		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	406,662	406,662		
Other current payables	121,667	79,995	34,603	7,069
Total	**1,072,519**	**689,897**	**372,418**	**10,204**

€/000	Book balance	December 31, 2016 Years to Expiry < 1	1 – 5	> 5
Non-current financial liabilities	350,631		244,993	105,638
Current financial liabilities	181,313	181,313		
Trade payables	367,352	367,352		
Other current payables	87,982	68,344	19,638	
Total	**987,278**	**617,009**	**264,631**	**105,638**

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. The applicable methods are divided into the following levels, based on the source of available information, described as follows:

- 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, 2017 and 2016:

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

	December 31, 2016		
€/000	Level 1	Level 2	Level 3
Derivatives (currency forward)		(2)	
Derivatives (interest rate swap)		(42)	

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, 2017 and 2016.

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	Held to maturity	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						406,662	
Borrowings from banks and other lenders						203,240	
Other payables and other current liabilities						77,443	
Non-current liabilities							
Payables due to banks and other lenders		16				340,950	
Other payables and other non-current liabilities						41,672	

December 31, 2016

€/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	Held to maturity	Assets available for sale	Liabilities valued at amortized cost	Other financial liabilities valued at amortized cost
Current assets							
Cash and Cash Equivalents			122,476				
Trade receivables			108,510				
Other receivables and other current assets			103,667				
Financial assets			51,517				
Non-current assets							
Other receivables and other non-current assets			13,054				
Current liabilities							
Trade payables						367,352	
Borrowings from banks and other lenders						181,313	
Other payables and other current liabilities						66,845	
Non-current liabilities							
Payables due to banks and other lenders		42				350,631	
Other payables and other non-current liabilities						19,638	

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 decision making levels of the Group uses the following operating segments as a reference:

- 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 processsing of flat steel products for various types of use, including the automotive sector, the domestic appliance industry, wind power plants, as well as industrial and domestic furnishings.

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-recurrent, and therefore not representative of the real profitability of the sectors.

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

	Financial year closed 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**

	Financial year closed on December 31, 2016				
€/000	**MA**	**MW**	**SSC**	**Eliminations and other**	**Total**
Revenue	1,102,946	193,428	97,512	(11,823)	**1,382,063**
Adjusted EBITDA	104,336	23,544	11,547	(4,423)	**135,004**
As a percentage of revenue	*9.5%*	*12.2%*	*11.8%*	*37.4%*	***9.8%***
Adjusted EBIT	48,999	9,766	7,603	(7,091)	**59,276**

8. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

8.1 INTANGIBLE ASSETS

Movements related to the item "Intangible assets" for the fiscal years ended on December 31st, 2017 and 2016 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, 2016	**3,452**	**6,181**	**9,848**	**4,575**	**1,110**	**25,166**
of which:						
Historical cost	*42,045*	*14,799*	*11,923*	*49,813*	*1,110*	***119,690***
Amortization reserve	*(38,594)*	*(8,617)*	*(2,075)*	*(45,238)*	-	***(94,524)***
Increases	1,035	1,171	-	235	-	**2,441**
Net decreases	-	-	-	-	-	**-**
- Historical cost	-	-	-	-	-	**-**
- Amortization reserve	-	-	-	-	-	**-**
Other movements						
- Historical cost reclassifications	*(2,980)*	*(258)*	*(1,995)*	*(557)*	-	***(5,790)***
- Amortization reserve reclassifications	*2,980*	*258*	*1,995*	*557*	-	***5,790***
- Change in scope of consolidation	-	-	-	*92*	-	***92***
- Differences in exchange rate on historical cost	*124*	*200*	-	*108*	-	***432***
- Differences in exchange rate on amortization reserve	*(65)*	*124*	-	*(90)*	-	***(31)***
Depreciation, amortization and impairments	(1,461)	(1,936)	-	(1,977)	-	**(5,374)**
Balance as at December 31, 2016	**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)***
Depreciation, 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*	*12,100*	*53,331*	*1,110*	***126,087***
Amortization reserve	*(40,033)*	*(12,549)*	*(80)*	*(48,792)*	-	***(101,454)***

The item "Intangible fixed assets" as at December 31st, 2017 amounted to EUR 24,633 thousand (EUR 22,726 thousand as at December 31st, 2016), and mainly includes:

- Goodwill amounting to EUR 12,020 thousand (EUR 9,848 thousand as at December 31st, 2016).
- Development costs for new products, mainly related to the Wheels sector, amounting to EUR 1,636 thousand (EUR 3,085 thousand as at December 31st, 2016);
- Industrial patents and intellectual property rights amounting to EUR 5,328 thousand (EUR 5,740 thousand as at December 31st, 2016).

The change in scope of consolidation is mainly ascribable to the establishment of Itla Bonaiti S.r.l. and the related first-time consolidation within the Group financial statements of assets contributed by Giuseppe & F.lli Bonaiti S.p.A. In particular, the Purchase Price Allocation analysis has led to the recording of intangible surplus values – identified by means of the Excess Earnings method – equal to EUR 3,467 thousand. Moreover, goodwill amounting to EUR 2,172 thousand from the subsequent purchase by the company of the plant of Civate (Lecco) has also been recorded. The Purchase Price Allocation analysis for such goodwill will be completed throughout 2018.

Goodwill mainly derives from acquiring control of MA Polska (former Delfo Polska), ITLA S.r.l., Nuova Sall S.r.l., and the Civate plant. Goodwill was allocated to the operating segments or Cash Generating Units 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	**2017**	**2016**
Automotive	7,660	7,660
SSC	4,360	2,188
Total	**12,020**	**9,848**

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 occur which may lead to a presumed reduction in value. 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 higher 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 5-year business plan – launched after the year of reference of the impairment test – officially approved by management. The discount factor used is represented by the weighted average cost of capital (WACC) calculated with reference to the segment in which the identified CGU operates.

The 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%.

With reference to fiscal years 2017 and 2016, no reductions in value of the entered goodwill emerged from the completed impairment tests.

The results of the impairment tests were submitted to a sensitivity analysis aimed at verifying the susceptibility to changes in the main projections upon which the estimate is based. To this end, two different scenarios were suggested:

- 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 Wheels sector.

8.2 PROPERTY, PLANTS, AND EQUIPMENT

Movements related to the item "Property, plants, and equipment" for the fiscal years ended on December 31st, 2017 and 2016 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, 2016	**187,454**	**330,151**	**14,618**	**3,776**	**51,782**	**587,781**
of which:						
Historical cost	*351,855*	*964,191*	*111,316*	*27,876*	*51,782*	***1,507,020***
Depreciation reserve	*(164,401)*	*(634,040)*	*(96,698)*	*(24,100)*	*-*	***(919,239)***
Increases	5,318	30,755	3,380	813	52,943	**93,209**
Net decreases	(5,180)	(4,928)	(50)	53	(1,642)	***(11,747)***
- Historical cost	*(17,982)*	*(25,818)*	*(10,941)*	*(399)*	*(1,642)*	***(56,782)***
- Depreciation reserve	*12,802*	*20,890*	*10,891*	*452*	*-*	***45,035***
Other movements						
- Historical cost reclassifications	*7,610*	*43,030*	*63*	*134*	*(50,689)*	***148***
- Depreciation reserve reclassifications	*(115)*	*79*	*(14)*	*(98)*	*-*	***(148)***
- Change in scope of consolidation	*2,433*	*2,299*	*5*	*21*	*-*	***4,758***
- Differences in historical cost due to exchange rates	*3,697*	*10,784*	*(897)*	*106*	*1,244*	***14,934***
- Differences in amortization reserve due to exchange rates	*(180)*	*(3,812)*	*798*	*(79)*	*-*	***(3,273)***
Depreciation, amortization, and impairments	(13,024)	(51,532)	(5,162)	(841)	-	**(70,559)**
Balance as at December 31, 2016	**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, amortization, 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)***

As at December 31st, 2017, the item “Property, plants, and equipment” amounts to EUR 663,017 thousand (EUR 615,103 thousand as at December 31st, 2016) and includes:

- EUR 198,652 thousand in land and buildings;
- EUR 353,914 thousand in plants and machinery;
- EUR 10,914 thousand in industrial and commercial equipment;
- EUR 4,824 thousand in other assets;
- EUR 94,713 thousand in tangible assets under construction.

Investments for the 2017 fiscal year, amounting to EUR 105,332 thousand in total, were mainly allocated to the implementation of new projects in Germany, France, and Italy.
Decreases for the 2017 fiscal year amounted to EUR 6,623 thousand in total, as opposed to EUR 11,747 thousand in 2016.

The effects of changes in the consolidation scope are outlined as follows:

- Fair value of the intangible asset related to the Lucchini S.p.A. corporate branch (in Condove, Turin): EUR 6,300 thousand
- Fair value of the intangible assets merged from Giuseppe & F.lli Bonaiti S.p.A. into Itla Bonaiti S.r.l.: EUR 18,260 thousand
- Plants and machinery related to the Civate plant taken over by Itla Bonaiti S.r.l.: EUR 1,636 thousand
- Disposal of Excel Rim Co.: EUR (3,351) thousand

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

	December 31		
€/000	**2017**	**2016**	**Difference**
Land and buildings	40,151	45,671	(5,520)
Plants and machinery	105,450	77,646	27,804
Industrial and commercial equipment	750	991	(241)
Other tangible assets	4,890	51	4,839
Total	**151,240**	**124,358**	**26,882**

8.3 INVESTMENTS AND OTHER FINANCIAL ASSETS

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

	December 31		
€/000	**2017**	**2016**	**Difference**
Equity investments in subsidiaries	992	603	389
Equity investments in joint venture companies	64,165	63,278	887
Equity investments in associated companies	17,220	21,087	(3,868)
Equity investments in other companies	11,422	10,370	1,052
Total Equity Investments	**93,798**	**95,338**	**(1,540)**
Other financial assets	4,515	4,629	(114)
Total Equity Investments and other financial assets	**98,313**	**99,967**	**(1,654)**

Movements of subsidiaries for the fiscal years ending on December 31st, 2017 and 2016 are outlined as follows:

€/000	%	December 31, 2015	Increases (Decreases)	Revaluations (Devaluations)	Changes in scope of consolidation	Exchange rate differences and other changes	December 31, 2016
MA Automotive Argentina S.A.	100.0%	3,355		(1,629)		(1,726)	-
WM LLC RUSSIA	100.0%	66		270		(242)	94
CLN Serbia D.o.o.	100.0%	114		(114)			-
Nichelino Immobiliare S.r.l.	80.0%	488		21			509
Total Equity investments in subsidiaries		**4,023**	**-**	**(1,452)**	**-**	**(1,968)**	**603**

€/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 S.r.l.	80.0%	509					509
Total Equity investments in subsidiaries		**603**	4,897	**(3,889)**	**-**	**(619)**	**992**

Equity investments in subsidiaries represent non-significant investments for the Group. When 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 (WM LLC Russia fully consolidated in 2017).

The movements for joint control and associated companies for the financial years closed on December 31st, 2017 and 2016 are outlined as follows. It should be specified that such investments were valued using the equity method.

€/000	%	December 31, 2015	Increases (Decreases)	Revaluations (Devaluations)	Changes in scope of consolidation	Exchange rate differences and other changes	December 31, 2016
Coskunoz MA A.S.	60.0%	3,629		1,859		(1,648)	3,840
MA Automotive Brasil Ltda.	60.0%	(6,791)	10,976	(3,382)		5,739	6,542
ArcelorMittal CLN srl	51.0%	29,210		6,825			36,035
Jantsa-MW Turkey	50.0%	8,463	(2,399)	(494)		(812)	4,758
JBM-MA India	50.0%	5,841		677		480	6,998
SHOUGANG MA METAL CO	50.0%	4,140	1,144	204		(683)	4,805
ALMASIDER	50.0%	500	(500)				-
PMC Automotive S.p.A.	50.0%	(2,076)		926		1,448	298
Total Equity investments in joint venture companies		**42,917**	**9,221**	**6,615**	**-**	**4,524**	**63,278**

€/000	%	December 31, 2016	Increases (Decreases)	Revaluations (Devaluations)	Changes in scope of consolidation	Exchange rate differences and other changes	December 31, 2017
Coskunoz 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 S.p.A.	50.0%	298		(95)			203
Total Equity investments in joint venture companies		**63,278**	**(90)**	**5,529**	**-**	**(4,552)**	**64,165**

€/000	%	December 31, 2015	Increases (Decreases)	Revaluations (Devaluations)	Changes in scope of consolidation	Exchange rate differences and other changes	December 31, 2016
EMARC ROMANIA S.r.l.	49.0%	75		660			735
EMA Polska Sp. z o.o.	49.0%	20				(20)	-
Cellino S.r.l.	39.0%	12,062		89		(65)	12,086
BAOSTEEL MW Wheels	25.0%	5,551		(1,210)		(170)	4,171
Gianetti Ruote S.r.l.	30.0%	5,118	115	(2,392)			2,841
TOPY MW Mexico	25.0%	2,531		(2,000)		(531)	-
O.M.V. S.p.A.	25.0%	1,120		134			1,254
Total Equity investments in associated companies		**26,477**	**115**	**(4,719)**	**-**	**(785)**	**21,087**

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

The movements for equity investments in other companies for the financial years closed on December 31st, 2017 and 2016 are outlined as follows:

€/000	%	December 31, 2015	Increases (Decreases)	Revaluations (Devaluations)	Changes in scope of consolidation	Exchange rate differences and other changes	December 31, 2016
S. Polo Lamiere S.p.A.	15.0%	2,884	(2,884)				-
MIM GmbH	10.0%	450			(450)		-
AR MACHINE Co.	9.8%	557					557
E.M.A.R.C. S.p.A.	6.4%	1,682	(1,682)				-
Topy Industries Ltd.	1.53%	-	6,798	2,603		(359)	9,042
Other companies		646	125				771
Total Equity investments in other companies		**6,218**	**2,357**	**2,603**	**(450)**	**(359)**	**10,370**

€/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 Equity investments in other companies		**10,370**	**410**	**1,251**	**163**	**(772)**	**11,422**

The 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 of shareholdings in joint control companies include a EUR 5,255 thousand amount allocated to the reclassification of the investment in JBM MA India, bound for sale and recorded in the balance sheet as “Assets held for sale”.
Likewise, the decreases of shareholdings in associated companies include a EUR 834 thousand amount allocated to the reclassification of the investment in Baosteel MW Wheels among the “Assets held for sale”.
The remaining financial assets amount to EUR 4,515 thousand (EUR 4,629 thousand as at December 31st, 2016) and mainly include Italian government bonds.

8.4 OTHER RECEIVABLES AND OTHER NON-CURRENT ASSETS

Details for the item “Other receivables and other non-current assets” as at December 31st, 2017 and 2016 are provided below:

€/000	December 31 2017	2016	Difference
Non-current operating receivables	2,353	1,477	876
Other non-current assets	341	11,577	(11,236)
Total	**2,694**	**13,054**	**(10,360)**

It is highlighted that – as at December 31st, 2016 – Non-current operating receivables included credit towards joint control companies for future capital increase, and are now classified among current assets.

8.5 DEFERRED TAX ASSETS

Le “Deferred tax assets” amount to EUR 43,047 thousand as at December 31st, 2017.

Movements for such item are outlined in subsection 8.15, to which reference should therefore be made.

8.6 INVENTORY

Details of the "Inventory" item as at December 31st, 2017 and 2016 are outlined below:

	December 31		
€/000	**2017**	**2016**	**Difference**
Raw materials, ancillary materials, and consumables	101,520	72,381	29,139
Work in progress and semi-finished goods	34,200	29,682	4,518
Contract work in progress	32,665	74,167	(41,502)
Advances on contract work in progress	(41,443)	(53,510)	12,067
Finished products and goods	57,367	48,118	9,248
Advance payments	895	696	199
Total	**185,204**	**171,533**	**13,671**

The item "Contract work in progress" mainly includes the costs for equipment and casts, borne by the MA Division in preparation for the manufacturing of new models.

The value of stock inventory is shown net of a write-down provision equal to EUR 14,837 thousand as at December 31st, 2017 (as opposed to EUR 14,286 thousand as at December 31st, 2016). 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 financial year, and its amount at the end of the year may be considered consistent with the existing risks:

	December 31			
	2017		**2016**	
€/000	**Raw materials and semi-finished goods**	**Finished products**	**Raw materials and semi-finished goods**	**Finished products**
Opening inventory write down provision	11,276	3,010	11,031	3,673
Increases	60	491	244	-
Uses/releases	-	-	-	(662)
Closing inventory write down provision	**11,335**	**3,502**	**11,276**	**3,010**

8.7 TRADE RECEIVABLES

Trade receivables, amounting to EUR 121,070 thousand as at December 31st, 2017 (EUR 108,510 thousand as at December 31st, 2016), are shown net of bad-debt provisions amounting to EUR 5,548 thousand (EUR 5,612 thousand as at December 31st, 2016). Trade receivable movements are outlined as follows:

	December 31	
€/000	**2017**	**2016**
Opening bad-debt provisions	5,612	5,845
Increases	-	-
Uses/releases	-	-
Change in exchange rates and other movements	(64)	(233)
Closing bad-debt provisions	**5,548**	**5,612**

The trade receivables as at December 31st, 2017 are shown net of items sold without recourse (factoring and securitization contracts), amounting to a total of EUR 292,049 thousand (EUR 251,161 thousand as at December 31st, 2016).

For further comments concerning the quality of receivables, please refer to section 5 "Information on financial risk".

It should be pointed out that, as at the dates of reference, the balance sheet shows no receivables expiring after more than five years.

8.8 OTHER RECEIVABLES AND OTHER CURRENT ASSETS

Details for the item "Other receivables and other current assets" as at December 31st, 2017 and 2016 are outlined below.

	Financial year closed on December 31		
€/000	**2017**	**2016**	**Difference**
Current financial receivables	47,735	45,491	2,244
VAT receivables	19,309	19,390	(81)
Direct advance tax payments	1,484	3,107	(1,623)
Receivables for other taxes	6,406	6,397	9
Security deposits	971	960	11
Accrued income/prepaid expenses	8,388	2,196	6,192
Current financial assets	96	1,396	(1,300)
Other current receivables	25,605	24,730	875
Total	**109,993**	**103,667**	**6,326**

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 respective parties).

VAT receivables as at December 31st, 2017 are shown net of items sold without recourse, amounting to EUR 8,228 thousand (EUR 14,500 thousand as at December 31st, 2016) in total.

8.9 CASH AND CASH EQUIVALENTS

Details of the item "Cash and cash equivalents" as at December 31st, 2017 and 2016 are outlined below:

	Financial year closed on December 31		
€/000	**2017**	**2016**	**Difference**
Bank deposits	136,065	104,709	31,356
Cash on hand, cash, and checks	9,569	17,766	(8,197)
Total	**145,635**	**122,476**	**23,159**

8.10 ASSETS HELD FOR SALE

Show below are the comprehensive balance sheet values as at December 31st, 2017 and 2016 concerning assets held for sale.

	Financial year closed on December 31		
€/000	**2017**	**2016**	**Difference**
ASSETS			
Property, plants, and equipment	4,213	9,395	(5,182)
Equity investments and other financial assets	9,427	5,020	4,407
Receivables and other current assets	-	-	-
Assets held for sale	**13,640**	**14,416**	**(776)**

These assets are related to the planned sale of certain non-strategic plants and shareholdings as listed below:

- Plant 6 located in Rosslyn (South Africa): EUR 4,213 thousand (planned sale: July 2018).
- Shares in S. Polo Lamiere S.p.A.: EUR 3,338 thousand (sale finalized in February 2018).
- Shares in JBM MA India: EUR 5,255 thousand (sale finalized in January 2018).
- Shares in Baosteel MW Wheels (China): EUR 834 thousand (planned sale: 1st half 2018).

8.11 NET EQUITY

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

Share capital as at December 31st, 2017 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.

€/000	Financial year closed on December 31 2017	2016	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	(57,479)	(56,217)	(1,262)
Hedging reserve	1,231	1,406	(175)
FTA reserve	603	603	-
Profits (losses) carried forward	(108,215)	(99,175)	(9,040)
Profits (losses) for the period	13,927	1,232	12,695
Group Net equity	**211,071**	**208,853**	**2,218**
Minority interests	32,974	18,868	14,106
Total Net equity	**244,045**	**227,721**	**16,324**

It is specified that the first-time consolidation of Itla Bonaiti S.r.l., with specific respect to Giuseppe & F.lli Bonaiti S.p.A. contributions, and the related Purchase Price Allocation analysis have generated a EUR 10,174 thousand decrease and a EUR 13,400 thousand increase of the Group net equity and third party net equity respectively.

The reconciliation between C.L.N. S.p.A.'s 2017 Net Result and Net equity as at December 31st, 2017 highlighted in Separate Financial Statement at the same date and the CLN Group's corresponding Net Result and Net equity is outlined in the following table:

€/000	Net result 2017	Equity as at December 31, 2017
C.L.N. S.p.A. Net equity	**(7,364)**	**235,797**
Net equity of subsidiaries directly owned by C.L.N. S.p.A.	23,475	290,464
Elimination of Equity investments in subsidiaries directly owned by C.L.N. S.p.A.	-	(290,615)
Consolidation adjustments	895	8,399
Result and Equity attributable to Non-controlling interests	(3,080)	(32,974)
CLN Group Net equity (attributable to the owners of the parent company)	**13,927**	**211,071**

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., CLN Slovakia s.r.o., CLN Serbia D.o.o., and MIM Steel Processing GmbH.

Consolidation adjustments mainly refer to the equity alignment of subsidiaries and joint ventures (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, 2017 and 2016 are outlined below:

	December 31	
€/000	**2017**	**2016**
Opening balance	28,714	28,377
Cost of current supplies of work	410	395
Financial expenses	86	209
Benefits paid	(232)	(28)
Actuarial (Profits)/Losses from variation in:	-	(239)
- demographic projections	-	-
- financial projections	-	(239)
- other	-	-
Total	**28,978**	**28,714**

Details of the economic and financial forecasts used for actuarial assessments are outlined as follows:

	December 31	
	2017	**2016**
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 advanced 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, 2017 and 2016 are outlined below:

€/000	**As at December 31, 2015**	**Allocation**	**Uses / Releases**	**Other movements**	**As at December 31, 2016**
Commercial guarantees	950	-	-	-	950
Tax risk provisions	869	31	(655)	12	257
Restructuring provisions	5,388	-	(1,790)	(274)	3,324
Legal risk provisions	820	46	(277)	-	588
Provisions for risks on subsidiaries	-	3,671	-	-	3,671
Provisions for other risks	6,223	6,899	(1,764)	-	11,358
Total	**14,250**	**10,647**	**(4,486)**	**(263)**	**20,148**

€/000	As at December 31, 2016	Allocation	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 related to 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**

The item "Provisions for other risks" mainly includes commercial and environmental risks, partially related to the Purchase Price Allocation analysis of the Condove plant.

8.14 BORROWINGS (CURRENT AND NON-CURRENT)

Current and non-current borrowings in the fiscal years ending on December 31st, 2017 and 2016 are outlined in the table below.

	December 31			
	2017		2016	
€/000	Current	Non-current	Current	Non-current
Medium/long-term bank loans	58,222	169,947	57,076	159,118
Bonds	-	99,179	-	99,025
Payables owed to lease companies	23,627	47,330	11,870	41,193
Other medium/long-term loans	12,000	24,478	1,350	51,253
Short-term lines of credit	109,391	-	111,017	-
Derivatives at fair value	-	16	-	42
Total	**203,240**	**340,950**	**181,313**	**350,631**

As at December 31st, 2017 and 2016 the Group's borrowings were presented in the following currencies:

	December 31	
€/000	2017	2016
EUR	452,422	468,997
Zloty (Poland)	78,063	47,106
Rand (South Africa)	11,216	8,453
Leu (Romania)	2,489	1,659
Yen (Japan)	-	2,822
Ringgit (Malaysia)	-	2,907
Total	**544,190**	**531,944**

The private placement bond (EUR 99,179 thousand) and the Club Deal loan (EUR 133,135 thousand as at December 31st, 2017) undersigned in 2015 for an amount of EUR 100 million and EUR 200 million respectively, require compliance with certain financial covenants related to "Net debt and EBITDA", "Interest coverage ratio", "Total subsidiary debt to total asset ratio", and "Net debt to equity ratio".

Such financial covenants must be verified by means of the Group's consolidated financial data, starting from the fiscal year ended on December 31st, 2015 and for every subsequent fiscal year, including half reports. Failure to comply with the financial covenants could give rise to cancellation and the obligation of early repayment of the debenture and Club Deal loan by the Group. As at December 31st, 2017, all financial covenants have been fully complied with.

The composition of the net financial position as at December 31st, 2017 and 2016 is outlined below.

	Financial year closed on December 31	
€/000	**2017**	**2016**
Cash and Cash Equivalents (A)	**145,635**	**122,476**
Current financial receivables and other financial assets	52,345	51,517
Short-term bank payables	(109,391)	(111,017)
Current part of medium/long-term bank payables	(58,222)	(57,076)
Current part of finance leases	(23,627)	(11,870)
Current part of payables due to other lenders	(12,000)	(1,350)
Current financial indebtment (B)	**(150,894)**	**(129,796)**
Non-current bank payables	(169,947)	(159,118)
Non-current finance leases	(47,330)	(41,193)
Non-current payables due to other lenders	(24,478)	(51,253)
Bonds	(99,179)	(99,025)
Fair value of derivatives	(16)	(42)
Non-current financial indebtment (C)	**(340,950)**	**(350,631)**
Net financial position (A+B+C)	**(346,210)**	**(357,951)**

8.15 DEFERRED TAX LIABILITIES

Movements related to deferred tax liabilities for fiscal years ended on December 31st, 2017 and 2016 are recorded in the following tables:

€/000	December 31, 2015	Releases / Accruals	December 31, 2016
Deferred tax liabilities			
Depreciation, amortization and impairment loss	17,670	1,015	18,685
Finance leasing	21,369	1,138	22,507
Other differences	5,553	221	5,774
Total deferred tax liabilities	**44,591**	**2,375**	**46,966**
Deferred tax assets			
Taxed provisions	6,783	624	7,407
Depreciation and finance leasing	19,427	(238)	19,189
Tax benefits on losses carried forward	15,328	(2,549)	12,779
Total deferred tax assets	**41,538**	**(2,163)**	**39,375**

€/000	December 31, 2016	Releases / Accruals	December 31, 2017
Deferred tax liabilities			
Depreciation, amortization and impairment loss	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 benefit on losses carried forward	12,779	77	12,856
Total deferred tax assets	**39,375**	**3,672**	**43,047**

As at December 31st, 2017, prepaid tax assets include tax losses that may be carried forward amounting to EUR 12,856 thousand (EUR 12,779 as at December 31st, 2016). Overall, tax losses that can be carried forward by companies included within the scope of full consolidation amount to EUR 268 million (EUR 266 million as at December 31st, 2016). 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 benefit of such losses would amount to a total of EUR 68 million as at December 31st, 2017 (as opposed to EUR 71 million as at December 31st, 2016), of which EUR 13 million were actually booked as at December 31st, 2017 (EUR 13 million as at December 31st, 2016). The EUR 55 million gap (EUR 58 million as at December 31st, 2016) 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, 2017 and 2016 are outlined as follows:

	Financial year closed on December 31		
€/000	**2017**	**2016**	**Difference**
Payables owed to staff	-	-	-
Accrued liabilities/deferred income	4,202	6,644	(2,442)
Other non-current payables	37,470	12,994	24,476
Total	**41,672**	**19,638**	**22,034**

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 in function of the potential price fluctuations throughout the fiscal year and of the financial effects on the adjusted sums.

8.17 TRADE PAYABLES

The item "Trade payables" includes payables for goods and services, amounting to EUR 406,662 thousand as at December 31st, 2017 (EUR 367,352 thousand as at December 31st, 2016).

8.18 CURRENT TAX LIABILITIES

"Current tax liabilities", amounting to EUR 2,551 thousand as at December 31st, 2017 (EUR 1,499 thousand as at December 31st, 2016), refer to the 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, 2017 and 2016 are outlined as follows:

	Financial year closed on December 31		
€/000	**2017**	**2016**	**Difference**
Welfare and social security payables	13,892	13,829	63
Payables owed to staff	27,109	22,351	4,758
VAT payables	9,947	11,441	(1,494)
Accrued liabilities/deferred income	9,505	7,267	2,237
Other current payables	16,990	11,955	5,035
Total	**77,443**	**66,845**	**10,599**

9. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

9.1 REVENUE

Details of the item "Revenue" by geographic area for the fiscal years ended on December 31st, 2017 and 2016 are outlined below.

	Financial year closed on December 31		
€/000	**2017**	**2016**	**Difference**
Italy	382,608	334,273	48,334
Other EU countries	953,470	822,183	131,287
Non-EU countries	245,413	225,607	19,805
Total	**1,581,490**	**1,382,063**	**199,427**

9.2 OTHER OPERATING INCOME

Details for the item "Other operating income" for financial years closed on December 31st, 2017 and 2016 are outlined below.

	Financial year closed on December 31		
€/000	**2017**	**2016**	**Difference**
Scrap and waste	90,314	61,113	29,201
Tooling revenue	147,468	125,784	21,683
Rental fees	3,027	2,910	116
Release of risk provisions	3,167	4,498	(1,331)
Capital gains from disposal of fixed assets	4,686	2,768	1,917
Government grants	2,157	1,865	292
Other income	22,384	27,123	(4,738)
Total	**273,203**	**226,062**	**47,141**

The increase in tooling revenue is mainly due to new projects completed in 2017, mainly in France, Germany, and Italy.

9.3 RAW MATERIALS, CONSUMABLES, AND GOODS

Details of the item "Raw materials, consumables, and goods" for the fiscal years ended on December 31st, 2017 and 2016 are outlined as follows:

	Financial year closed on December 31		
€/000	**2017**	**2016**	**Difference**
Purchases of raw material, net of change in inventory	1,001,118	850,522	150,596
Purchases of consumable supplies	79,920	73,194	6,726
Goods for sale	30,307	45,648	(15,342)
Other purchases	46,461	9,272	37,190
Total	**1,157,805**	**978,636**	**179,170**

9.4 PERSONNEL EXPENSES

Details for the item "Personnel expenses" for financial years closed on December 31st, 2017 and 2016 are outlined below.

	Financial year closed on December 31		
€/000	**2017**	**2016**	**Difference**
Wages and salaries	210,653	192,233	18,421
Social charges	45,714	42,611	3,103
Staff severance indemnity	4,592	4,156	435
Cost of temporary work	51,767	40,148	11,619
Restructuring costs	3,169	5,014	(1,845)
Other costs	8,053	6,128	1,926
Total	**323,949**	**290,290**	**33,659**

The following table highlights the average and end-of-year number of employees and collaborators by category during fiscal years 2017 and 2016:

	Financial year 2017		Financial year 2016	
Unit	Average	Year end	Average	Year end
Executives	157	161	150	153
Employees	1,416	1,442	1,351	1,390
Manual workers	5,874	5,951	5,822	5,798
Total employees	**7,447**	**7,554**	**7,323**	**7,341**

9.5 OTHER OPERATING COSTS

Details for the item "Other operating costs" for financial years closed on December 31st, 2017 and 2016 are outlined below.

	Financial year closed on December 31		
€/000	2017	2016	Difference
Transportation	32,446	33,138	(692)
Labor assigned to third parties	44,743	42,780	1,963
Maintenance services	31,772	26,681	5,091
Energy purchases	27,763	26,279	1,483
Rental Fees	17,351	14,793	2,558
Purchase of other utilities	6,914	6,770	144
Indirect taxes	7,420	6,303	1,117
Legal, consultancy, auditing	5,871	5,888	(18)
Travel expenses	6,040	5,329	711
Directors' emoluments	1,375	1,691	(316)
Other costs for services	45,426	46,530	(1,105)
Total	**227,119**	**216,181**	**10,937**

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 financial years closed on December 31st, 2017 and 2016 are outlined below.

	Financial year closed on December 31		
€/000	2017	2016	Difference
Depreciation of tangible assets	76,020	71,997	4,023
Amortization of intangible assets	6,703	3,731	2,972
Total	**82,723**	**75,728**	**6,995**

9.7 FINANCIAL INCOME

Details for the item "Financial income" for fiscal years closed on December 31st, 2017 and 2016 are outlined below.

	Financial year closed on December 31		
€/000	**2017**	**2016**	**Difference**
Interest on bank accounts	1,853	2,351	(498)
Other interest and financial income	2,222	1,270	952
Gains on exchange rates	4,227	8,145	(3,918)
Total	**8,302**	**11,766**	**(3,464)**

9.8 FINANCIAL EXPENSES

Details for the item "Financial expenses" for fiscal years closed on December 31st, 2017 and 2016 are outlined below.

	Financial year closed on December 31		
€/000	**2017**	**2016**	**Difference**
Interest on bank borrowings	18,438	18,255	183
Interests on bonds	1,555	1,577	(22)
Interests for finance lease agreements and for factoring	7,778	7,262	516
Other financial expenses	7,095	8,458	(1,363)
Losses on exchange rates	11,842	8,140	3,702
Total	**46,709**	**43,692**	**3,016**

9.9 INCOME TAX

Details for the item "Income tax" for fiscal years closed on December 31st, 2017 and 2016 are outlined below.

	Financial year closed on December 31		
€/000	**2017**	**2016**	**Difference**
Income taxes	9,959	6,240	3,718
IRAP (Italian regional tax on productive activities) and similar	4,089	3,742	346
Deferred taxes	(6,668)	1,616	(8,283)
Other taxes	208	359	(151)
Total	**7,588**	**11,957**	**(4,370)**

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

	Financial year closed on December 31		
€/000	**2017**	**2016**	**Difference**
Result before income tax	**24,594**	**14,740**	**9,854**
Theoretical income tax (*)	(6,148)	(3,685)	(2,463)
Tax not calculated on the result before taxes (IRAP and similar)	(4,089)	(3,742)	(347)
Tax effect from permanent differences and other differences	2,649	(4,530)	7,179
Total	**(7,588)**	**(11,957)**	**4,369**
Effective tax rate	n.s.	n.s.	n.s.

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

9.10 NON-RECURRING INCOME AND EXPENSES

Details for the item "Non-recurring income and expenses" for fiscal years closed on December 31st, 2017 and 2016 are outlined in the table below.

	Financial year closed on December 31		
€/000	**2017**	**2016**	**Difference**
Costs for corporate restructuring	3,169	5,046	(1,877)
Tax litigation provision	300	2,250	(1,950)
Settlement agreements	-	4,090	(4,090)
Other net costs	1,735	601	1,134
Total	**5,204**	**11,987**	**(6,783)**

In 2017 the Group has borne restructuring costs and other non-recurring net costs amounting to EUR 5,204 thousand (as opposed to EUR 11,987 thousand as at 2016). The item includes restructuring costs amounting to EUR 3,169 thousand (EUR 5,046 thousand in 2016), as well as litigation provisions and other net costs amounting to EUR 2,035 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 associated 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 financial year ended on December 31st, 2017 are provided below:

€/000	Sales revenue	Raw material purchase	Other operating revenue (expenses)	Financial income (expenses)	Trade Receivables	Trade Payables	Other receivables (payables)	Financial receivables (payables)
	Financial year closed on December 31, 2017				December 31, 2017			
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 S.r.l.	-	(1,355)	(4,235)	-	-	(2,047)	272	-
Cellino S.r.l.	169	(1)	(283)	251	205	(1,818)	(46)	(1,519)
Celmac	-	(419)	(712)	-	(13)	1,203	31	-
CLN Serbia D.o.o.	-	-	-	-	826	-	-	900
Coskunoz MA Otomotiv A.S.	-	-	(19)	1,846	-	-	-	-
Delna S.p.A.	-	-	(411)	-	-	-	-	-
FaM-MA S.A.	-	-	5	-	3	-	829	-
Gianetti Ruote S.r.l.	21	(1,764)	125	-	77	(454)	-	-
JBM - MA Automotive Pvt Lim	-	-	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 S.r.l.	-	-	-	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	-	(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**	**(406,662)**	**112,687**	**52,345**
% incidence on the total balance sheet item	**1.8%**	**23.7%**	**-2.3%**	**-8.6%**	**10.1%**	**15.9%**	**7.5%**	**78.0%**

Details of the balance sheet and income statement results concerning transactions with related parties for the financial year closed on December 31st, 2016 are provided below.

	Financial year closed on December 31, 2016				December 31, 2016			
€/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	49	(161,884)	791	-	185	(50,729)	-	-
ArcelorMittal CLN srl	1,642	(51,514)	1,817	-	2,028	(9,517)	1,325	-
Tamagnone S.r.l.	-	(1,024)	(2,259)	-	-	(1,256)	267	-
Cellino S.r.l.	157	(0)	-	(179)	124	(1,837)	101	(2,473)
Celmac	147	(2,562)	(1,097)	-	54	1,143	31	-
CLN Serbia D.o.o.	205	(163)	-	-	914	(66)	-	900
Coskunoz MA Otomotiv A.S.	-	-	37	1,084	86	(2,850)	-	-
Delna S.p.A.	-	-	(1,171)	-	-	-	-	-
E.M.A.R.C. S.p.A.	1,086	-	2	-	1,154	-	3	-
Gianetti Ruote S.r.l.	33	(3,324)	246	-	72	(1,173)	-	-
JBM - MA Automotive Pvt Lim	-	-	609	-	79	-	2,606	6,060
Jantsa MW Turkey	86	(13)	94	(12)	27	-	(1,305)	(28)
MA Automotive Argentina S.A.	-	-	37	48	1,667	-	5,790	-
MA Automotive Brasil Ltda.	103	-	3,068	1,027	371	(2,300)	11,577	7,436
Marubeni-Itochu Group	438	(28,739)	-	-	33	(3,919)	-	-
Nichelino Immobiliare S.r.l.	-	-	-	39	-	-	2,147	-
PMC Automotive Group	23,735	(15,270)	4	1,121	8,013	(2,938)	-	23,706
SHL Production	-	-	1,583	-	104	(33)	-	-
Topy Industries Japan	-	-	-	(430)	-	-	-	-
Other minor	1	(7)	(10)	3	150	(146)	381	-
Total for related parties	**27,682**	**(264,500)**	**3,750**	**2,700**	**15,058**	**(75,621)**	**22,139**	**36,385**
Total for balance sheet items	**1,382,063**	**(978,635)**	**9,880**	**(31,926)**	**108,510**	**(367,352)**	**116,721**	**51,517**
% incidence on the total balance sheet item	**2.0%**	**27.0%**	**38.0%**	**-8.5%**	**13.9%**	**20.6%**	**19.0%**	**70.6%**

11. PAYMENTS FOR DIRECTORS AND STATUTORY AUDITORS

Details of the payments for directors and statutory auditors of C.L.N. S.p.A. for financial years closed on December 31st, 2017 and 2016 are provided below.

€/000	Directors	Statutory auditors
December 31, 2017	1,375	79
December 31, 2016	1,691	76

12. EXTERNAL AUDITING FEES

During 2017, the audit firm Price Waterhouse Coopers Italia and its network provided to companies included in the scope of consolidation audit services and other services generating fees as below indicated:

	Financial year closed on December 31
€/000	**2017**
Audit services	960
Assurance other than audit services	84
Tax consulting services	20
Other services	514
Total	**1,578**

13. GUARANTEES GIVEN

The guarantees given by the Group as at December 31st, 2017 amounted to EUR 53,724 thousand (as opposed to EUR 54,846 thousand in 2016) and mainly refer to bank guarantees issued in favor of jointly controlled companies.

April 11th, 2018

The Board of
Directors
The Chairman
Aurora Magnetto

Attachment 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 (TO)	Metal sheet manufacturing and sale	EUR	235,000,000	
Subsidiaries					
C.L.N. Slovakia S.R.O.	Kosice (Slovakia)	Metal sheet manufacturing and sale	EUR	10,000,001	100.00
ITLA S.r.l.	Oggiono (LC)	Steel re-rolling	EUR	2,500,000	53.00
Itla Bonaiti S.r.l.	Oggiono (LC)	Steel re-rolling	EUR	5,000,000	34.45
MIM GmbH	Treuen (Germany)	Metal sheet manufacturing and sale	EUR	450,000	100.00
MW Italia S.r.l.	Rivoli (TO)	Steel wheel manufacturing and sale	EUR	45,348,535	86.00
MW Aftermarket S.r.l.	Rivoli (TO)	Steel wheel sale	EUR	10,000	86.00
MW France S.A.	Tergnier (France)	Steel wheel manufacturing and sale	EUR	14,894,152	86.00
MW Romania S.A.	Dragasani (Romania)	Steel wheel manufacturing and sale	New Leu	29,323,712	84.80
MW Deutschland GmbH	Pluderhausen (Germany)	Steel wheel sale	EUR	100,000	86.00
D.R. S.a.r.l.	Pontcharra (France)	Steel wheel sale	EUR	50,000	86.00
MW Kingisepp LLC	Kingisepp (Russia)	Steel wheel manufacturing and sale	Ruble	1,768,558,574	86.00
MW Poland Sp. z o.o.	Warsaw (Poland)	Steel wheel sale	Zloty	50,000	86.00
MW Lublin Sp. z o.o.	Lublin (Poland)	Steel wheel manufacturing and sale	Zloty	45,888,000	86.00
MA S.r.l.	Melfi (Potenza)	Holding company	EUR	102,249,000	97.80
Eurostamp S.a.s.	Villers-la-Montagne (France)	Metal sheet forming and assembly	EUR	10,249,995	97.80
MA France S.a.s.	Aulnay-sous-Bois (France)	Metal sheet forming and assembly	EUR	15,000,000	97.80
MA Automotive Deutschland GmbH	Treuen (Germany)	Metal sheet forming and assembly	EUR	10,000,000	97.80
UM Corporation S.a.s	Biache-Saint-Vaast (France)	Metal sheet forming and assembly	EUR	7,000,000	58.68
IDEST S.a.r.l.	Aulnay-sous-Bois (France)	Administrative and commercial services	EUR	8,000	97.80
Immobilière de Villers S.A.R.L	Villers-la-Montagne (France)	Real estate management	EUR	29,510,000	97.80
DP Metal Processing Sp. z o.o.	Tychy (Poland)	Metal sheet manufacturing and sale	Zloty	50,000	97.80
Zakładów Wyrobów Metalowych SHL S.A.	Kielce (Poland)	Real estate management	Zloty	27,000,000	97.80
MA Polska S.A.	Tychy (Poland)	Metal sheet forming and assembly	Zloty	500,000	97.80

(continues)

(follows)

	Headquarters	Business Purpose	Currency	Share Capital	% in CLN
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)	Cast manufacturing	Rand	302	69.08
WM Automotive LLC	Kingisepp (Russia)	Metal sheet forming and assembly	Ruble	10,000	86.00

Attachment 2: companies valued using the Equity method

Legal Name	Headquarters	Currency	Share Capital	% in CLN
ArcelorMittal CLN Distribuzione Italia srl	Caselette (TO)	EUR	60,010,000	51.00
MA Automotive Brasil Ltda.	Porto Real (Brazil)	Brazilian Real	26,741,757	53.79
Coskunoz MA Otomotiv A.S.	Bursa (Turkey)	New Turkish Lira	5,850,000	48.90
O.M.V. S.p.A.	Lesmo (MB)	EUR	2,500,000	25.00
Beijing Shougang MA Metal Co. Ltd.	Beijing (China)	Yuan	9,020,000	48.90
PMC Automotive S.p.A.	San Nicola La Strada (CE)	EUR	6,500,000	48.90
Gianetti Ruote S.r.l.	Ceriano Laghetto (MB)	EUR	8,798,316	16.39
MA Automotive Argentina S.A.	Buenos Aires (Argentina)	Pesos	70,110,000	97.80
FaM-MA S.A.	Cordoba (Argentina)	Pesos	100,000	48.90
JMW JANT SANAYI VE TICARET A.S.	Umurlu Aydın (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 (TO)	EUR	245,902	39.00
Emarc S.r.l.	Dragasani (Romania)	New Leu	90,000	47.92
Nichelino Immobiliare S.r.l.	Caselette (TO)	EUR	10,000	80.00

Attachment 3: companies held for sale

Legal Name	Headquarters	Currency	Share Capital	% in CLN
S. Polo Lamiere S.p.A.	S. Polo di Torrile (PR)	EUR	600,000	16.67
JBM – MA Automotive Ltd.	New Delhi (India)	Rupee	608,992,000	48.90
Chongqing Baosteel MW Wheels Co. Ltd.	Chongqing (China)	Yuan	165,000,000	21.50

Attachment 4: companies valued used the Cost method

Legal 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
IG Tooling and Light Engineering (Pty) Ltd.	Alberton (South Africa)	Rand	4.000	69,08
August Lapple East London (Pty) Ltd.	Rosslyn (South Africa)	Rand	4,000	69.08
Safen Fluid & Mechanical Engineering	Torino (TO)	EUR	12,500	17.20
P.I.CHI S.c.r.l.	Chivasso (TO)	EUR	10,000	38.14
TOPY MW MANUFACTURING MEXICO, S.A. de C.V.	Silao (Mexico)	Mexican Peso	120,050,000	4.31

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AUDITORS' REPORT

- CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017
- CONSOLIDATED DISCLOSURES OF NON - FINANCIAL INFORMATION

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 2017

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 2017, 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 2017, 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 2017: note 8.7 "Trade receivables" and note 8.8 "Other receivables and other current assets"* The consolidated financial statements of the CLN Group as of 31 December 2017 include trade receivables equal to Euro 121.1 million and other receivables and other current assets amounting to Euro 110.0 million. These assets are recognised net of receivables sold without recourse (factoring and securitization contracts) amounting to Euro 292.0 million and Euro 8.2 million respectively. 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 IAS 39; 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 or other 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 2017. 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 2017 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 2017, 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 2017 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 C.L.N. SpA as of 31 December 2017 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, 4 May 2018

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 ARTICLE 5 OF CONSOB REGULATION NO. 20267

C.L.N. SPA

YEAR ENDED 31 DECEMBER 2017

pwc

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 No. 20267

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, we have performed a limited assurance engagement on the consolidated non-financial statement of C.L.N. SpA and its subsidiaries (hereafter the "Group") for the year ended 31 December 2017 prepared in accordance with article 4 of the Decree and approved by the Board of Directors on 11 April, 2018 (hereafter the "NFS").

Responsibility of the Directors and of the Board of Statutory Auditors for the NFS

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 "Methodological Note" of the NFS, identified by them as the reporting standard.

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.

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.

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, 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. 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;
4. comparison of the financial information reported in the NFS with the information reported in the Group’s consolidated financial statements;
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 headquarter 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 subsidiaries: C.L.N. SpA, MA Srl, MW Italia Srl, MW Aftermarket Srl e MA Polska SA, which were selected on the basis of their activities, their contribution to the performance indicators at a consolidated level and their location, 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 C.L.N Group as of 31 December 2017 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 "Indtroduction - Methodological Note" of the NFS.

Other aspects

The comparative information presented in the NFS in relation to the financial year ended 31 December 2016 has not been subjected to any procedures.

Turin, 4th May 2018

PricewaterhouseCoopers SpA

Piero De Lorenzi (Partner)	Paolo Bersani (Authorized signatory)

This report has been translated from the Italian original solely for the convenience of international readers.

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