(Translation from the Italian original which remains the definitive version)

Fisia Italimpianti Group

Consolidated financial statements as at and for the year ended 31 December 2018

(with independent auditors' report thereon)

KPMG S.p.A.

4 June 2019

KPMG S.p.A.
Revisione e organizzazione contabile
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(Translation from the Italian original which remains the definitive version)

Independent auditors' report

To the sole shareholder of
Fisia Italimpianti S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of the Fisia Italimpianti Group (the "Group"), which comprise the balance sheet as at 31 December 2018, the income statement and the cash flow statement for the year then ended and notes thereto.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Fisia Italimpianti Group as at 31 December 2018 and of its financial performance and cash flows for the year then ended in accordance with the Italian regulations governing their preparation.

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 "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Fisia Italimpianti S.p.A. (the "Company") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

This report is not issued pursuant to any legal requirements as the directors of Fisia Italimpianti S.p.A. have prepared the consolidated financial statements on a voluntary basis, in order to present an overall picture of the Group and to meet the consolidated reporting requirements of its stakeholders in the Group's reference market. Accordingly, the consolidated financial statements do not need to be filed and published pursuant to Legislative decree no. 127/91. Therefore, we did not carry out the audit procedures required by Standard on Auditing (SA Italia) 720B to express an opinion pursuant to article 14.2.e) of Legislative decree no. 39/10.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Cooperative ("KPMG International"), entità di diritto svizzero.

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Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Fisia Italimpianti S.p.A. 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 the Italian regulations governing their preparation and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

The objectives of our audit 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 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 these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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;

— obtain 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;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude 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, then we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;

— evaluate 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;

— obtain sufficient appropriate audit evidence regarding the financial information of the entities and 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.

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

Milan, 4 June 2019

KPMG S.p.A.

(signed on the original)

Luca Magnano San Lio
Director of Audit

(Translation from the Italian original which remains the definitive version)

2018 ANNUAL REPORT

Fisia Italimpianti Group

Fisia Italimpianti S.p.A.
Single-member company managed and coordinated by Salini Impregilo S.p.A.
Registered office in Genoa, Via De Marini 1, fully paid-up share capital of €3,400,000 (three million four hundred thousand/00), Genoa company registration no, tax code and VAT no. 02340830997, REA no. 478693

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COMPANY OFFICERS
(at 28 February 2019)

BOARD OF DIRECTORS (°)

Chairman
Gianfranco Catrini

Chief executive officer
Silvio Oliva

Director
Flavio di Pietro

BOARD OF STATUTORY AUDITORS (*)

Chairman
Gianmario Guglielmetti

Standing statutory auditors
Guido Arrigoni
Giovanni Tampalini

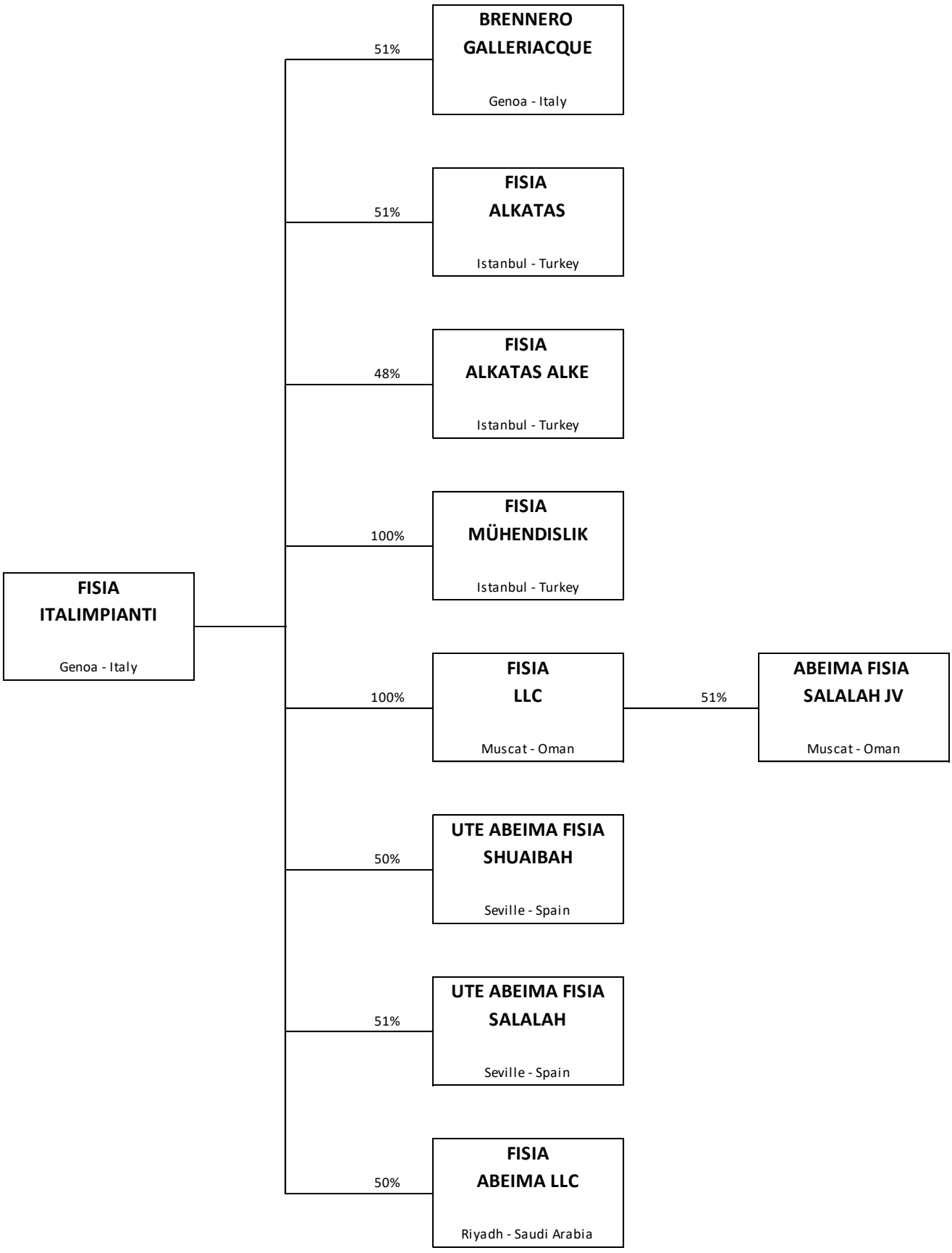
Substitute statutory auditors
Francesco Farina
Pietro Paolo Rampino

INDEPENDENT AUDITORS (▪)

KPMG S.p.A.

(°) in office until approval of the financial statements at 31 December 2018
(*) in office until approval of the financial statements at 31 December 2020
(▪) term of engagement from 2018 to 2020

GROUP STRUCTURE



FISIA ITALIMPIANTI S.p.A.

registered office:

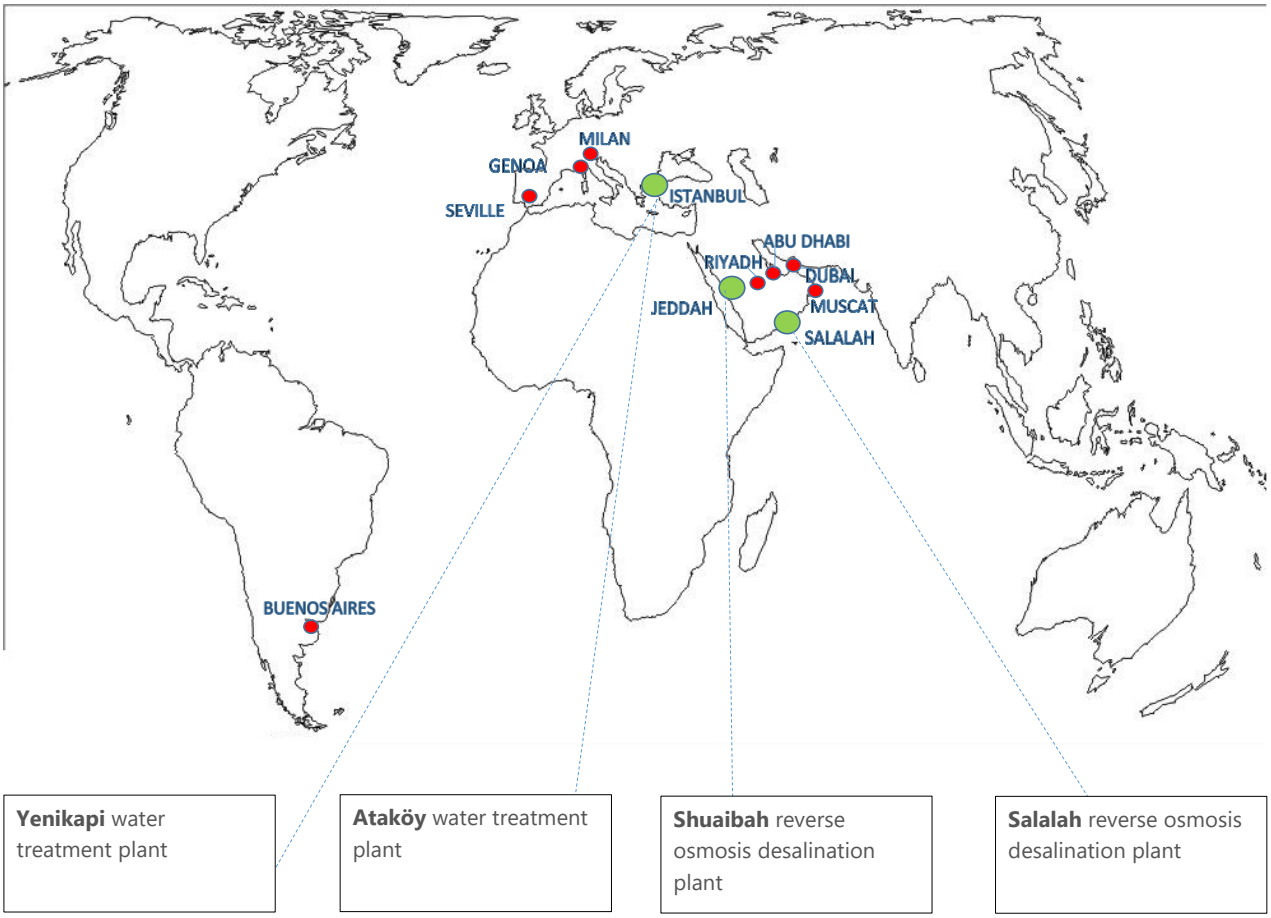
GENOA	Via De Marini 1 – Genoa (ITALY)

branches:

ABU DHABI	Fisia Italimpianti, Al Wahda City 1 – Commercial Tower, 27th Floor, Office No. 2704, Muroor Street, Abu Dhabi, U.A.E. P.O. BOX 3811 – Abu Dhabi (U.A.E.)
DUBAI	P.O. BOX 34144 – Dubai (U.A.E.)
SAUDI ARABIA	Fisia Italimpianti, Al Nemer Center, Bulding No-1 Office No. 714 - Olaya District - Riyadh 12214 P.O. BOX 93854 - Riyadh (Kingdom of Saudi Arabia)
ARGENTINA	Fisia Italimpianti, Avenida del Libertador n. 602, piso 22 B, Ciudad de Buenos Aires (Argentina)
MILAN	Via dei Missaglia 97 – Milan (Italy)

GROUP COMPANIES

BRENNERO GALLERIACQUE S.C.R.L.	Genoa (Italy)
FISIA VE ALKATAS IS ORTAKLIGI	Istanbul (Turkey)
UTE ABEIMA FISIA SHUAIBAH	Seville (Spain)
FISIA ABEIMA LLC	Riyadh (Saudi Arabia)
FISIA-ALKATAS-ALKE JOINT VENTURE	Istanbul (Turkey)
FISIA MÜHENDISLIK VE INŞAAT ANONIM ŞIRKETI	Istanbul (Turkey)
FISIA LLC	Muscat (Oman)
UTE ABEIMA FISIA SALALAH	Seville (Spain)
ABEIMA FISIA SALALAH JV	Muscat (Oman)



Yenikapi water treatment plant

Ataköy water treatment plant

Shuaibah reverse osmosis desalination plant

Salalah reverse osmosis desalination plant

RESOLUTIONS TAKEN BY THE SHAREHOLDERS ON 1 APRIL 2019

In their ordinary meeting of 1 April 2019, the shareholders of Fisia Italimpianti:

- ✓ approved the financial statements at 31 December 2018, the related reports and the proposed allocation of the net profit for the year of €48,705.82 as follows:

  - 5% or €2,435.29 to the legal reserve;
  - the remainder of €46,270.53 to retained earnings, acknowledging that it cannot be distributed;

- ✓ resolved that the board of directors has three members, in accordance with the provisions of article 15 of the current by-laws;

- ✓ appointed the following persons as directors of Fisia Italimpianti S.p.A. for one year and until the shareholders' meeting held to approve the financial statements at 31 December 2019:

  Flavio Di Pietro
  Silvio Oliva
  Gianfranco Catrini

- ✓ appointed Gianfranco Catrini as the chairman of the board of directors.

FINANCIAL HIGHLIGHTS – FISIA ITALIMPIANTI GROUP

(Thousands of Euros)

		2018	2017
Profit and loss account			
Total Revenues		130,256	53,390
Operating profit (loss)		(1,621)	3,347
Profit (loss) before tax		(1,895)	3,373
Net profit (loss) for the year attributable to non-controlling interests		(1,956)	3,013
Net profit for the year attributable to the Group		**49**	**89**
Statement of financial position			
Net fixed assets		6,216	2,301
Net equity		5,147	6,657
Net equity attributable to non-controlling interests		1,339	3,292
Net equity attributable to the Group		**3,808**	**3,365**
Net financial position		(20,025)	(18,179)
Operating figures			
Order backlog		116,788	197,370
Employees	(no.)	239	165

DIRECTORS' REPORT

The board of directors elected to prepare consolidated financial statements on a voluntary basis pursuant to Legislative decree no. 127/91 given the Group's projects and size.

The consolidated financial statements as at and for the year ended 31 December 2018 show a net profit for the year attributable to the Group of €48,706, while the portion attributable to non-controlling interests is a net loss of €1,955,616, mainly as a result of the net loss for the year of the fully-consolidated Fisia Alkatas JV.

During the year, Fisia Italimpianti (the parent) stepped up its commercial drive, supported by its parent, Salini Impregilo, and this led to a large number of bids being made which should allow it to meet its development targets.

The "Performance" section provides details of the progress of the Group's contracts and their main effects.

The "Outlook" section presents the forecast development presented in the five-year business plan.

Finally the section on "The market" provides information on the most interesting products and markets.

The results for this year are reasonably in line with the Group's aim to rebuild an adequate order backlog and return to a satisfactory profitability position.

PERFORMANCE

Revenues amount to €130.2 million for the year while the operating loss comes to €1.6 million.

Desalination contracts

- Jebel Ali M (Dubai - UAE) desalination plant: this contract was awarded in September 2007 and integrated with two riders in May 2007 for a total of 140 gallons/day. The updated contract is worth €760 million at December exchange rates. 2018 production, calculated using the cost-to-cost method, is -€0.4 million and the stage of completion is 99.9%.
  The plant has obtained all the acceptance certificates.

- Jebel Ali L2 desalination plant (Dubai - UAE). This contract's revised value is €198 million using December exchange rates. Work started in May 2005 and at year end, the contract is 99.7% complete. The Group is currently carrying out works to complete the project and works under warranty.

- Shuaibah reverse osmosis desalination plant (Saudi Arabia) under construction by the group companies UTE Fisia Abeima and Fisia Abeima LLC, in which the parent has a 50% investment. The value of the contract assigned to UTE Abeima Fisia Shuaibah (the parent is doing the offshore portion) is USD62.1 million (€4.3 million). Production for the year amounted to USD43.8 million and works worth USD4.9 million (€4.3 million) are still outstanding. The onshore portion of the contract assigned to Fisia Abeima LLC is worth USD66.2 million. Production carried out during the year amounted to USD41.2 million and works worth USD18.0 million (€15.8 million) were carried out during the year.

- Salalah reverse osmosis desalination plan (Oman) under construction by the group company UTE Abeima Fisia Salalah (offshore portion worth USD30.1 million), in which the parent has a 51% investment, and Fisia LLC, which has an investment in Fisia Abeima JV (onshore portion worth USD60.0 million). Production carried out during the year amounted to USD11.8 million (UTE Abeima Fisia Salalah USD8.8 million - Fisia Abeima Salalah JV USD3.0 million) and works worth USD48.2 million (€42.1 million) are still outstanding.

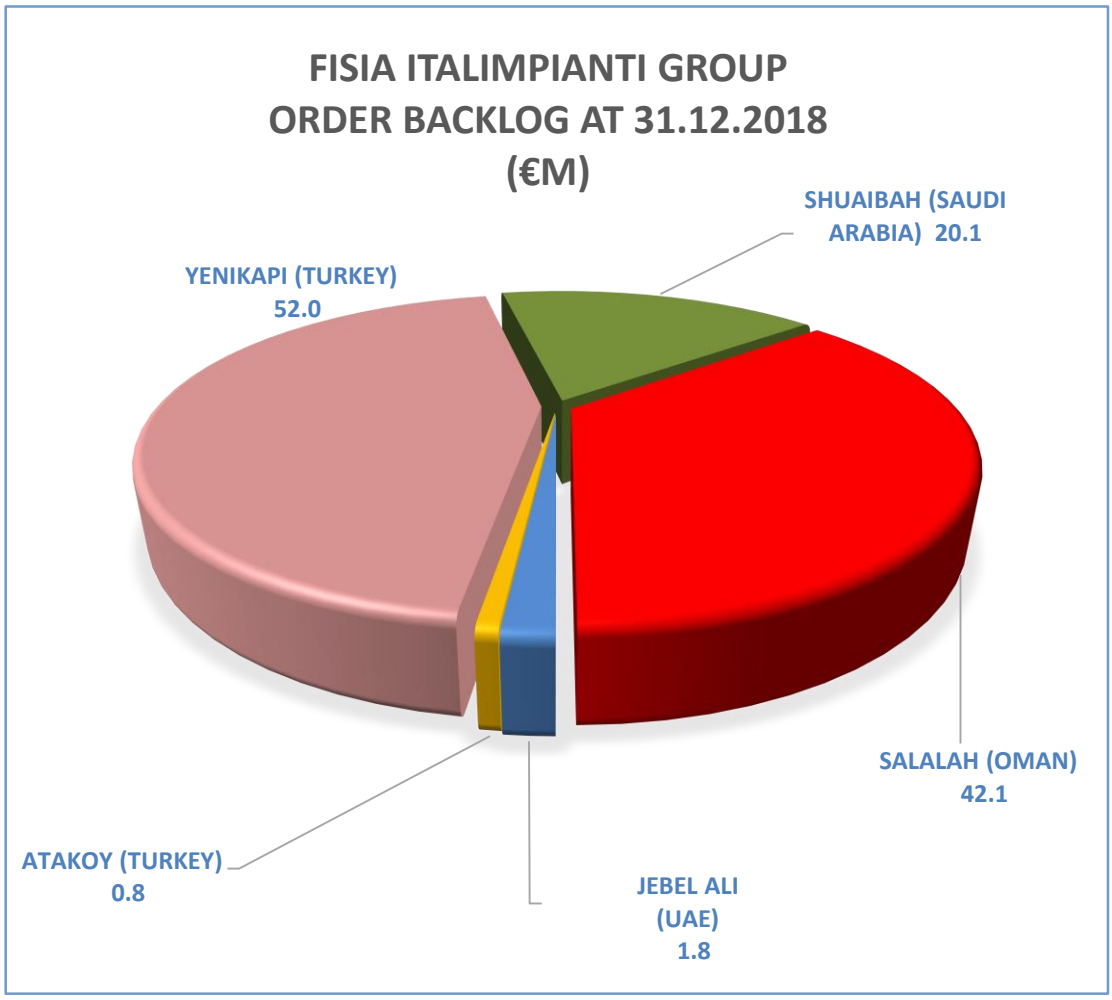
Water treatment contracts

- Atakoy advanced waste water treatment plant (Istanbul - Turkey) under construction by the group company Fisia Alkatas JV, in which the parent has a 51% investment. The contract is worth €83.9 million and production carried out during the year amounted to €42.8 million (2016: €4.9 million; 2017: €35.4 million) and works worth €0.8 million are still outstanding.
- Yenikapi waste water treatment plant (Istanbul - Turkey) under construction by the group company Fisia Alkatas Alke JV, in which the parent has a 48% investment. The contract is worth TRY311.5 million and the residual amount is TRY310.4 million (€51.2 million).

NEW ORDERS AND ORDER BACKLOG

At 31 December 2018, the order backlog amounts to €116.8 million.

The Group's order backlog at 31 December 2018 is as follows:



FINANCIAL RISKS

The Group is exposed to financial risks, including the following:

- *market risk* deriving from the Group's exposure to changes in interest rates and exchange rates between the Euro and the other currencies in which it operates and the raw materials used in the production process;
- *credit risk* deriving from the Group's exposure to potential losses arising from the customers' non-compliance with their obligations;
- *liquidity risk* deriving from the risk that the financial resources necessary to meet obligations may not be available at the agreed terms and deadlines.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and commodity price risk.

Interest rate risk

This is the risk that assets, liabilities or cash flows may change due to fluctuations in interest rates (the risk is higher when there are receivables or payables that accrue interest at floating rates).
In 2018, the Group did not have significant assets or liabilities bearing floating interest rates.

Commodity price risk

When it deems it necessary, the Group enters into forwards to hedge the risk of fluctuations in the price of commodities (copper, aluminium and nickel) used in production in order to set the purchase price prior to its actual physical need for the metals. At the reporting date, it did not have any hedges in place.

Currency risk

Due to its international operations, the Group is exposed to currency risk arising on fluctuations in the exchange rates between the currencies of the countries where it operates and the Euro. At year end, it was mostly exposed to the US dollar and currencies pegged to it.
The Group's currency risk management policy hinges on the following strategies:

- use of the contract consideration agreed in local currency to cover the contract costs to be incurred in the same currency or related currencies;

- analyses of the foreign currency exposures on a cumulative and forward-looking basis by deadline and agreement of forwards in the same currency based on the Group's net exposure at the deadlines.

At year end, the Group did not have any hedges.

Credit risk

Credit risk is the Group's exposure to potential losses caused by a customer's default. Its customers include governments or government agencies and major international companies.

Given the Group's type of customer and the countries where it operates, this risk is not material.

Liquidity risk

Liquidity risk is the risk that the financial resources necessary to meet obligations may not be available to the Group at the agreed terms and deadlines.

With respect to working capital requirements, the Group's strategy aims at ensuring that each ongoing contract is financially independent.

However, in exceptional cases, Fisia Italimpianti Group's membership of a large solid group means it is able to overcome any temporary financing requirements by using external credit facilities.

THE MARKET

In recent years, the Group has built up its product portfolio in line drawing on its enhanced capabilities and experience. It has also rolled out a project to increase its geographical base, moving to a more global approach from the traditional Arab states of the Persian Gulf. Therefore, the comments made in this section refer to the global market.

Demand for large plants in the thermal desalination market is expected to continue in the next few years according to the projections made by independent bodies and available information. These plants will mainly be hybrid. Servicing may also be requested for existing plants, many of which are nearing the end of their useful lives. This technology is outdated and, therefore, the thermal desalination market has lost ground.

The osmosis desalination technology is the most commonly used in all the areas where this is possible. It is the most interesting market in terms of volumes and potential opportunities.

Demand continues to be lively in the water treatment plant sector, both for civil use and industrial plants. This sector offers the greatest possibility for growth in the medium term from a technical and geographical viewpoint.

PRODUCTS

The Group's portfolio principally consists of water treatment plants (desalination and other treatment processes).

During the year, it continued research into desalination through the use of renewable energies (mainly solar), which was included in the product portfolio in 2017 for diversification purposes.

The main features of the available products and the activities performed during the year are described below.

Desalination

Desalination plants can be split into two main technological families:

- evaporation;
- membrane separation.

Evaporation

The Group is a global leader in the use of the MSF (multi stage flash) technology and has built many plants using this technology for a total of more than 3.5 million cubic metres of installed capacity.

The alternative thermal technology to MSF is MED (multiple effect distillation), with or without a thermal compressor. The parent owns the Transversal band seawater desalination plants and Low enthalpy energy-driven MED desalination plants patents.

The thermal technologies are of interest chiefly in the Group's traditional geographical areas, such as, specifically the Arab states of the Persian Gulf (UAE, Saudi Arabia, Oman, Qatar, etc.) and especially for the reconditioning of existing plants.

Membrane separation - Reverse osmosis

The global RO technology market has grown at a fast pace in recent years.

Following the fine-tuning of the potable water pre-treatment technologies (floating and ultra filtering), which made the process usable in areas where the quality of seawater is not very suitable for this type of plant, this technology is gaining ground and is the currently the most popular choice of public and private sector customers.

During the year, the parent continued the design and construction work for the projects acquired in Salalah (Oman) and Shuaibah (Saudi Arabia) as part of a joint venture with the Spanish company Abengoa. The first project is for a RO desalination plant with a capacity of 115,000 cubic metres/day and the second is for a RO desalination plant with a capacity of 250,000 cubic metres/day.

Water treatment

The parent has extensive know-how and experience in this sector, gained through the construction of numerous waste water and potable water treatment plants.

This business segment also includes the design and supply of evaporation and membrane-based (RO) distillate water remineralisation plants.

In February 2018, Fisia Italimpianti was awarded a contract by the Instanbul Water and Sewerage Administration (ISKI, İstanbul Su ve Kanalizasyon İdaresi, Genel Müdürlüğü) to build a water treatment plant at the Yenikapi site (Istanbul, Turkey) as a joint venture with the Turkish company Alkatas. The plant will comprise a filter section with capacity of 1,728,000 cubic metres/day (course, medium and fine screening) and a waste water treatment section using the sludge treatment technology with capacity of 450,000 cubic metres/day.

The parent completed and rolled out the new waste water treatment plant in Atakoy, Istanbul (Turkey) as a joint venture with the Turkish company Alkatas during the year. The plant uses the sludge treatment technology and has a capacity of 240,000 cubic metres/day. The contract includes completion of the revamping of the existing phase 1 part of the Atakoy plant and the construction of the MBR plant which will have a capacity of 20,000 cubic metres/day.

During the year, the joint venture also operated the water treatment plant for the tunnel construction waste water generated by the boring of the Isarco River Underpass. This plant has a capacity of 21,600 cubic metres/day.

Desalination by renewable energy

In 2018, the parent finalised the feasibility studies started in 2017 for the construction of solar energy-fed desalination plants, using PV + CSP technology, together with leading renewable energy sector companies.
It performed an in-depth technical and financial assessment of an optimised solution to build a fully self-sufficient plant in energy terms, which can generate distilled water using solar energy at the smallest possible unit cost.

IT SYSTEMS

During the year, the Group continued to upgrade its IT equipment and increased the number of internal applications available on a remote basis for the Shuaibah (Saudi Arabia) and Salalah (Oman) contracts. This also involved customising the existing systems to meet the projects' operating requirements.

COMMUNICATION

The communication project, launched in 2018, covered various marketing aspects to reinforce the parent's reputation on the market and emphasise its membership of Salini Impregilo Group.
For this reason and together with the ultimate parent, Salini Impregilo, the Group organised a number of projects to redefine and reinforce its name on the water desalination and treatment market.
It firstly built the new website, which was completely overhauled in terms of its presentation and content, full of information about the parent's expertise and including presentations of the main projects that it has completed and is working on. Fisia Italimpianti's commitment to environmental sustainability was emphasised in a special section of the website, which has been made more interactive than the previous version and with more content and videos.
The communication project included the preparation of the corporate video, which has a strong impact. It presents the parent in a visual format, especially during the main events of the water treatment sector.
The Group also designed new information tools for potential customers, including new company profiles and brochures.
The parent attended sector seminars to consolidate its leadership role in the water desalination and treatment sectors.
This project will continue into 2019 when its main objective will be to develop a new internet platform specially for Fisia Italimpianti.

GROUP COMPANIES

In 2018, the Group set up Fisia L.L.C. (Limited Liability Company) for the Salalah SWRO project. This group company has a share capital of OR 250,000 which the parent fully subscribed with the participation of the local partner OHI (Oman Holding International Company SAOC).
In 2018:
- in March, Fisia Italimpianti S.p.A., Alkataş İnşaat ve Taahhüt A. Ş. and Alke İnşaat Sanayi ve Ticaret A. Ş. signed a joint venture agreement. The resulting Fisia – Alkataş – Alke İş Ortakliği joint venture is building the waste water treatment plant in Yanikapi (Turkey) for ISKI;
- in August, the parent set up Fisia Mühendislik ve İnşaat Anonim Şirketi, in Beşiktaş - Istanbul with a share capital of TRY50,000, which it fully subscribed, to build up its share of this country's market, which is strategic for the water treatment sector.

The main activities performed during the year by the parent's investees on the projects awarded in previous years are described below:

Fisia Ve Alkataş İş Ortakliği and Fisia – Alkataş – Alke İş Ortakliği JV (Atakoy and Yenikapi plants, Turkey)

Work continued on the Atakoy project in Turkey during the year.
The parent was awarded the contract in 2016 as part of a joint venture with Alkataş Construction J.S.C. to build phase 2 of the state-of-the-art waste water treatment plant in Ataköy for ISKI. This project is a cornerstone of the urban waste water treatment programme for the heavily populated city of Istanbul and the project's objective is to improve the environmental situation of the Bosphorus Strait and the Marmara Sea.

The contract is worth roughly €84 million and is being carried out by a joint venture comprising the parent and the Turkish company Alkatas (50:50) as described above. At year end, the contract was 98.43% complete. The deadline for the provisional acceptance of the works has been extended to 15 May 2019.
Construction and assembly of phase 2 of the plant (newly constructed) has been completed and the plant was rolled out in November 2018. The existing plant is currently being revamped and extended.

In March 2018, a €52 million contract was signed for the construction of a waste water treatment plant in Yenikapi, Istanbul, Turkey, confirming the parent's role in the design and construction of plants that improve the ecosystem.
The work site was delivered on 11 April 2018 and the contract's completion is slated for before 10 April 2021.
The engineering works have been completed and are awaiting the customer's acceptance.

U.T.E. Abeima Fisia Shuaibah and Fisia Abeima LLC (Shuaibah plant, Saudi Arabia)

With respect to the desalination market, work continued on the Shuaibah project in Saudi Arabia during the year. This contract was awarded in 2017 and consists of the design, supply and construction of a

reverse osmosis desalination plant in the Shuaibah area to provide potable water to the cities of Jeddah, Medina and Taif.

The contract, worth approximately USD255 million, has been agreed with ACWA Power, a major Saudi developer of energy generation and seawater desalination projects. The project is being carried out by Fisia Italimpianti as a 50:50 joint venture with the Spanish company Abengoa.
In December 2018, the plant's commissioning took place with the roll out of the seawater intake and gravity filters and the preparation of the membrane in the first of the 10 units.
Completion of the works is slated for May 2019. The construction period is expected to take 22 months.

U.T.E. Abeima Fisia Salalah, Fisia LLC, Fisia Abeima Salalah JV (Salalah plant, Oman)

The Group recently entered the Omani market winning a contract worth USD117 million as part of a joint venture with Abengoa in December 2017. The contract entails the construction of a reverse osmosis seawater desalination plant with a capacity of 25 MIGD (113,500 cubic metres/day) of potable water to be supplied to the city of Salalah, in the west of Oman.
Salalah Independent Water Project is the first plant being built by Fisia Italimpianti in Oman.
The project includes a seawater intake system, a new reverse osmosis plant and a potable water storage system.
The contract was awarded by Dhofar Desalination Company SAOC, strengthening the parent's relationship with one of the largest international investors in the water and energy sectors.
During the year, the main orders for the plant components were issued and the civil and sea works commenced. The plant must be operational by 1 October 2020 and its stage of completion at year end was around 20%.

HUMAN RESOURCES

The following table summarises information about the Group's workforce (for the fully-consolidated companies) at year end.

Number	**31.12.2018**	**31.12.2017**
Managers	10	11
Junior managers and white collars	146	131
Blue collars	83	23
Total	**239**	**165**

At year end, the parent's foreign branches had 10 employees compared to 15 at 31 December 2017.

ORGANISATIONAL MODEL AND CODE OF CONDUCT

During 2018, DNV Det Norske Veritas PK Consulting completed its audit performed on the recommendations of the supervisory body in its report on the second half of 2017. The audit was performed to update the parent's organisational model to comply with the most recent regulatory requirements, including those about personal data protection (Regulation (EU) no. 2016/679 enacted on 25 May 2018). As a result, a new model in line with article 6 of Legislative decree no. 231/01 was proposed and approved by the parent's board of directors with its resolution of 11 June 2018. This model also considers the parent's internal procedures and, as required, the board of directors appointed a new independent two-member supervisory body with its resolution of 19 July 2018 as the term of office of the previous body had expired.

As provided for by the model, during 2018, the supervisory body regularly carried out its checks and reported on its findings to the competent bodies.

RESEARCH AND DEVELOPMENT

The parent carries out research and development activities using an integrated cross-company system that covers all its internal units.
It continuously reviews each product line's characteristics to ensure they meet market trends and commercial strategies together with the technical and operating bodies.
Specifically:

Desalination technologies

The evaporation desalination processes (thermal plants) have been the most commonly used technology for the generation of potable water from seawater since the 1970's.

However, the technology's popularity has currently diminished due to the introduction of the membrane technologies (reverse osmosis).
The recently built plants are nearly all constructed with this technology.

As a result, the parent's research activities focus on studying these systems and, specifically, the intake seawater pre-treatment processes and the permeate's post treatment.

<u>Pre-treatment of the intake water</u>

Detailed studies have been performed, including calculation models for the reverse osmose plants' pre-treatment technologies.
Specifically, the technologies studied were:

- high speed dissolved air floatation systems;

- integrated dissolved air floatation and filtration with pressure or gravity filters systems.

The floatation technology is an important breakthrough for the pre-treatment of water with high algae content. It is frequently used in seawater reverse osmosis plants.
The parent is assessing the feasibility of a high speed floatation project which would be a considerable improvement on the traditional technology.

The studies' objectives are to identify a selected method to optimise the pre-treatment system.

Remineralisation plants for the desalinated water

In previous years, the parent registered two patents for the post-treatment of the distillate produced by both thermal and reverse osmosis plants or the water compounds produced by hybrid plants.
These patents are the result of studies carried out by the parent in previous years at the Genoa University and they are used in the plants supplied as part of the MIRFA contract.

The research and development unit also developed a model for the post-treatment of the permeate from reverse osmosis plants that use calcium gravity filters.

QUALITY, SAFETY AND THE ENVIRONMENT

The parent has an integrated quality, occupational health and safety and environmental management system that has been certified by Det Norske Veritas German Lloyd in accordance with the ISO 9001:2015, BS OHSAS 18001:2007 and ISO 14001:2015 standards.

Accredia EA 34 and EA 28 sector certifications

The Group maintained the certificates for two sectors, ED 34 for the design, procurement and inspection processes and EA 28 for the assembly and commissioning processes as per the terms of the agreement with Accredia.

Quality

In September 2018, DVN GL performed its annual audit of the parent and re-issued its three-year ISO 9001 certificate after visiting the Genoa head office and the Salalah Oman work site and after the transition audit to the new 2015 version of the standard. The certification expires on 29 October 2021.

In 2018, the Group reviewed the procedures and instructions for the system to ensure they are up-to-date and in line with the operating situation, the mandatory and regulatory requirements and the plans to improve its organisation, in line with the actions scheduled by management at the start of the year.

It completed the update of the quality management system and related procedures, including the integrated operating system manual, to comply with the 2015 version of ISO 9001.

The Group's key objectives were:

- to ensure compliance with the organisational, management and control model as per Legislative decree no. 231/01 approved by the parent's board of directors on 7 March 2017;
- to improve the internal operating processes and their interaction;
- to comply with the 2015 version of ISO 9001.

Health and safety

In March 2018, DNV GL performed its annual audit for the three-year BS OHSAS 18001 recertification which it issued after visiting the Genoa head office and the Salalah Oman work site. The certification expires on 11 March 2021.

On 21 November 2018, the annual management review, which qualifies as the regular meeting in compliance with ISO 18001 and Legislative decree no. 81/08, was completed.

In 2018, the Group reviewed the procedures and instructions for the system to ensure they are up-to-date and in line with the operating situation, the mandatory and regulatory requirements and the plans to improve its organisation and the prevention and control requirements pursuant to the reference international regulation and Legislative decree no. 81/2008, in line with the actions programmed by management at the start of the year.

The Group's key objectives were:

- to analyse the internal procedures to ensure compliance with health and safety standards;
- to perform an internal audit (carried out by the parent's quality, health, safety and environment management unit) in line with the QSR audit plan in November 2018 to check all the accident prevention processes and that they comply with the current legislation;
- to introduce measures to improve and monitor the accident prevention and protection activities;
- to update the occupational health and safety system and related procedures to migrate to the new version of ISO 45001, which will replace BS OHSAS 18001.

Environment

In July 2018, DNV GL performed its annual audit with the second check-up for ISO 14001 recertification which it issued after visiting the Genoa head office and the Salalah Oman work site and after the transition audit to the new 2015 version. The certification expires on 1 August 2019.

In 2018, the Group reviewed the procedures and instructions for the system to ensure they are up-to-date and in line with the operating situation, the mandatory and regulatory requirements and the plans to improve its organisation, in line with the actions scheduled by management at the start of the year. It completed the update of the environmental management system and related procedures, including the integrated operating system manual, to comply with the 2015 version of ISO 14001.

The Group's key objectives were:

- to ensure compliance with the organisational, management and control model as per Legislative decree no. 231/01 approved by the parent's board of directors on 7 March 2017;
- to analyse the internal procedures to ensure compliance with environmental standards;
- to perform an internal audit in November 2018 to check all the environmental processes and compliance with the current legislation;
- to introduce measures to improve and monitor the environmental prevention and protection activities;
- to improve the internal operating processes and their interaction;
- to comply with the 2015 version of ISO 14001.

The certifying bodies' reports issued after their audits for quality, safety and environmental certification did not identify any cases of non-compliance.

RELATED PARTY TRANSACTIONS

Transactions with related parties, which are shown in the next table, take place on an arm's length basis.

	RECEIVABLES		PAYABLES	
	Financial - due within one year	**Trade - due within one year**	**Financial - due within one year**	**Trade - due within one year**
Parents				
Salini Impregilo S.p.A.	3,385	-	-	132
Salini Costruttori S.p.A.	261	-	-	-
Total	**3,646**	-	-	**132**
Jointly-controlled companies				
UTE Abeima Fisia Shuaibah	-	48	1,310	-
UTE Abeima Fisia Salalah	-	175	-	-
Abeima Fisia Salalah JV	-	175	172	-
Total	-	**398**	**1,482**	-
Subsidiaries of parents				
Fisia Ambiente S.p.A.	-	66	-	-
Isarco S.c.r.l	-	307	-	-
Salini Impregilo – U.A.E	-	-	-	108
Salini Impregilo Saudi Arabia	-	-	-	1
Salini Impregilo Argentina	-	-	-	4
Gestione Napoli Srl in liq.	-	6	-	-
Total	**-**	**379**	**-**	**113**
TOTAL	**3,646**	**777**	**1,482**	**245**

	COSTS		REVENUE		
	Purchases of goods and services	**Financial charges**	**Other revenues**	**Sales of goods and services**	**Financial income**
Parents					
Salini Impregilo S.p.A.	349	4	42	-	9
Salini Costruttori	-	-	-	-	7
Total	**349**	**4**	**42**	**-**	**16**
Jointly-controlled companies					
UTE Abeima Fisia Shuaibah	-	-	125	1,115	-
Abeima Fisia Salalah UTE	-	-	220	885	-
Fisia Abeima Salalah JV	-	-	169	-	-
Total	**-**	**-**	**514**	**2,000**	**-**
Subsidiaries of parents					
Fisia Ambiente S.p.A	-	-	28	48	-
Salini Impregilo – U.A.E.	27	-	-	-	-
Impregilo – Argentine branch	36	-	-	-	-
Isarco S.c.r.l				742	
Gestione Napoli S.r.l. in liq.	-	-	-	4	-
Impregilo Healy UTE	-	-	-	-	-
Total	**63**	**-**	**28**	**794**	**-**
Total	**412**	**4**	**584**	**2,794**	**16**

OUTLOOK AND POST-BALANCE SHEET EVENTS

The parent has prepared a five-year 2019-2023 business plan.

This plan is a continuation of previous plans in terms of the parent's products and geographical markets. It includes financial projections for the five-year period and is based on assumptions, deemed reasonable by the directors, about:

- its potential order pipeline;
- contract profitability;
- the sustainability of the financial plan.

Specifically, the plan provides for acquisitions of more than €1 billion, average annual production (including through the investees) of more than €200 million and operating profits from its first year.

The parent's board of directors discussed the plan (as summarised above) during its meeting of 28 February 2019.

The ultimate parent, Salini Impregilo S.p.A., is committed to supporting Fisia Italimpianti in the 12 months after the reporting date should this be necessary.

ANALYSIS OF THE GROUP'S FINANCIAL POSITION, PERFORMANCE AND CASH FLOWS

FINANCIAL POSITION

	(Thousands of Euros)	31.12.2018	31.12.2017
A.	**NET FIXED ASSETS**		
	Intangible fixed assets	727	33
	Tangible fixed assets	710	274
	Financial fixed assets	4,779	1,994
		6,216	**2,301**
B.	**WORKING CAPITAL**		
	Work in progress net of progress payments	(18,481)	840
	Payments on account to suppliers	1,662	1,439
	Trade receivables	22,087	6,991
	Other assets	4,968	2,900
	Trade payables	(24,790)	(21,351)
	Other liabilities	(5,637)	(3,852)
		(20,190)	**(13,033)**
C.	**INVESTED CAPITAL LESS CURRENT LIABILITIES**	**(13,975)**	**(10,580)**
D.	**EMPLOYEES' LEAVING ENTITLEMENT**	(904)	(940)
E.	**NET CAPITAL REQUIREMENTS**	**(14,878)**	**(11,522)**
	covered by:		
F.	**OWN FUNDS**		
	Paid-up share capital	3,400	3,400
	Reserves and retained earnings	3,654	155
	Net profit (loss) for the year	(1,907)	3,102
		5,147	**6,657**
G.	**NET FINANCIAL POSITION**		
	Non-current financial receivables	-	-
	Current loans and borrowings	2,001	-
	Non-current loans and borrowings	-	-
	Liquid funds and current financial receivables	(22,026)	(18,179)
		(20,025)	**(18,179)**
H.	**TOTAL AS IN E.**	**(14,878)**	**(11,522)**

CALCULATION AND ALLOCATION OF ADDED VALUE

(Thousands of Euros)	2018	2017
Production revenues	125,644	51,783
Other revenues and income	4,612	1,607
PRODUCTION REVENUES	**130,256**	**53,390**
Raw materials, consumables, supplies and goods	(60,760)	(20,025)
Services	(55,844)	(19,723)
Use of third party assets	(1,612)	(935)
(Accruals) utilisations of provisions for risks and charges	-	-
Other operating costs	(1,331)	(421)
ADDED VALUE PRODUCED	**10,708**	**12,286**
Income (loss) from equity investments	-	-
Other financial expense	(326)	(167)
TOTAL ADDED VALUE	**10,383**	**12,119**
allocated as follows:		
- to employees	(11,670)	(8,842)
- to financial backers	52	190
- (income tax expense) /income from national tax consolidation scheme	(12)	(270)
SELF-FINANCING CAPACITY	**(1,247)**	**3,197**
to invested capital (amortisation and depreciation)	(660)	(97)
NET PROFIT (LOSS) FOR THE YEAR	**(1,907)**	**3,102**
Attributable to the Group	49	89
Attributable to non-controlling interests	(1,956)	3,012

Consolidated financial statements as at and for the year ended 31 December 2018

BALANCE SHEET - ASSETS	Euro **31 December 2018**	Euro **31 December 2017**
A) Share capital proceeds to be received		
B) Fixed assets		
I. Intangible fixed assets		
3) Industrial patents and intellectual property rights	21.451	15.314
7) Other	705.275	17.316
Total intangible fixed assets	***726.726***	***32.630***
II. Tangible fixed assets		
1) Buildings	375.411	-
2) Plant and machinery	140.991	118.059
3) Industrial and commercial equipment	-	-
4) Other assets	193.449	156.351
Total tangible fixed assets	***709.852***	***274.410***
III. Financial fixed assets		
1) Equity investments		
b) associates	-	57.838
2) Financial receivables		
d) other	4.779.371	1.936.614
Total financial fixed assets	***4.779.371***	***1.994.452***
TOTAL FIXED ASSETS	**6.215.949**	**2.301.492**
C) Current assets		
I. Inventory		
3) Contract work in progress	4.215.805	20.884.702
5) Payments on account	1.662.152	1.439.187
Total inventory	***5.877.958***	***22.323.889***
II. Receivables		
1) Trade receivables		
- due within one year	21.309.489	6.441.295
- due after one year	-	-
2) From unconsolidated subsidiaries		
- due within one year	-	-
- due after one year	-	-
3) From jointly-controlled companies		
- due within one year	398.179	515.850
- due after one year	-	-
4) From parents		
- due within one year	-	-
- due after one year	-	-
5) From subsidiaries of parents		
- due within one year	379.020	184.864
- due after one year	-	-
5-bis) Tax receivables		
- due within one year	4.478.189	1.334.457
- due after one year	-	-
5-quater) From others		
- due within one year	271.068	250.072
- due after one year	-	-
Total receivables	***26.835.945***	***8.726.538***
III. Current financial assets		
7) Financial assets related to cash pooling	1.385.757	4.700.413
8) Other	-	-
Total current financial assets	***1.385.757***	***4.700.413***
IV. Liquid funds		-
1) Bank and postal accounts	20.620.360	13.470.839
3) Cash-in-hand and cash equivalents	20.307	7.462
Total liquid funds	***20.640.667***	***13.478.301***
TOTAL CURRENT ASSETS	**54.740.327**	**49.229.141**
D) Prepayments and accrued income		
1) other prepayments and accrued income	218.782	1.315.798
TOTAL PREPAYMENTS AND ACCRUED INCOME	**218.782**	**1.315.798**
TOTAL ASSETS	**61.175.058**	**52.846.431**

BALANCE SHEET - LIABILITIES	Euro	Euro
	31 December 2018	31 December 2017
A) Net equity		
I. Share capital	3.400.000	3.400.000
IV. Legal reserve	2.151	-
VI. Other reserves	-	-
Translation reserve	310.948	(46.063)
VIII. Retained earnings (losses carried forward)	46.363	(78.427)
IX. Net profit for the year	48.706	89.073
Total net equity attributable to the group	***3.808.168***	***3.364.583***
Share capital and reserves attributable to non-controlling interests	3.294.439	279.794
Net profit (loss) attributable to non-controlling interests	(1.955.616)	3.012.748
Total net equity attributable to non-controlling interests	***1.338.823***	***3.292.542***
Total net equity	***5.146.992***	***6.657.125***
B) Provisions for risks and charges	-	-
C) Employees' leaving entitlement	**903.657**	**941.541**
D) Payables		
5) Loans and borrowings from other financial backers	519.090	-
6) Payments on account	22.696.337	20.044.488
7) Trade payables	24.544.092	21.208.906
9) Payable to subsidiaries	-	-
10) Payables to jointly-controlled companies	1.482.147	-
11) Payables to parents	132.090	52.705
11-bis) Payables to subsidiaries of parents	113.955	89.590
12) Tax payables	4.052.928	2.563.954
13) Social security charges payable	674.078	524.646
14) Other payables	842.066	748.085
Total payables	***55.056.783***	***45.232.374***
E) Accrued expenses and deferred income		
1) Other accrued expenses and deferred income	67.626	15.391
Total accrued expenses and deferred income	***67.626***	***15.391***
TOTAL LIABILITIES	**61.175.058**	**52.846.431**

PROFIT AND LOSS ACCOUNT	Euro	Euro
	2018	**2017**
A) Production revenues		
1) Turnover from sales and services	142.447.519	34.526.349
3) Change in contract work in progress	(16.803.739)	17.256.774
5) Other revenues and income	4.611.986	1.606.543
Total Revenues	**130.255.766**	**53.389.666**
B) Production cost		
6) Raw materials, consumables, supplies and goods	60.760.221	20.025.278
7) Services	55.844.451	19.723.345
8) Use of third party assets	1.611.610	934.599
9) Personnel expenses		
a) Wages and salaries	8.667.419	6.743.492
b) Social security contributions	1.807.270	1.444.682
c) Employees' leaving entitlement	417.637	366.163
e) Other costs	777.810	287.753
Total	**11.670.136**	**8.842.090**
10) Amortisation, depreciation and write-downs		
a) Amortisation of intangible fixed assets	40.991	29.710
b) Depreciation of tangible fixed assets	618.784	66.823
Total	**659.775**	**96.533**
14) Other operating costs	1.331.020	420.552
Total production cost	**131.877.213**	**50.042.397**
Operating profit (A-B)	**- 1.621.447**	**3.347.269**
C) Financial income and charges		
16) Other financial income		
d) other income:		
- other	36.736	45.448
- from associates	-	15.943
- from parents	15.672	129.133
Total	**52.409**	**190.524**
17) Interest and other financial charges		
- other	(35.061)	(6.954)
- to subsidiaries	-	-
Total	**(35.061)**	**(6.954)**
17 bis) Net exchange rate losses	(290.779)	(158.204)
Net financial charges (16+17-17)	**(273.431)**	**25.366**
D) Adjustments to financial assets and liabilities		
18) Write-backs		
a) equity investments	-	-
Total adjustments	**-**	**-**
Pre-tax profit (A-B+-C+-D)	**(1.894.879)**	**3.372.635**
20) Income taxes		
a) Current taxes	(1.074.360)	(1.770.908)
d) Income from national tax consolidation scheme	1.062.328	1.500.094
Total	(12.032)	(270.814)
21) Net profit (loss) for the year	**(1.906.910)**	**3.101.821**
Net profit for the year attributable to the Group	**48.706**	**89.073**
Net profit (loss) attributable to non-controlling interests	**(1.955.616)**	**3.012.748**

Fisia Italimpianti Group

ANNEX - Cash flow statement	Euro 2018	Euro 2017
A. Cash flows from operating activities		
Net profit (loss) for the year	**(1.906.910)**	**3.101.821**
Income taxes	12.032	270.814
Interest income	(17.347)	(183.570)
Unrealised exchange rate (gains)/losses	290.779	(428.950)
(Dividends)	-	-
(Gains)/losses on the sale of assets	1.741	-
1. Net profit (loss) before income taxes, interest, dividends and gains/losses on the sale of assets	**(1.619.706)**	**2.760.115**
Non-monetary adjustments not affecting net working capital		
Accruals to provisions	-	-
Accruals for employees' leaving entitlement	417.637	366.163
Release of provisions for risks	-	-
Amortisation and depreciation	659.775	96.533
Write-downs (write-backs)	-	-
Other non-monetary adjustments	-	-
2. Cash flows before changes in net working capital	**(542.294)**	**3.222.811**
Changes in net working capital		
Decrease/(increase) in inventory and work-in-progress	16.668.897	(16.643.242)
Increase in progress billings and advances	2.651.849	8.894.834
Decrease/(increase) in trade receivables	(14.868.194)	484.430
Increase in receivables from group companies	(76.485)	(177.241)
Increase in other current assets	(2.067.712)	(1.472.077)
Increase in trade payables	3.335.186	10.280.052
Increase/(decrease) in payables to group companies	103.750	(290.639)
Increase/(decrease) in other current liabilities	1.784.622	(130.959)
Other changes in net working capital (advances to suppliers)	(222.965)	(1.043.200)
3. Cash flows after changes in net working capital	**6.766.654**	**3.124.769**
Other adjustments		
Interest collected	17.347	183.570
(Income taxes) / Income from national tax consolidation scheme	(391.777)	1.484.741
Dividends collected	-	-
Utilisation of employees' leaving entitlement	(455.521)	(368.051)
Utilisation of provisions	-	-
4. Cash flows after other adjustments	**5.936.703**	**4.425.029**
Cash flows generated by operating activities (A)	**5.936.703**	**4.425.029**
B. Cash flows from investing activities		
Tangible fixed assets		
(Investments)	(1.054.226)	(131.329)
Divestments	-	-
Intangible fixed assets		
(Investments)	(735.087)	(15.296)
Divestments	-	-
Financial fixed assets		
(Investments)	-	(57.838)
Divestments - repayments of loans	(2.784.919)	593.459
Non-current financial assets		
(Investments)	-	-
Divestments	-	-
Acquisition or sale of subsidiaries or business units net of cash acquired	-	-
Cash flows generated by (used in) investing activities (B)	**(4.574.232)**	**388.996**
C. Cash flows from financing activities		
Third party funds		
Decrease in financial assets related to cash pooling	3.314.656	6.476.341
(Increase) decrease in other financial assets	-	-
Increase (decrease) in short-term bank borrowings	-	-
Increase (decrease) in loans and borrowings from other financial backers	-	-
Increase in loans	2.001.237	-
Decrease in loans	-	
Own funds		-
Proceeds from issue of share capital	-	-
Sale (repurchase) of own shares	-	-
Dividends (and interim dividends) paid	-	-
Proceeds from issue of share capital of third parties	-	4.900
Change in the translation reserve and retained earnings	484.002	(46.055)
Cash flows generated by financing activities (C)	**5.799.895**	**6.435.186**
Increase in liquid funds (A ± B ± C)	**7.162.366**	**11.249.211**
Opening liquid funds	**13.478.301**	**2.229.091**
Closing liquid funds	**20.640.667**	**13.478.301**

Notes to the consolidated financial statements as at and for the year ended 31 December 2018

I - Basis of preparation

INTRODUCTION

These notes to the consolidated financial statements of Fisia Italimpianti Group have been prepared in accordance with article 38 of Legislative decree no. 127/1991.

The directors of Fisia Italimpianti S.p.A. (the parent) have prepared the consolidated financial statements on a voluntary basis to provide full disclosure on the Group, partly to comply with the requests for information by its stakeholders. They do not have to be filed or published under Legislative decree no. 127/91.

Each balance sheet, profit and loss account and cash flow statement caption presents the corresponding figures of the previous year. Where necessary, the latter are adjusted for comparative purposes and the related effects are disclosed in the notes, if material. The cash flow statement shows the reasons for increases and decreases in liquid funds during the year and has been prepared under the indirect method, using the layout provided for by OIC 10.

BASIS OF PRESENTATION

The consolidated financial statements have been prepared in accordance with the provisions of article 2423 and following articles of the Italian Civil Code, interpreted in the context of and integrated by the reporting standards promulgated by the Italian Accounting Standard Setter. They consist of a balance sheet, a profit and loss account, a cash flow statement and these notes.

The balance sheet presentation complies with article 2424 of the Italian Civil Code while the profit and loss account is presented in accordance with the requirements of article 2425 of the Italian Civil Code, as modified by OIC 17 for consolidated financial statements.

The cash flow statement shows the reasons for increases and decreases in liquid funds during the year and has been prepared under the indirect method, using the layout provided for by OIC 10.

These notes provide all the information required by article 38 of Legislative decree no. 127/91.

Should the information required by specific legal provisions not be sufficient to provide a true and fair view of the Group's financial position and performance, additional information is disclosed. Specifically, the following information is provided in tables in the notes:

- a reconciliation between the parent's and the Group's net equity and net profit for the year;
- a statement of changes in net equity.

Reference should be made to the directors' report, prepared by the parent's directors, that accompanies these consolidated financial statements, for information on the Group's activities and transactions with associates, parents, subsidiaries of parents and other related parties.

Significant-post balance sheet events and off-balance sheet commitments, guarantees and contingent liabilities are presented in specific sections of these notes.

The parent is directly controlled by Salini Impregilo S.p.A., with registered office in Milan (Italy) and indirectly by Salini Simonpietro e C. S.a.p.A., with registered office in Rome (Italy), which prepare consolidated financial statements of the smallest and largest group of companies that include the parent as a subsidiary, respectively. The consolidated financial statements of Salini Impregilo Group is available on the webside www.salini-impregilo.com, while the consolidated financial statements of Salini Simonpietro e C. Group are filed with the competent chamber of commerce as required by law.

The amounts presented in the balance sheet, profit and loss account and cash flow statement are in Euros, without decimal points, while those disclosed in the notes are expressed in thousands of Euros, except as otherwise specified.

BASIS OF CONSOLIDATION

The criteria adopted to prepare the consolidated financial statements are set out below.

Consolidation scope

The consolidated financial statements have been prepared using the financial statements at 31 December 2018 drawn up by the group companies and adjusted, if necessary, to comply with the presentation requirements of OIC 17.

FISIA ITALIMPIANTI Group includes the parent, Fisia Italimpianti S.p.A., and the following companies:

- BRENNERO GALLERIACQUE S.c.r.l.
  VAT no. and tax code 02474600992,
  Registered office in Via De Marini 1, Genoa
  Quota capital €10,000, of which €5,100 held by the parent at the reporting date (51%);

- FISIA VE ALKATAS IS ORTAKLIGI (FISIA ALKATAS)
  Registered office: Erturk Sokar. No 1 K1 is Merkezi Kat:6 Kavacik-Beykoz / Istanbul (Turkey)
  Share capital TRY1,000, of which TRY500 held by the parent at the reporting date (51%);

- UTE ABEIMA FISIA SHUAIBAH
  VAT number ESU90328378,
  Registered office: Calle Energia Solar, 1 41014 Campus Palmas Altas-Seville (Spain)
  of which the parent holds 50%;

- FISIA ABEIMA LLC
  CR: 1010610568, PO Box 7669 Riyadh (Saudi Arabia)
  Share capital of SAR500, of which SAR250 held by the parent at the reporting date (50%);

- FISIA-ALKTAS-ALKE JOINT VENTURE (FISIA ALKATAS ALKE)
  Kavacik Mah. Ertük Sok. No:1 K1 Plaza Kat:6 Beykoz-Istanbul (Turkey)
  of which the parent holds 48%;

- FISIA MÜHENDISLIK VE INŞAAT ANONIM ŞIRKETI (FISIA MUHENDISLIK)
  Registered office: Vişnezade Mah. Süleyman Seba Cad. no: 82/4 – Beşiktas (Turkey)
  of which the parent holds 100% of its share capital of TRY50,000 at the reporting date;

- FISIA LLC
  Registered office: Alkhuwair South, Muscat (Oman)
  of which the parent holds 100% of its share capital of OMR250,000;

- ABEINSA INFRAESTRUCTURAS E FISIA ITALIMPIANTI UTE SALALAH
  (UTE ABEIMA FISIA SALALAH)
  Registered office: Campus Palmas Altas, calle Energìa Solar, numero 1 – 41,014 Seville (Spain)
  of which the parent holds 51%;

- FISIA ABEIMA SALALAH JV
  Registered office: P.O. Box 889, Postal code 100 (Oman)
  of which LLC holds 51%;

Fisia Italimpianti S.p.A., tax code and VAT no. 02340830997, has its registered office in Via De Marini 1 – GENOA (GE).

In addition to the parent, Fisia Italimpianti S.p.A., the consolidation scope includes:

- BRENNERO GALLERIACQUE S.c.r.l (subsidiary);
- FISIA VE ALKATAS IS ORTAKLIGI (subsidiary);
- FISIA MÜHENDISLIK VE INŞAAT ANONIM ŞIRKETI (subsidiary);
- FISIA LLC (subsidiary);
- UTE ABEIMA FISIA SHUAIBAH (jointly-controlled company);
- FISIA ABEIMA LLC (jointly-controlled company);
- FISIA-ALKTAS-ALKE JOINT VENTURE (subsidiary);
- UTE ABEIMA FISIA SALALAH (jointly-controlled company);
- FISIA ABEIMA SALALAH JV (jointly-controlled company);

Consolidation methods

Line-by-line:

The line-by-line method provides for the recognition of the assets, liabilities, costs, revenues and cash flows of the in-scope companies in the consolidated financial statements in full. Intragroup balances and transactions are eliminated. Each asset and liability is recognised at its entire carrying amount.

The group companies consolidated using the line-by-line method are:

- BRENNERO GALLERIACQUE S.c.r.l.;
- FISIA ALKATAS;
- FISIA MÜHENDISLIK;
- FISIA LLC;
- FISIA ALKATAS ALKE.

Although the parent does not control Fisia Alkatas Alke, it is consolidated using the line-by-line method as the parent has dominant influence as per the definition of OIC 17.9 and on the basis of the internal agreements between the joint venturers.

Moreover, FISIA MÜHENDISLIK, FISIA LLC and FISIA ALKATAS ALKE entered the consolidation scope in 2018, when they were incorporated.

Proportionate method:

This method provides for the proportionate inclusion of the assets, liabilities, costs, revenues and cash flows of the entities over which one of the in-scope companies has joint control with other third party investors, considering only the share of their carrying amount held directly or indirectly by the parent.

The group companies consolidated using the proportionate method are:

- UTE ABEIMA FISIA SHUAIBAH;
- FISIA ABEIMA LLC;
- UTE ABEIMA FISIA SALALAH;
- FISIA ABEIMA SALALAH JV.

UTE ABEIMA FISIA SALALAH and FISIA ABEIMA SALALAH JV entered the consolidation scope in 2018 which was the first year of their operations.

Fisia Abeima LLC was not consolidated in 2017 due to its immateriality. Pursuant to OIC 17.88, the effects of its first-time consolidation are presented in opening net equity.

Foreign currency financial statements

Financial statements expressed in currencies other than the Euro are translated into Euros by applying the closing rates to the balance sheet items and the average annual rates to the profit and loss account items, as these approximate the spot rates.

Differences arising from the translation of the opening net equity using the closing rates and from the translation of assets and liabilities at the spot rate and the profit and loss account items at the average annual rate are taken to the translation reserve.

The exchange rates used to translate the foreign currency financial statements into Euros are as follows:

	Currency	Closing rate	Average rate
- UTE ABEIMA FISIA SHUAIBAH - UTE ABEIMA FISIA SALALAH - FISIA ABEIMA SALALAH JV - FISIA ABEIMA LLC	US dollar	1.145	1.181
- FISIA LLC	Oman rial	0.4403	0.4541
- FISIA MÜHENDISLIK - FISIA-ALKTAS-ALKE	Turkish lira	6.0588	5.7077

BASIS OF PREPARATION

The consolidated financial statements captions have been measured in accordance with the general principles of prudence and accruals on a going-concern basis, considering the sole shareholder's commitment to support the parent financially and with respect to its operations. Captions have been recognised and presented in accordance with the substance over form principle, if in compliance with the Italian Civil Code and the OIC.

Under the prudence principle, the Group measures the individual assets and liabilities separately, in order to avoid offsetting losses that should be recognised against unrealised profits that should not be recognised. Specifically, the Group recognises profits only if realised before the reporting date, whereas it considers risks and losses on an accruals basis, even when they become known after the reporting date.

In accordance with accruals-based accounting, the Group recognises the effects of transactions in the year to which the transaction relates rather than that in which the associated collections and payments occur.

No exceptional events took place during the year, which would have led the Group to depart from the accounting policies, as permitted by article 29.4 of Legislative decree no. 127/91, in order to give a true and fair view of its financial position and performance. Moreover, the Group did not make any revaluations under specific laws.

The preparation of consolidated financial statements requires management to make estimates that affect the carrying amount of assets and liabilities and the related disclosures. Actual results may differ. Estimates are revised regularly and the effect of any changes, if not due to errors, are recognised in the profit and loss account when the estimates are changed, if they affect just one year, and also in the following years, if they affect both the current and subsequent years.

Fixed assets

Intangible fixed assets

They are recognised at acquisition cost.

Industrial patents and intellectual property rights and other intangible assets are amortised in line with their residual income generating potential.

Tangible fixed assets

They are initially recognised at acquisition cost, including the related transaction costs, net of depreciation. They have not been revalued. Gains and losses on their sale form part of the net profit of the year in which the sale is made.

Leasehold improvement costs are allocated to the relevant assets only when they lengthen their useful lives. Pursuant to the principle of materiality as per article 2423.4 of the Italian Civil Code and the reference OIC, the depreciation rates are halved in the first year of depreciation of the assets. The rates applied to each category are set out below:

Plant and machinery	25%-15%
Equipment	15%
Furniture and equipment	12%-20%
Vehicles	25%

If, at the reporting date, there are indications of impairment losses on tangible and intangible fixed assets, the recoverable amount of such assets is estimated. If the recoverable amount, being the higher of value in use and fair value less costs to sell, is lower than the corresponding carrying amount, the assets are written down.

The write-down is not maintained in subsequent years if the reasons therefor cease to exist. The write-down is reversed up to the amount the asset would have had if the write-down had never taken place, that is, net of the amortisation/depreciation that would have been recognised in the absence of the write-down. Write-downs of goodwill and deferred charges cannot be reversed.

Ordinary maintenance and repair costs are expensed when incurred.

Financial fixed assets

Controlling investments in unconsolidated companies and investments in associates are measured using the equity method.

Equity-accounted investments are initially recognised at acquisition cost, including the related transaction costs, which comprise bank and financial brokerage charges, i.e., commissions, costs and taxes.

Upon initial recognition, the acquisition cost of an equity investment is compared to the relevant share of the investee's net equity at the acquisition date or, alternatively, that resulting from its most recent financial statements.

If an initial positive difference is identified which can be attributed to higher carrying amounts of the investee's assets, measured at present value, or to goodwill, the investment is recognised at acquisition cost, including the initial positive difference. Otherwise, the investment is impaired and the write-down is recognised as a write-down of equity investments in the profit and loss account.

Receivables and payables

Receivables and payables are recognised at amortised cost, considering the time value of money and, for receivables, their estimated realisable value.

The Group recognises receivables at their estimated realisable value by writing down their carrying amount through the provision for bad debts, in order to provide for any risk of impairment. To this end, the Group considers specific indicators based on past trends and any other useful information about a probable impairment. The write-downs are estimated on an individual basis for significant receivables and collectively for the others, by calculating the expected impairment losses at the reporting date.

The amortised cost method is not applied when its effects are irrelevant, which is usually the case for current payables or when transaction costs, commissions paid between the parties and any other difference between the original and settlement amounts at the due date are insignificant.

Furthermore, pursuant to article 12.2 of Legislative decree no. 139/2015, the Group opted not to recognise payables arising before 1 January 2016 at amortised cost and did not discount them.

Prepayments and accrued income, **accrued expenses and deferred income**

They are recognised on an accruals basis and relate to costs and revenue common to two or more years, the amount of which varies over time.

Inventory

Contract work in progress for the construction of assets (or combinations of assets) or for the supply of non-standard goods or services is recognised under inventory and measured using the percentage of completion method applied to the total consideration.

The Group applies the cost-to-cost method to determine the percentage of completion. Any losses to complete the contract that can be estimated based on objective evidence or reasonable assumptions are expensed in full when they come to light and are included in the calculation of contract work in progress.

This method represents the best estimate of the works programme at date of preparation of the consolidated financial statements. The Group regularly updates the underlying assumptions, which include the best estimates of the contract and counterparty risk.

The carrying amount of contract work in progress agreed in a foreign currency is firstly calculated in that currency using the percentage of completion method applied to the contract consideration, after which it is translated into Euros using the exchange rate ruling on the invoice date. If the amount invoiced is lower than the works' carrying amount, the difference is translated into Euros at the closing rate. Progress billings for work not yet approved by customers are recognised under liabilities.

Progress billings for each contract may exceed the contract work in progress' carrying amount or vice versa, depending on the contract terms agreed with the customer.

Pre-operating costs are expensed in line with the percentage of completion of the project, calculated using the method set out above.

Costs to acquire new contracts are expensed if the contracts have not been acquired before the reporting date.

Provisions for risks and charges

They include accruals made to cover specific losses and liabilities that are certain or possible, but whose amount or due date is unknown at the reporting date given the specific nature of the Group's operations.

Translation criteria

The translation criteria for foreign currency captions adopted by the Group are as follows:

• foreign currency monetary assets and liabilities are translated at the closing spot rate with any exchange rate gains or losses taken to the profit and loss account;

• non-monetary assets and liabilities are recognised at historical cost denominated in the foreign currency and translated using the historical exchange rate;

• revenues and costs related to foreign currency transactions are recognised in profit or loss at the exchange rate ruling on the date of the transaction;

• any material effects deriving from changes in exchange rates after the reporting date are disclosed in the notes.

Exchange rate gains and losses are recognised in caption 17-bis of the profit and loss account. A breakdown between realised and unrealised gains and losses is provided in these notes.

With respect to the translation of financial statements of consolidated companies or companies measured using the equity method and expressed in currencies other than the presentation currency, reference should be made to the section on the "Basis of consolidation".

Employees' leaving entitlement

This is the Group's outstanding payable to its employees vested at 31 December 2006, net of any advances made.

Law no. 296 of 27 December 2006 (the 2007 Finance Act) introduced new rules for Italian employees' leaving entitlement (TFR) accruing after 1 January 2007.

As a result of this pension reform:

- the Italian group companies retain the entitlements vested up to 31 December 2006;
- the entitlements accrued after 1 January 2007 are either, depending on the employees' explicit or tacit agreement:

  a. transferred to external pension funds;

  b. maintained by the Italian group companies, which transferred them to the INPS (the Italian social security institution) treasury fund.

Entitlements accruing after 1 January 2007 continue to be presented in caption B9) "Employees' leaving entitlement" of the profit and loss account. Caption C "Employees leaving entitlement" in the balance sheet shows the entitlements vested at 31 December 2006. Caption D13 "Social security charges payable" includes the payable accrued at 31 December 2017 for the entitlements still to be transferred to the pension funds and social security institutions.

Revenues and costs

Revenues from the sale of goods and the costs to purchase them are recognised when title thereto is substantially transferred (transfer of risks and rewards).

Revenues include changes in work in progress (see the paragraph on Inventory).

Financial income and charges are recognised on an accruals basis.

Revenues from services and the costs to purchase them are recognised when the services have been rendered or when the related fees are due, in the case of contracts with progress billings.

Grants and aid are recognised in the profit and loss account when the Group is reasonably certain it will receive them.

Revenues and costs, whose amount or impact is exceptional, are disclosed in a specific section of these notes.

Income taxes and deferred taxes

The parent has availed of the option provided for by article 117 and subsequent articles of Presidential decree no. 917/86 for the group taxation scheme. Accordingly it transfers its obligation to pay IRES to the tax parent, Salini Impregilo S.p.A..

Income taxes are calculated using an estimate of the taxable profit in accordance with the ruling tax legislation, the applicable exemptions and any tax credits. The Group recognises deferred taxes on temporary differences between the carrying amounts of assets and liabilities and their tax base.

Deferred tax assets on deductible temporary differences and carryforward tax losses are recognised when the Group is reasonably certain they will be recovered through future taxable profits or sufficient taxable temporary differences in the years in which the deferred tax assets reverse.

Deferred tax assets not recognised or impaired in prior years as the requirements for their recognition were not met are recognised or reinstated in the year in which the relevant requirements are met.

Deferred tax assets and liabilities are offset if the relevant requirements are met (offsetting ability and intention) and the resulting positive or negative balance is respectively stated under the specific captions of current assets or provisions for risks and charges.

When the expected taxable profit will not be sufficient to realise the deferred tax assets based on the Group's tax planning, they are reversed to profit or loss.

Commitments, guarantees and contingent liabilities

They are disclosed in these notes.

Risks for which a liability is probable are described in these notes and provided for appropriately.

II - Breakdown of the captions

Assets

B) Fixed assets

I. Intangible fixed assets

Balance at 31/12/2018	727
Balance at 31/12/2017	32
Variation	695

At 31 December 2018, intangible fixed assets amount to €728 thousand.

The increases for the year, recognised in "Other" relate to stamp duty paid on the acquisition of the Yanikapi contract by Fisia Alkatas Alke (€593 thousand) and leasehold improvement costs incurred by the parent for the Genoa offices (€119 thousand).

Intangible fixed assets

	01/01/2018	***Increases***	***Decreases***	***31/12/2018***
Patents				
Historical cost	85	23	-	108
Amortisation	(70)	(16)	-	(86)
Carrying amount	15	7	-	22
Other				
Historical cost	467	712	-	1,179
Amortisation	(450)	(24)	-	(474)
Carrying amount	17	688	-	705
Total	**32**	**695**	**-**	**727**

II. Tangible fixed assets

Balance at 31/12/2018	710
Balance at 31/12/2017	274
Variation	436

At 31 December 2018, tangible fixed assets amount to €710 thousand.

They increased by €436 thousand during the year, being the sum of depreciation (€618 thousand), increases (€1,055 thousand) and decreases (€2 thousand).

The increases mostly relate to "Buildings" (€905 thousand) for the acquisition of pre-fabricated boxes installed at the Shuaibah work site and owned by Fisia Abeima LLC. They are depreciated over the project's term.

Tangible fixed assets

	01/01/2018	***Increases***	***Decreases***	***31/12/2018***
1) Buildings				
Historical cost	-	905	-	905
Depreciation	(-)	(530)	(-)	(530)
Carrying amount	-	375	-	375
2) Plant and machinery				
Historical cost	232	55	-	287
Depreciation	(114)	(32)	-	(146)
Carrying amount	118	23	-	141
3) Industrial and commercial equipment				
Historical cost	1	-	-	1
Depreciation	(1)	(-)	-	(1)
Carrying amount	-	(-)	-	-
4) Other assets				
Historical cost	765	95	(23)	837
Depreciation	(608)	(56)	21	(643)
Carrying amount	156	39	(2)	194
Total	**274**	**437**	**(2)**	**710**

III. Financial fixed assets

Balance at 31/12/2018	4,779
Balance at 31/12/2017	1,994
Variation	2,785

At 31 December 2018, they amount to €4,779 thousand and comprise financial receivables due within one year.

Financial receivables from others

Financial receivables of €4,779 thousand refer to:

- the loan granted by a non-group venturer of Fisia Alkatas J.V. at market rates (outstanding amount €598 thousand);

- the loan of €2,260 thousand provided to the ultimate parent, Salini Impregilo S.p.A., by Ute Abeima Fisia Shuaibah;

- the loan of €1,747 thousand given to the third party shareholder by Ute Abeima Fisia Shuaibah;

- the loan of €174 thousand provided to the third party venturer by Fisia Abeima Salalah JV.

C) Current assets

I. Inventory

Balance at 31/12/2018	5,878
Balance at 31/12/2017	22,324
Variation	(16,446)

At 31 December 2018, inventory amounts to €5,878 thousand.

As described in the section on the accounting policies (paragraph on inventory), contract work in progress is measured using the best estimate of the works programme and risks related to the project at the reporting date. Any losses to complete, based on objective evidence or reasonable assumptions, are expensed when they come to light and are included in the calculation of contract work in progress.

Contract work in progress presented under current assets in the balance sheet is net of progress billings and progress payments for work accepted.

When the progress billings exceeds the carrying amount of the contract work in progress, the difference is shown in caption D) 6. Payments on account.

Inventory may be broken down as follows:

	31/12/2018	***31/12/2017***
Contract work in progress	4,216	20,885
Advances to suppliers	1,662	1,439
Total	**5,878**	**22,324**

The contract work in progress is shown below:

	WIP	*Advances from customers*	*Progress billings*	*Total advances and progress billings*
Desalination				
Jebel Ali – Station L 2 – Dubai	-	(1)	(426)	(427)
Jebel Ali – Station "M"	-	(5)	(1,023)	(1,028)
Atakoy (Istanbul)	4,037	-	-	-
Yenikapi (Istanbul)	179	-	-	-
Shuaibah (Saudi Arabia)	-	(17,874)	-	(17,874)
Salalah (Oman)	-	(3,367)	-	(3,367)
Total	**4,216**	**(21,247)**	**(1,449)**	**(22,696)**

Contract work in progress is calculated using the cost-to-cost method, net of progress payments for work accepted.

Payments on account under liabilities (€25,427 thousand, including advances of €23,978 thousand) include progress billings issued on the agreed dates for the amount that exceeds the gross work in progress calculated using the cost-to-cost method.

Contractual obligations for works and services still to be provided at year end are described in the "Order backlog" section of the directors' report.

II. Receivables

Balance at 31/12/2018	26,836
Balance at 31/12/2017	8,727
Variation	18,109

At 31 December 2018, receivables amount to €26,836 thousand.

They may be broken down by due date as follows:

	Due within one year	***Due after one year***	***Due after five years***	***Total***
Trade receivables	21,309	-	-	21,309
From jointly-controlled companies	398	-	-	398
From subsidiaries of parents	379	-	-	379
Tax receivables	4,478	-	-	4,478
From others	271	-	-	271
Total	**26,836**	-	-	**26,836**

Trade receivables relate to fees for invoices issued and to be issued to customers for works performed, and progress billings as contractually established.

They are recognised net of the provision for bad debts of €894 thousand.

This provision of €894 thousand is deemed suitable considering the risks of non-recoverability of the receivables. Utilisations of the provision amount to €64 thousand for the year.

Receivables from jointly-controlled companies of €398 thousand relate to Fisia Abeima Salalah JV (€175 thousand), UTE Abeima Salalah (€175 thousand) and UTE Abeima Fisia Shuaibah (€48 thousand).

Receivables from subsidiaries of parents amount to €379 thousand and refer to Isarco (€307 thousand), Fisia Ambiente (€66 thousand) and Gestione Napoli (€6 thousand).

A breakdown of receivables by geographical segment is as follows:

	Italy	*Other countries*	*Middle East*	*Total*
Trade receivables	3,246	-	18,064	21,309
From jointly-controlled companies	-	175	223	398
From subsidiaries of parents	379	-	-	379
Tax receivables	205	582	3,692	4,478
From others	234	29	8	271
Total	**4,063**	**786**	**21,987**	**26,836**

Tax receivables include:
-withholdings on direct taxes paid of €2,116 thousand;
- VAT and other indirect taxes of €2,321 thousand;
- other tax assets of €41 thousand.

The Group has not recognised deferred tax assets on temporary differences that arose during calculation of the taxable profit for the year as their full realisation within the relevant business plan period is not reasonably certain.
Temporary differences deductible in subsequent years mainly relate to the measurement of contract work in progress and the taxed provision for bad debts.
Receivables from others include guarantee deposits of €91 thousand with the remainder mostly related to cost recharges.

III. Current financial assets

Balance at 31/12/2018	1,386
Balance at 31/12/2017	4,700
Variation	(3,314)

At 31 December 2018, current financial assets amount to €1,386 thousand.

They comprise:

- a current account held with the direct parent Salini Impregilo (€1,125 thousand);

- a giro account held with the indirect ultimate parent, Salini Costruttori, used to pay taxes, mostly related to the group VAT scheme (€261 thousand).

Both accounts bear interest at market rates.

IV. Liquid funds

Balance at 31/12/2018	20,641
Balance at 31/12/2017	13,478
Variation	7,163

At 31 December 2018, liquid funds amount to €20,641 thousand.

	31/12/2018	***31/12/2017***
Bank deposits	20,621	13,471
Cash-in-hand and cash equivalents	20	7
Total	**20,641**	**13,478**

Bank deposits and petty cash in foreign currency amount to USD25,157 thousand, TRY126 thousand, AED240 thousand, KWD5 thousand, SAR8,187 thousand, ARS531 thousand and OMR59 thousand. They are translated into Euros using the spot closing rate.

Bank deposits include term deposits of €747 thousand securing the issue of letters of credit to suppliers.

D) Prepayments and accrued income

Balance at 31/12/2018	219
Balance at 31/12/2017	1,316
Variation	(1,097)

At 31 December 2018, prepayments and accrued income amount to €219 thousand.

The caption may be analysed as follows:

	31/12/2018	*31/12/2017*
Prepayments		
Insurance	134	68
Commissions on sureties	19	20
Leases	5	32
Other prepayments	61	1,196
Total	**219**	**1,316**

Prepayments of €219 thousand include prepaid insurance premiums of €134 thousand (including €7 thousand for the parent, €16 thousand for Fisia Alkatas, €40 thousand for Fisia Alkatas Alke and €70 thousand for Fisia Abeima LLC).

The remainder relates to commissions on sureties charged in advance by the issuer banks (for 2019), performance bonds given to customers, leases and other prepayments (all related to the parent).

Liabilities

A) Net equity

Balance at 31/12/2018	5,147
Balance at 31/12/2017	6,657
Variation	(1,510)

At 31 December 2018, net equity amounts to €5,147 thousand as follows:

	31/12/2018	*31/12/2017*
Net equity attributable to the Group		
I. Share capital	3,400	3,400
IV. Legal reserve	2	-
VI. Other reserves		
Translation reserve	311	(46)
VIII. Retained earnings (losses carried forward)	46	(78)
Net profit for the year	49	89
Total net equity attributable to the Group	**3,808**	**3,365**
Net equity attributable to non-controlling interests		
Share capital and reserves attributable to non-controlling interests	3,295	280
Net profit (loss) attributable to non-controlling interests	(1,956)	3,013
Total net equity attributable to non-controlling interests	**1,339**	**3,293**
Total net equity	**5,147**	**6,657**

Changes in net equity are shown below.

	Share capital	*Legal reserve*	*Other reserves*	*Losses carried forward*	*Net profit (loss) for the year*	***Total net equity att. to the Group***	*Share capital and reserves att. to non-controlling interests*	*Net profit (loss) att. to non-controlling interests*	***Total net equity attt. to non-controlling interests***	***Total net equity***
1 January 2017	**7,000**	**8**	**-**	**159**	**(3,846)**	**3,321**	**-**	**275**	**275**	**3,596**
Allocation of 2016 net profit	(3,600)	(8)	-	(238)	3,846	-	275	(275)	-	-
Translation reserve	-	-	(46)	-	-	**(46)**	-	-	-	**(46)**
Capital increase by third parties (Brenner)	-	-	-	-	-	-	5	-	**5**	**5**
Net profit for 2017	-	-	-	-	89	**89**	-	3,013	**3,013**	**3,102**
31 December 2017	**3,400**	**-**	**(46)**	**(79)**	**89**	**3,364**	**280**	**3,013**	**3,293**	**6,657**
Allocation of the net profit for 2017	-	2	87	-	(89)	**-**	3,013	(3,013)	-	**-**
Translation reserve	-	-	270	-	-	**270**	1	-	**1**	**271**
Net profit for 2017 of Fisia Abeima LLC	-	-	-	125	-	**125**	-	-	-	**125**
Net loss for 2018	-	-	-	-	49	**49**	-	(1,955)	**(1,955)**	**(1,906)**
31 December 2018	**3,400**	**2**	**311**	**46**	**49**	**3,808**	**3,294**	**(1,955)**	**1,339**	**5,147**

Reconciliation between the parent and the Group's net equity and net profit

The following table shows the reconciliation of equity and profit of the parent with the corresponding consolidated items:

	Net equity	**Net profit (loss)**
As per the parent's financial statements	**3,808**	**49**
Elimination of consolidated equity investments and related effects	(8,882)	(3,857)
Net equity and net profit or loss of consolidated companies	10,221	1,901
As per the consolidated financial statements	**5,147**	**(1,907)**
- attributable to the group	3,808	49
- attributable to non-controlling interests	1,339	(1,956)

The Group made a net loss for the year of €1,907 thousand, being the difference between the net profit of €49 thousand earned by the parent and the net loss for the year of Fisia Alktas attributable to non-controlling interests.

The Group's net equity matches that of the parent as the latter uses the equity method to measure its equity investments in its financial statements.

C) Employees' leaving entitlement

Balance at 31/12/2018	904
Balance at 31/12/2017	942
Variation	(38)

At 31 December 2018, employees' leaving entitlement amounts to €904 thousand.

The decrease in the caption is due to:

	Amount
31 December 2017	**942**
Increases for:	
- accruals	417
Decreases for:	
- departures/advances/transfers to INPS	(300)
- pension plans	(155)
Total variation	**(38)**
Total 31 December 2018	**904**

The caption relates to the parent and Brennero Galleriacque S.c.r.l.. The parent's payable refers to the balance outstanding at 31 December 2006, net of advances paid. Entitlements accrued after 1 January 2007 have been allocated to the pension plans or kept with the group companies, which transferred them to the INPS treasury fund, in line with their employees' explicit or tacit decisions. The caption "Social security charges payable" includes the amount to be transferred to the pension funds and social security institutions at the reporting date.

D) Payables

Balance at 31/12/2018	55,057
Balance at 31/12/2017	45,232
Variation	9,825

At 31 December 2018, payables amount to €55,057 thousand.

They are measured at amortised cost, considering the passage of time and their due dates. They may be broken down as follows:

	Due within one year	***Due after one year***	***Due after 5 years***	***Total***
Loans and borrowings from other financial backers	519	-	-	519
Payments on account and advances	22,696	-	-	22,696
Trade payables	24,544	-	-	24,544
Payables to jointly-controlled companies	1,482	-	-	1,482
Payables to parents	132	-	-	132
Payables to subsidiaries of parents	113	-	-	113
Tax payables	4,053	-	-	4,053
Social security charges payable	674	-	-	674
Other payables	842	-	-	842
Total	**55,057**	**-**	-	**55,057**

Loans and borrowings from other financial backers of €519 thousand refer to Brennero Galleriaque's payables at the reporting date to its non-controlling investor which bear interest at market rates.

Trade payables in foreign currency are translated into Euros using the closing rate. Unrealised exchange rate differences arising on the translation using the closing rates compared to those ruling on the transaction date or the prior year closing rates are taken to profit or loss. Foreign currency trade payables amount to USD6,440 thousand, AED8,468 thousand, QAR240 thousand, KWD165 thousand, SAR6,586 thousand, ARS614 thousand, TRY10,434 thousand and OMR76 thousand.

Payables to jointly-controlled companies amount to €1,482 thousand. They include the outstanding portion of the short-term loan granted by Ute Abeima Fisia Shuaibah to the parent (€1,310 thousand). The remainder of €172 thousand relates to the outstanding portion of the short-term loan granted by Abeima Fisia Salalah JV to Fisia LLC.

Tax payables of €4,053 thousand include income taxes of €2,616 thousand, deferred VAT of €883 thousand and withholdings on employees' remuneration of €234 thousand. The remainder relates to other indirect taxes.

The other payables include amounts due to employees for unpaid holidays, deferred remuneration and the related social security contributions of €787 thousand and amounts due to other third parties of €55 thousand.

None of the payables are secured by collateral on group assets.

A breakdown of payables by geographical segment is as follows:

	Italy	***EU***	***Middle East***	***Other***	***Total***
5) Loans and borrowings from other financial backers	519	-	-	-	519
6) Payments on account	-	-	22,696	-	22,696
7) Trade payables	1,640	3,618	18,753	532	24,544
10) Payables to jointly-controlled companies	-	1,310	172	-	1,482
11) Payables to parents	132	-	-	-	132
11-bis) Payables to subsidiaries of parents	-	-	110	4	114
12) Tax payables	428	2,043	1,582	-	4,053
13) Social security charges payable	596	-	78	-	674
14) Other payables	765	-	77	-	842
Total	**4,081**	**6,971**	**43,469**	**536**	**55,056**

E) Accrued expenses and deferred income

Balance at 31/12/2018	68
Balance at 31/12/2017	15
Variation	53

At 31 December 2018, accrued expenses and deferred income amount to €68 thousand.

The accrued expenses relate to commissions on performance bonds accrued at year end and not yet charged by the issuer banks.

Profit and loss account

A) Total revenues

Balance for 2018	130,256
Balance for 2017	53,390
Variation	76,866

Total revenues amount to €130,256 thousand for 2018.

	2018	2017
Turnover from sales and services	142,448	34,526
Change in contract work in progress	(16,804)	17,257
Other revenues and income	4,612	1,607
Total	**130,256**	**53,390**

The change in contract work in progress is closely related to the change in inventory (caption C.I, see the related note).

Total revenues by geographical segment

	Italy	*EU*	*Middle East*	*Total*
Turnover from sales and services	793	2,002	139,653	142,448
Change in contract work in progress	-	-	(16,804)	(16,804)
Other revenues and income	1,075	125	3,412	4,612
Total	**1,868**	**2,127**	**126,261**	**130,256**

Other revenues and income

	2018	*2017*
Prior year income	295	465
Cost recoveries and other	4,317	1,142
Total	**4,612**	**1,607**

Prior year income mainly relates to the elimination of payables due to the lapsing of their terms of prescription; therefore, it is extraordinary in nature.
The cost recoveries mostly refer to the costs recharged to joint ventures for the portion attributable to the other venturers and to suppliers.

B) Production cost

Balance for 2018	131,877
Balance for 2017	50,042
Variation	81,835

Production cost amounts to €131,877 thousand for 2018 as follows:

	2018	*2017*
Raw materials, consumables, supplies and goods	60,760	20,025
Services	55,844	19,723
Use of third party assets	1,612	935
Wages and salaries	8,667	6,743
Social security contributions	1,807	1,445
Employees' leaving entitlement	417	366
Other	778	288
Amortisation of intangible fixed assets	40	30
Depreciation of tangible fixed assets	619	67
Other operating costs	1,331	421
Total	**131,877**	**50,042**

Raw materials, consumables, supplies and goods and Services

The larger balances relate to the purchase of components and spare parts for contracts, supplies for ongoing projects, and with respect to services, subcontracts, outsourced processing, legal and technical consultancy, transport costs, travel costs and insurance services.

Services also include the fees of €56 thousand and €21 thousand due to the parent's boards of directors and statutory auditors, respectively. The parent's chief executive officer does not receive a specific fee as his duties are provided to the Group as a whole and he is remunerated for that.

Use of third party assets

This caption mainly includes the cost of leasing equipment, work site operating machines and vehicles (€1,202 thousand) and of leasing the Genoa offices and other business premises (€409 thousand).

Personnel expenses

This caption includes all the personnel-related expenses such as merit salary increases, promotions, cost-of-living adjustments, unpaid holidays and the accruals required by law and national collective employment contracts.

A breakdown of the fully consolidated companies' employees is as follows:

	Average for 2018	***Actual no. at 31/12/2018***	***Average for 2017***	***Actual no. at 31/12/2017***
Managers	9	10	10	11
White collars	141	146	119	131
Blue collars	80	83	19	23
Total	**230**	**239**	**148**	**165**

A breakdown of the proportionately consolidated companies' employees is as follows:

	Average for 2018	***Actual no. at 31/12/2018***
White collars	85	100
Blue collars	14	16
Total	**99**	**116**

Amortisation of intangible fixed assets

Amortisation is calculated systematically considering the assets' residual income generating potential as set out in the section on the basis of preparation. It amounts to €41 thousand for the year.

Depreciation of tangible fixed assets

Depreciation of €619 thousand was calculated on the basis of the assets' residual useful lives and use in the production process. The rates used are presented in the section on the basis of preparation.

Other operating costs

This caption may be broken down as follows:

	2018	***2017***
Taxes and duties, registration tax	96	136
Customs duties	1	7
Entertainment costs	265	16
Association membership fees	14	28
Prior year expense	67	71
Sundry costs	888	162
Total	**1,331**	**420**

The taxes and duties mostly refer to the cost of authenticating documents with foreign embassies and to register the branches. The customs duties are incurred on imports of materials and parts to countries where the projects are taking place.
The cost of fines, losses on tangible fixed assets and prior year expense are all of an extraordinary nature.
Sundry costs mostly include the cost of settling claims made by a customer.

C) Financial income and charges

Balance for 2018	(273)
Balance for 2017	25
Variation	(298)

Net financial charges amount to €273 thousand for 2018.

Financial income amounts to €52 thousand, interest and other financial charges to €35 thousand and net exchange rate losses to €291 thousand.

A breakdown of this caption is provided below:

Financial income

	2018	***2017***
Other income	37	45
From jointly-controlled companies	-	16
From parents	15	129
Total	**52**	**191**

Net interest of €15 thousand due from the parents relates to the giro accounts with the direct and indirect parents, which bear interest at market rates.

Interest and other financial charges

Interest and other financial charges amount to €35 thousand compared to €7 thousand for 2017 and mostly include bank fees and commissions and other financial charges.

Net exchange rate losses

	2018		*2017*	
Exchange rate gains:				
- realised	2,630		482	
- unrealised	4,771		1,483	
Total exchange rate gains		**7,401**		**1,965**
Exchange rate losses:				
- realised	(2,267)		(1,069)	
- unrealised	(5,425)		(1,054)	
Total exchange rate losses		**(7,692)**		**(2,123)**
Net exchange rate losses		**(291)**		**(158)**

Realised and unrealised net exchange rate losses amount to €291 thousand.

Income taxes

Income taxes amount to €12 thousand for 2018.

	2018	*2017*
Current income taxes	(1,074)	(1,771)
Income from national tax consolidation scheme	1,062	1,500
Total	**(12)**	**(271)**

The balance shows the difference between the income from the national tax consolidation scheme of €1,100 thousand recognised by the tax parent on the taxable profit transferred to the scheme for 2018, as per the related regulation, net of the 2017 balance of €38 thousand and the taxes recognised by the other group companies.

Off-balance sheet commitments, guarantees and contingent liabilities

	31/12/2018	*31/12/2017*
Guarantees to third parties	82,114	59,668

Sureties given to third parties are mostly provided for by the related contracts with customers and issued for advances received, to ensure the contract's performance and withholdings and sureties to participate in calls for tenders.

Post-balance sheet events

No events have taken place after the reporting date that would require changes to be made to the Group's financial position, performance or cash flows or disclosures in these notes.

Genoa, 6 May 2019

On behalf of the board of directors

Chairman