ENDURANCE TECHNOLOGIES LIMITED
SUBSIDIARY COMPANIES

ENDURANCE
Complete Solutions

Technology Drives. Quality Builds.

ANNUAL REPORT OF SUBSIDIARY COMPANIES 2017-18

Contents

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Endurance Amann GmbH

Massenbachhausen, Germany

Management Report and Financial Statements
for the year ended 31st March, 2018

Note: kEUR means EURO in thousands.

Management Report

for the financial year 2017/2018

General business conditions and environment

Endurance Amann GmbH, Massenbachhausen/Germany, produces, machines and delivers aluminium pressure die casting parts. Also, it develops and manufactures related moulds. Its main clientele includes the automotive industry itself and automotive component suppliers. The primary sales market is Germany. The products are manufactured on own and leased plant-site land at the Massenbachhausen/ Germany site.

In the calendar year 2017, the German economy recorded a growth of the gross domestic product of 2.2% (prior year: +1.9%) and the automotive market recorded a change of 3.4%.

Business trend and results from operations

In the financial year 2017/2018, the revenue of the entity was at kEUR 50,906 which is a 9.1% increase from the prior year. The increase is due to the expansion with existing customers. The entity continues to focus on improving quality and cost control and on effective management of inventory levels of raw materials and finished goods.

In comparison with the prior year, there were no one-off effects arising from the parent company's going public (recharge of costs), which had been disclosed under other operating income.

Cost of raw materials, consumables and supplies recorded a slightly disproportionate rise on account of the price trend of the main input material aluminium. The increase in purchased services is associated with additional quality assurance measures.

Employee benefit expenses rose on account of the general pay rise and the variation of the company headcount.

Amortisation, depreciation and write-downs increased again by 9.8% due to the high capital investment volume in the course of the prior and the current financial year.

Results from operations – measured based on the operating result (EBIT) – amount to kEUR 5,605 compared to EBIT of kEUR 6,372 in the prior year. Having taken into account interest received and paid and income taxes, the profit for the financial year 2017/2018 totals kEUR 4,115 compared to a profit for the prior year of kEUR 4,500.

The EBIT return on revenue slightly declined to 11.0% compared to a return on revenue of 13.7% in the prior year.

Net assets and financial position

The balance sheet total increased slightly and the balance sheet structure remained constant. The property, plant and equipment to total assets ratio is 32.0% (prior year: 32.0%). The entity's cash position in the financial year 2017/2018 was satisfactory. Despite the capital investments made in the reporting period, this was possible on account of the positive business trend, better business capital management, control of inventory levels and close monitoring of receivables that helped decrease trade receivables. The increase in other assets results from receivables from energy tax refunds (+kEUR 277) and from the rise in the tenant loan (+kEUR 336).

The rise in cash and cash equivalents corresponds to the decline of the cash pool as at the balance sheet day.

Loans payable totalling kEUR 891 were repaid as scheduled. The entity was able to fully meet its payment obligations.

Equity increased for earnings-related reasons. Prior-year net retained profits were fully allocated to retained earnings. The equity ratio increased from 54.2% to 60.5%.

The provisions for taxes made in the prior year were used as scheduled in the financial year. The rise in other provisions is primarily due to higher supplier provisions.

Capital investments and financing

In the reporting year, the entity invested kEUR 3,977 in property, plant and equipment. Capital investments mainly related to CNC machining centres, leak test facilities and pressure die casting machines.

The leasing expenses for machinery and motor vehicles incurred in the financial year 2017/2018 amounted to kEUR 90. The entity is financed through own funds and through long- and short-term bank loans. The increased interest charge is due to the results of the completed tax audit.

Number of employees

In the reporting year, the permanent workforce included on the average 230 employees. The number of apprentices was at 7 on the annual average.

To support the higher competence level, Management recruited new competencies in the development and process planning (EPP) and the mechanical production functions. In 2018/19, new staff is intended to be recruited in the EPP, quality assurance and machining functions. The entity seeks to

Management Report
for the financial year 2017/2018 (Contid.)

continuously raise productivity through internal and external staff training.

Risk report

To identify on time, and take appropriate action to address, potential risks from the market environment characterised by increasing competition and technical change, appropriate controlling and reporting instruments are used. The other risks in the finance and technical areas are addressed, among other things, by taking measures, such as:

- Permanent control of production processes
- Expansion of the production planning and production control systems (PPS system)
- Product liability insurance
- Business interruption insurance

A major part of the entity's revenue is realised with a limited number of customers, which involves the risk that one of these partners will considerably reduce its sales volume or intensify the pricing pressure. To minimise this risk, the entity is continuing its efforts to broaden its customer and product base.

In order to improve its financial development, the entity continues to verify systems and processes for further rationalisation potentials to be tapped. We address the persisting pricing and cost pressures through further productivity gains.

Liquidity is controlled within the framework of short- and medium-term budgetary planning. Apart from unforeseeable circumstances, the entity anticipates that, based on the budgetary planning for 2018/2019, it will be able to finance budgeted capital investments of kEUR 12,300 through cash flows from operating activities.

Our entity is affected by normal price risks, especially in the area of aluminium procurement. There are no currency hedges or long-term supply contracts.

The entity seeks to mitigate default risks through corresponding receivables management, which consists in checking new customers, determining delivery limits by means of the collection agency Creditreform, regularly examining receivables from our customers outstanding, a strict dunning system, customer visits or similar.

Management did not identify risks that individually or taken as a whole endanger the entity's existence as a going concern or that could impair the development of the net assets, financial position and results of operations.

Outlook

In the calendar year 2018, the German gross domestic product is anticipated to grow by 2.4%, with the automotive market being expected to grow by 1% (VDA world market) or 2.3% (Focus Money – German market). The volumes of parts predicted to be called by our customers were continuously reached, therefore, we anticipate a stable revenue level for the next two years.

The product portfolio was continuously updated and expanded. In line with an improvement of production processes and introduction of appropriate measures, this should lead to an earnings stabilisation.

The cooperation with the Indian and above all the Italian Endurance Group factories is to be further expanded, which we expect to result in additional synergy effects.

The entity's capital investments budgeted for 2018/2019 primarily relate to the realisation of new product lines in respect of new customer projects.

With probable revenue stability as well as constant cost of materials, a result comparable to 2017/18 is expected for the upcoming financial year.

Massenbachhausen, Germany, 9th May, 2018

Financial Statements

as at 31st March, 2018

Balance Sheet

	EUR	As at 31st March, 2018 EUR	As at 31st March, 2017 kEUR
ASSETS			
A. Fixed assets			
I. Intangible assets			
1. Software and licences acquired for a consideration	63,701.00		71
2. Goodwill	0.00		0
		63,701.00	**71**
II. Property, plant and equipment			
1. Land and buildings including buildings on third-party land	4,907,444.10		5,144
2. Technical equipment and machinery	9,741,992.00		9,766
3. Other equipment, operating and office equipment	961,541.00		509
4. Prepayments and assets under construction	1,667,687.43		1,473
		17,278,664.53	**16,892**
III. Investments and other financial assets			
Shares in affiliated companies		**4,616,000.00**	**4,616**
B. Current assets			
I. Inventories			
1. Raw materials, consumables and supplies	2,619,636.44		2,478
2. Work in progress	1,813,088.40		1,862
3. Finished goods	367,348.81		764
4. Prepayments	6,337,563.91		5,286
		11,137,637.56	**10,390**
II. Receivables and other assets			
1. Trade receivables	5,385,515.82		5,754
2. Receivables from affiliated companies	6,517,329.68		7,288
- Of which cash pool account: EUR 3,505,819.57			
(prior year: kEUR 4,277)			
- Of which loan granted to Endurance Overseas: EUR 3,000,000.00			
(prior year: kEUR 3,000)			
3. Other assets	3,146,067.61		2,537
		15,048,913.11	**15,579**
III. Cash-in-hand and bank balances		**5,691,781.72**	**5,020**
C. Prepaid expenses		**183,282.69**	**178**
		54,019,980.61	**52,746**

	EUR	As at 31st March, 2018 EUR	As at 31st March, 2017 kEUR
Equity and liabilities			
A. Equity			
I. Issued capital			
1. Share capital	3,250,000.00		
2. Treasury shares acquired	200,000.00		
		3,050,000.00	**3,050**
II. Capital reserves		**13,456,642.31**	**13,457**
III. Retained earnings			
Other retained earnings		**12,082,742.21**	**7,583**
IV. Profit for the year		**4,115,017.45**	**4,500**
		32,704,401.97	**28,590**
B. Provisions			
1. Provisions for taxes	107,885.49		2,704
2. Other provisions	11,332,173.51		10,850
		11,440,059.00	**13,554**
C. Liabilities			
1. Liabilities to banks	4,103,513.83		4,994
2. Trade payables	3,936,038.31		3,437
3. Liabilities to affiliated companies	663,786.54		811
4. Other liabilities	1,172,180.96		1,360
- Of which taxes: EUR 374,980.49 (prior year: kEUR 580)			
- Of which relating to social security and similar obligations: EUR 11,638.40 (prior year: kEUR 12)			
		9,875,519.64	**10,602**
		54,019,980.61	**52,746**

Income Statement

for the period from 1st April, 2017 to 31st March, 2018

	As at 31st March, 2018 EUR	As at 31st March, 2018 EUR	As at 31st March, 2017 kEUR
1. Revenue	50,906,462.86		46,660
2. Increase or decrease (-) in finished goods inventories	-446,151.74		-358
and work in progress			
3. Other operating income	54,299.48		409
		50,514,610.60	46,711
4. Cost of materials			
a) Cost of raw materials, consumables and supplies	21,164,875.10		18,518
b) Cost of purchased services	4,082,143.70		2,486
		25,247,018.80	21,004
5. Employee benefit expense			
a) Wages and salaries	9,146,050.33		9,010
b) Social security, post-employment and other	1,593,093.13		1,614
employee benefit costs		10,739,143.46	10,624
- Of which post-employment costs: EUR 20,358.46			
(prior year: kEUR 21)			
6. Amortisation and write-downs of intangible assets and			
depreciation and write-downs of property, plant and			
equipment		3,618,414.52	3,295
7. Other operating expenses		5,283,204.96	5,389
8. Other interest and similar income			
- Of which from affiliated companies: EUR 18,089.99		18,121.99	10
(prior year: kEUR 10)			
9. Interest and similar expenses		104,506.94	84
		-44,974,166.69	-40,386
10. Taxes on income		1,403,230.21	1,797
11. Earnings after taxes		4,137,213.70	4,528
12. Other taxes		22,196.25	28
13. Profit for the year		4,115,017.45	4,500

Endurance Amann GmbH, Massenbachhausen, Germany
Registration Court: Stuttgart, Germany HRB 108298

Notes to the financial statements

for the financial year 2017/2018

General Information

The financial statements on hand have been prepared according to Secs. 242 et seq. and Secs. 264 et seq. German Commercial Code (HGB) as well as the relevant regulations of the German Limited Liability Companies Act (GmbHG). The regulations for large firms organised in a corporate form are applicable.

The nature of expense format has been applied to the income statement.

To enhance the clarity of the presentation, the notes to allocation to several balance sheet items and a part of the of-which notes were included in the notes to the financial statements.

Accounting and valuation methods

The following accounting and valuation principles were again applied to the financial statements.

Intangible assets acquired for a consideration have been accounted for at acquisition cost, with amortisable assets being amortised on a straight-line basis over the useful life.

Property, plant and equipment have been recognised at acquisition cost, with depreciable assets being depreciated. Elements of property, plant and equipment are depreciated on a straight-line basis over the estimated economic life. Assets with an individual net value of up to EUR 410.00 are fully depreciated in the year of acquisition. Additions to property, plant and equipment are depreciated on a pro rata basis.

Shares in affiliated companies are recognised at acquisition cost.

Inventories are recognised at the lower of acquisition or production cost and current value.

Inventories of **raw materials, consumables and supplies** have been capitalised at the lower of average cost price or current value as at the reporting date.

In measuring **work in progress** and **finished goods**, appropriate portions of production overhead and indirect material as well as depreciation are, in addition to direct material, direct labour and special direct cost, also taken into account.

For prepayments on moulds the respective stage of completion is taken into account. Moulds purchased from third parties have been accounted for at the lower of acquisition cost or market price.

Adequate provision has been made for all potential losses, i.e. deductions for costs to sell have been made from anticipated sales prices.

Appropriate allowances have been made for all inventory risks identifiable as at the reporting date which result from above average days in inventories, reduced usability and lower replacement costs.

Apart from retention of title as is customary in the trade, the inventories are free from third-party rights.

Receivables and other assets have been recognised at nominal value. All risk items have been taken into account by making appropriate specific allowances; the general credit risk has been covered by making general allowances.

Cash and cash equivalents have been recognised at nominal value.

Prepaid expenses were recorded for cost before the balance sheet date that constitutes expenses for a certain period of time after that date.

Treasury shares have been openly deducted from issued capital in accordance with Sec. 272 (1a) German Commercial Code (HGB).

Provisions for taxes and **other provisions** cover all contingent liabilities. They have been recognised at appropriate settlement value based on sound business judgement.

Liabilities have been recognised at settlement value.

Differences between the values recognised under German commercial law and tax law are recognised under provisions. This results in deferred tax assets. They are determined using the specific tax rates of the entity. The entity exercised the option as conferred by Sec. 274 German Commercial Code (HGB).

Notes to the balance sheet

Fixed assets

The movements in the individual fixed asset items are presented in the statement of movements in fixed assets, stating amortisation, depreciation and write-downs of the reporting year.

Notes to the financial statements
for the financial year 2017/2018 (contd.)

Receivables and other assets

Like in the prior year, all trade receivables and receivables from affiliated companies have a residual term of less than one year. Other assets with a residual term of more than one year total kEUR 2,768 (prior year: kEUR 2,432). Receivables from affiliated companies include trade receivables of kEUR 12.

Equity

The issued capital of the entity amounts to kEUR 3,250. The shareholder is Endurance Technologies Ltd., Aurangabad/India. It holds shares with a nominal value of kEUR 3,050. Shares with a nominal value of kEUR 200 are held by the entity itself.

Under Sec. 272 (1a) German Commercial Code (HGB), the nominal value of the treasury shares of kEUR 200 was deducted from issued capital.

Other provisions

The provisions mainly relate to variable salary components, warranty risks, credit notes to be issued, outstanding invoices and tool cost allowances.

Liabilities

The residual terms of liabilities are specified in the statement of changes in liabilities.

		31st March, 2018			31st March, 2017		
		Residual term of up to 1 year	Residual term of more than 1 year up to 5 years	Total	Residual term of up to 1 year	Residual term of more than 1 year up to 5 years	Total
		kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
1.	Liabilities to banks	746.4	3,357.1	4,103.5	891	4,103	4,994
2.	Trade payables	3,936.0	-	3,936.0	3,436	-	3,436
3.	Liabilities to affiliated companies	663.8	-	663.8	811	-	811
4.	Other liabilities	1,172.2	-	1,172.2	1,361	-	1,361
	of which taxes	375.0	-	375.0	581	-	581
	of which relating to social security and similar obligations	11.6	-	11.6	12	-	12

There are the following collaterals for liabilities to banks:

- The respective machines financed.
- A kEUR 4,000 land charge entered for factory 3.

Trade payables have been collateralised through suppliers' customary retention of title.

Notes to the financial statements

for the financial year 2017/2018 (contd.)

Other financial commitments as at 31st March, 2018

	Total	Of which with a residual term of		
		up to 1 year	between 1 and 5 years	more than 5 years
	kEUR	kEUR	kEUR	kEUR
Leases for land*)				
- Jahnstrasse	1,169	540	629	-
- Benzstrasse	154	154	-	-
Rental agreements and leases	149	77	72	-
	1,472	771	701	-
*) according to the contractually agreed rental or lease term				

The sale-and-leaseback agreement provides for a right to acquire after the end of the lease term in 2020.

Notes to off-balance-sheet transactions

Operating lease	Purpose	Lowering of cash outflow on account of reduction in capital investment volume
	Risks	Charge of rentals during the contract term of up to 8 years
	Advantages	Modernisation of machinery and office equipment without appropriating investment funds
Sale-and-lease-back transactions	Purpose	Procurement of additional cash and cash equivalents
	Risks	Basic lease term 16.5 years, risk of rising rentals or increase in capital investment volume on account of exercised right to acquire thereafter
	Advantages	Improvement in capitalisation
Consignment stock agreements	Purpose	Optimum handling of sales transactions
	Risks	None
	Advantages	Increase in customer satisfaction
Outsourcing of operational functions (legal function)	Purpose	Optimised addressing of imminent litigation
	Risks	Timely availability of external legal advice ensured
	Advantages	Cost saving in comparison with maintenance of internal legal function

Notes to the income statement

Revenue	**2017/2018 kEUR**	**2016/2017 kEUR**
Aluminium pressure die casting	43,637	42,067
Zinc pressure die casting	212	192
Moulds	6,419	3,783
Other	691	664
	50,960	46,706
Sales deductions	-53	-46
	50,906	**46,660**

Notes to the financial statements
for the financial year 2017/2018 (contd.)

Revenue is almost exclusively realised in Germany.

Other revenue of kEUR 691 (prior year: kEUR 664) mainly relates to income from scrap sales.

Taxes on income

Taxes on income comprise the results of the tax audit until 31st March, 2015.

Other disclosures

Number of employees

The average headcount during the reporting year was:

Particulars	2017/2018	2016/2017
Workforce		
Industrial and temporary labour	177	182
Salaried employees	53	48
	230	230
Apprentices	7	8
	237	**238**

Management

In the reporting year, Management functions were performed by:

- Mr Francesco Boero (Endurance Overseas S.r.l., Managing Director) – until 16th April, 2018
- Mr Massimo Venuti (Endurance Overseas S.r.l., Managing Director) – from 16th April, 2018.

In the financial year, the Managing Directors received no remuneration by the entity.

Advisory Board

The members of the Advisory Board are:

- Mr Anurang Jain, Aurangabad, India,
- Mr Massimo Venuti, Chivasso, Italy – until 16th April, 2018.

The total emoluments paid to the Advisory Board for the financial year 2017/2018 amounted to kEUR 0.

Audit and consulting fees

The total fees charged by the auditors of the financial statements for the reporting year amount to:

	kEUR
Audit services	28
Other assurance services	32
Tax consultancy	16
Total	76

Related party transactions

There were no further related party transactions.

Group affiliation

The entity is included in the consolidated financial statements of Endurance Technologies Limited, Aurangabad/India. These consolidated financial statements are disclosed at the place of the parent company.

Subsequent events

There were no major post-balance-sheet-date events which have been taken into account neither in the income statement nor in the balance sheet.

Proposed appropriation of profits

Management proposes (in conformity with the Advisory Board) to carry forward onto new account the profit for the year of EUR 4,115,017.45.

Massenbachhausen, Germany, 9th May, 2018

– The General Management –

Notes to the financial statements

for the financial year 2017/2018 (contd.)

MOVEMENTS IN FIXED ASSETS

Amount in EUR

	Acquisition-cost 31st March, 2017	Addition	Reclassifi-cations	Disposal	Acquisition-cost 31st March, 2018	Accumulated amortisation/ depreciation/ write-downs 31st March, 2017	Additions	Disposal	Accumulated amortisation/ depreciation/ write-downs 31st March, 2018	Book value 31st March, 2018	Book value 31st March, 2017
I. Intangible assets											
1. Software and licences acquired for a consideration	140,262.99	20,603.50	0.00	0.00	160,866.49	69,559.99	27,605.50	0.00	97,165.49	63,701.00	70,703.00
2. Customer list and similar rights	8,709,322.00	0.00	0.00	0.00	8,709,322.00	8,709,322.00	0.00	0.00	8,709,322.00	0.00	0.00
3. Goodwill	6,871,591.00	0.00	0.00	0.00	6,871,591.00	6,871,591.00	0.00	0.00	6,871,591.00	0.00	0.00
	15,721,175.99	20,603.50	0.00	0.00	15,741,779.49	15,650,472.99	27,605.50	0.00	15,678,078.49	63,701.00	70,703.00
II. Property, plant and equipment											
1. Land and buildings including buildings	5,513,537.38	19,198.23	-45,843.00	0.00	5,486,892.61	369,531.03	209,917.48		579,448.51	4,907,444.10	5,144,006.35
on third-party land											
2. Technical equipment and machinery	20,815,867.90	1,843,701.98	1,294,118.27	-1,853,605.57	22,100,082.58	11,049,887.90	3,161,808.25	-1,853,605.57	12,358,090.58	9,741,992.00	9,765,980.00
3. Other equipment, operating and office equipment	3,244,744.23	451,054.29	220,327.00	-145,614.80	3,770,510.72	2,735,501.23	218,572.29	-145,103.80	2,808,969.72	961,541.00	509,243.00
4. Prepayments and assets under construction	1,473,602.27	1,662,687.43	-1,468,602.27	0.00	1,667,687.43	0.00				1,667,687.43	1,473,602.27
	31,047,751.78	3,976,641.93	0.00	-1,999,220.37	33,025,173.34	14,154,920.16	3,590,298.02	-1,998,709.37	15,746,508.81	17,278,664.53	16,892,831.62
III. Investments and other financial assets											
Shares in affiliated companies	4,616,000.00	0.00	0.00	0.00	4,616,000.00	0.00	0.00	0.00	0.00	4,616,000.00	4,616,000.00
	4,616,000.00	0.00	0.00	0.00	4,616,000.00	0.00	0.00	0.00	0.00	4,616,000.00	4,616,000.00
	51,384,927.77	3,997,245.43	0.00	-1,999,220.37	53,382,952.83	29,805,393.15	3,617,903.52	-1,998,709.37	31,424,587.30	21,958,365.53	21,579,534.62

Independent Auditors' Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Endurance Amann GmbH, Massenbachhausen, Germany, for the financial year from 1st April, 2017 to 31st March, 2018. The maintenance of the books and records and the preparation of the annual financial statements and the management report in accordance with German commercial law are the responsibility of the Company's Management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a sample basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall presentation of the financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements of Endurance Amann GmbH, Massenbachhausen, Germany, comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements, complies with the legal requirements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of the future development.

Mannheim, Germany, 18th May, 2018

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed: Schmidt
Wirtschaftsprüfer
[German Public Auditor]

Signed: Harst
Wirtschaftsprüfer
[German Public Auditor]

General Engagement Terms

for

Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

German Public Auditors and Public Audit Firms

as of 1st January, 2017

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor

acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [*Translators Note: The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of

duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report. If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party

b) examination of tax assessments in relation to the taxes referred to in (a)

c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)

d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)

e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3(d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (Textform).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in

relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;

b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;

c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and

d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.

Endurance Overseas S.r.L.

LOMBARDORE (Turin), Italy

Report on Operations and Financial Statements (both standalone and consolidated)
for the year ended 31st March, 2018

ENDURANCE OVERSEAS S.r.L.

Head office: VIA DEL BOSCHETTO 2/43 – LOMBARDORE (Turin)

Tax Code and Turin Companies Register No. 05754620960

Turin Chamber of Commerce registration No. 1101893

Quota capital: € 16,105,263.00 subscribed and fully paid

VAT Number: 05754620960

Management and coordination: ENDURANCE TECHNOLOGIES LIMITED - India

Consolidated Report on Operations

Consolidated financial statements as at and for the year ended 31st March, 2018

Dear Quotaholders,

The explanatory notes provide information about the consolidated financial statements as at and for the year ended 31st March, 2018; in compliance with art. 2428 of the Italian Civil Code, this document provides information about the situation and performance of the Endurance Group (including the Parent Company, Endurance Overseas S.r.l., and its subsidiaries, Endurance Fondalmec S.p.A., Endurance FOA S.p.A. and Endurance Engineering S.r.l., together the "Endurance Overseas Group" or the "Group"). This report, prepared with amounts shown in whole Euro (unless otherwise indicated), accompanies the consolidated financial statements in order to provide information about the Group's earnings, equity, financial position and operations, together, where possible, with historical facts and an assessment of future prospects.

Information on the Group

Matters concerning the general economy environment and the results of operations

In 2017, the world economy achieved significant growth, one of the longest periods of expansion in history. According to International Monetary Fund data, in fact, World GDP grew by 3.8%, accelerating compared to 3.2% the previous year.

The largest contribution to growth came from emerging economies, which grew by 4.8%, with China (+6.9%) and India (+6.7%) standing out in particular. After years of crisis, Brazil and Russia have also got over the recession, turning in growth of 1% and 1.5% respectively.

Advanced bursars grew by 2.3% with similar results for the USA (+2.3%) and the Euro area (+2.3%), while the UK (+1.8%) and Japan (+1.7%) were below average. In the Euro area, overall growth of 2.3% was the result of positive growth in Germany (+2.5%) and less brilliant trends recorded in France (+1.8%) and Italy (+1.5%).

The world economy is, therefore, healthy, even if the results have been largely conditioned by the expansive monetary policies that have fuelled the use of credit at low rates, far from the conditions historically applied.

Even though Italy achieved one of the lowest growth rates on the international scene, this was still the best performance of the last seven years.

In 2017, the automotive sector was again one of the driving sectors of the economy. During the period, registrations in the European Union grew by 3.4% to 15.1 million vehicles compared to 14.6 million in the previous year. The major European markets all showed significant growth (Germany +2.7%, France +4.7%, Italy +7.9% and Spain +7.7%) with the sole exception of the United Kingdom, which recorded a 5.7% reduction. It should be noted that the performance for the year was strongly affected by the exceptional sales performance in the first quarter of 2017 (+8.4%), while the following quarters recorded more moderate growth rates (+1.1%, +1.5% and +2.4% respectively).

Registrations in the European Union for the period corresponding to the Endurance Group financial year (April, 2017 - March, 2018) grew by a modest 1.4% overall.

The registration performance for the year 2017 by manufacturer shows positive trends for all the main groups (VW +2.3%, Renault +6.7%, PSA +4.8% without the newly acquired Opel/Vauxhall, FCA +4.9%, Daimler +4.8%) with the exception of Opel (-5.1%, on a like-for-like basis) and Ford (-0.2%).

The Volkswagen Group maintained its leadership in Europe, with 3,580,655 cars sold, an increase of 2.3% on 2016 and a share of 23.7% compared to 23.9% the previous year.

For the Renault Group, both registrations (1,600,893 cars, +6.7%) and market share (from 10.2% to 10.6%) increased. Excluding the newly acquired Opel brand, the PSA Group reported an increase in sales (1,514,685 vehicles, +4.8%) and market share (from 9.9% to 10%).

FCA recorded higher market growth in Europe (+4.9%) and, with 1,025,575 vehicles registered, it increased its market share to 6.8% compared to 6.7% the previous year.

The Daimler Group registered a total of 953,614 vehicles (+4.8%) sold, increasing its market share from 6.2% to 6.3%. The BMW Group's share fell from 6.8% to 6.6%, with 997,551 units registered (+0.9% as compared to prior year). Opel, on the old perimeter basis, sold 926,978 cars (-5.1%), losing market share (from 6.5% to 6.0%).

In the period corresponding to the Endurance Group financial year (from April 2017 to March 2018) positive trends were confirmed for VW (+2.3%), Renault (+4.7%), PSA (+5.6%, without the newly acquired Opel), Daimler (+2.5%). FCA remained substantially unchanged while BMW (-1.1%) and Opel (-8.5% on a pre-acquisition perimeter base) showed negative results.

Among the particular phenomena that can be deduced from the trend in European registrations for the year 2017, it is worth mentioning the reduction in diesel vehicle registrations and the increase in petrol and alternative power vehicles (LPG/CNG, hybrid and electric cars). The latter still represent a marginal share of total registrations in the EU (5.8% in 2017). All-electric cars represented 1.5%, hybrids 2.9% and other alternative engines 1.4%.

In this moderately favourable market environment, the Group turned in 6.7% growth in terms of value of production, far higher than the market, reaching an amount of Euro 215.1 million in absolute terms. EBITDA in 2017/2018 was Euro 35.9 million or 16.7% of the value of production and increased by over 13.5% on the previous year. The net result amounted to Euro 10.1 million, equal to 4.7% of the value of production and increased by 25.5% on the prior year. The positive economic results contributed to a net improvement in the consolidated net financial position, despite major capital investment, and further strengthened the Group's financial solidity.

Main events

Machining business

During the first part of the year the R&D project called "Future Manufacturing Endurance" was successfully completed, as better described in the specific section dedicated to Research and Development. This allowed the preparation and completion of the first part of the innovative line for the construction of the new upper cylinder heads for VW Group, brought to full capacity after a long and challenging start-up period that involved most of the Company's technical department.

The validity of the technical solutions that we have developed has allowed us to obtain from the VW Group an increase in production (an additional volume of 460,000 items/year) of the current complete upper cylinder head for the EA211 petrol engine, which will result in a considerable increase in turnover.

In January 2018 we were also assigned the new version of this part (called ACT+ or with low CO2 emissions) which will allow us to continue to produce 960,000 complete upper cylinder heads for several years, starting in 2021. This product has a particular strategic value because in addition to the standard application on the 1.5 litre petrol engine, it will also be used in the hybrid cars of the entire VW's medium segment.

During the period, investments in tangible fixed assets, also considering the change in advances and construction in progress, amounted to more than Euro 16 million, largely for the new VW part.

Die-casting business

With reference to the die-casting business, the activities of the period were focused on the maintenance and development of raw parts supply capability with FCA and, above all, on guaranteeing the appropriate flow of supply of die-cast parts intended for final mechanical processing, in particular, in managing the requirements connected with the start of production of the new VW upper cylinder heads.

During the year, the R&D project called "ICARO" was also launched, as described in more detail in the section dedicated to Research and Development activities.

Investments in property, plant and equipment during the period amounted to Euro 1.9 million, considering the change in advances and assets under construction. In particular, during the year a new medium tonnage die-casting island was completely implemented, together with pertaining shears, accessories and automation devices.

Financing activities in support of the Group's investment policies for the year and those underway involved taking out medium-term loans for a total of € 32.9 million, while repayments amounted to €16.9 million.

Management control and coordination activities

Pursuant to para. 5 of art. 2497-bis of the Italian Civil Code, we can confirm that the Group, through the parent company Endurance Overseas S.r.l., belongs to the ENDURANCE Group (India) and is subject to management control and coordination by ENDURANCE TECHNOLOGIES LIMITED (India), whose shares have been listed on the National Stock Exchange of India Ltd. (NSE) and the BSE Ltd. (BSE) since October 2016.

These management control and coordination activities did not have any particular impact on the Company's activities and results. We can also confirm that no decisions were made that were influenced by the Company that performs management control and coordination activities and for which there is a need to justify the reasons for them and the interests that impacted them.

Consolidated financial position

To facilitate a better understanding of the Group's financial position, a reclassified balance sheet is set out below.

Consolidated Balance Sheet - Assets

(Amount in EUR)

Item	FY 2017/2018	%	FY 2016/2017	%	Change	Change%
WORKING CAPITAL	**116,147,283**	**57.54%**	**90,877,069**	**50.68%**	**25,270,214**	**27.81%**
Immediate liquidity	**51,082,816**	**25.31%**	**26,311,694**	**14.67%**	**24,771,122**	**94.14%**
Cash and cash equivalents	51,082,816	25.31%	26,311,694	14.67%	24,771,122	94.14%
Deferred liquidity	**38,015,116**	**18.83%**	**41,469,998**	**23.13%**	**(3,454,882)**	**(8.33%)**
Current receivables included in working capital	32,760,186	16.23%	40,597,174	22.64%	(7,836,988)	(19.30%)
Current receivables included in financial fixed assets	4,500,000	2.23%	-	0.00%	4,500,000	-
Prepaid expenses and accrued income – current	754,930	0.37%	872,824	0.49%	(117,894)	(13.51%)
Inventory	**27,049,351**	**13.40%**	**23,095,377**	**12.88%**	**3,953,974**	**17.12%**
FIXED ASSETS	**85,699,543**	**42.46%**	**88,441,673**	**49.32%**	**(2,742,130)**	**(3.10%)**
Intangible assets	4,977,917	2.47%	7,996,728	4.46%	(3,018,811)	(37.75%)
Tangible fixed assets	78,170,416	38.73%	77,838,214	43.41%	332,202	0.43%
Financial fixed assets	1,480	0.00%	9,358	0.01%	(7,878)	(84.18%)
Non-current receivables included in working capital	2,549,730	1.26%	2,597,373	1.45%	(47,643)	(1.83%)
CAPITAL EMPLOYED	**201,846,826**	**100.00%**	**179,318,742**	**100.00%**	**22,528,084**	**12.56%**

The item Current receivables included in financial fixed assets includes the value of the financial bills subscribed by the Group as part of its policy of available liquidity utilization, which are classified as current in consideration of the maturity of mentioned instruments (expiration in 2018/2019).

With reference to the changes occurred during the 2017/2018 financial year, a reduction in current receivables was noted, connected to the evolution of the Group's customer portfolio, which changed in favour of customers with shorter collection times, mainly offset by the increase in the value of inventories, whose trend refers to the Group's procurement policy based on the expectation of production flows of the fore-coming months.

With reference to non-current assets, there was a reduction in the value of intangible fixed assets, based to their amortisation process (in particular with reference to the goodwill), while, as regards tangible fixed assets, investments during the year were substantially offset by the trend of amortisation (amounting to € 15.6 million), which was affected by the significant investments made during the course of the prior years.

With regard to changes occurred in liquidity, reference should be made to the notes to the cash flow statement.

Consolidated Balance Sheet - Liabilities and Quotaholders' Equity

(Amount in EUR)

Item	FY 2017/2018	%	FY 2016/2017	%	Change	Change%
CURRENT LIABILITIES	**106,905,946**	**52.96%**	**94,783,100**	**52.86%**	**12,122,846**	**12.79%**
Current payables	105,659,012	52.35%	93,104,929	51.92%	12,554,083	13.48%
Accrued expenses and deferred income - current	1,246,934	0.62%	1,678,171	0.94%	(431,237)	(25.70%)
NON-CURRENT LIABILITIES	**48,648,497**	**24.10%**	**48,325,498**	**26.95%**	**322,999**	**0.67%**
Non-current payables	43,040,432	21.32%	42,281,821	23.58%	758,611	1.79%
Provision for risks and charges	2,659,774	1.32%	2,656,759	1.48%	3,015	0.11%
Employee termination indemnity	2,018,485	1.00%	1,904,716	1.06%	113,769	5.97%
Accrued expenses and deferred income - non-current	929,806	0.46%	1,482,202	0.83%	(552,396)	(37.27%)
QUOTAHOLDERS' EQUITY	**46,292,383**	**22.93%**	**36,210,144**	**20.19%**	**10,082,239**	**27.84%**
Equity attributable to the Group	**46,292,383**	**22.93%**	**36,210,144**	**20.19%**	**10,082,239**	**27.84%**
Quota capital	16,105,263	7.98%	16,105,263	8.98%	-	0.00%
Reserves	6,364,892	3.15%	6,354,215	3.54%	10,677	0.17%
Retained earnings (accumulated losses)	13,739,987	6.81%	5,719,720	3.19%	8,020,267	140.22%
Net income (loss) for the year	10,082,241	4.99%	8,030,946	4.48%	2,051,295	25.54%
Equity attributable to minority interest	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL SOURCES	**201,846,826**	**100.00%**	**179,318,742**	**100.00%**	**22,528,084**	**12.56%**

During the year, increases were recorded both with reference to current liabilities - in particular with reference to the trend of payables linked to the investments made in the last part of the year, consistent to the growth of the Group's turnover - and with reference to equity, following the increase due to the recording of a positive economic result during the year.

Key indicators of consolidated financial position

On the basis of the above reclassification, indicators of consolidated financial position are set out below:

RATIO	FY 2017/2018	FY 2016/2017	% Change
Fixed asset coverage	56.77%	54.64%	3.89%
Amounts payable to banks to working capital	45.03%	28.41%	58.48%
Debt ratio	4.36	4.95	(11.95%)
Financial debt ratio	3.36	3.95	(14.98%)
Equity to capital employed	22.93%	20.19%	13.58%
Financial charges to turnover	0.55%	0.72%	(24.28%)
Current ratio	33.03%	45.57%	(27.52%)
Primary coverage ratio	0.54	0.41	31.91%
Secondary coverage ratio	1.11	0.96	15.88%
Net working capital	(17,808,014)	(27,001,408)	(34.05%)
Acid test margin	9,241,337	(3,906,031)	(336.59%)
Acid test ratio	47.78%	27.54%	73.53%

Consolidated Cash Flow statement

(Amount in EUR)

Item	FY 2017/2018	FY 2016/2017	Change	% Change
Cash and cash equivalents at beginning of period	**26,311,694**	**16,139,345**	**10,172,349**	**63.03%**
a. Cash flows from operating activities	35,756,887	26,002,347	9,754,540	37.51%
b. Cash flows from investing activities	(20,276,865)	(9,117,296)	(11,159,569)	122.40%
c. Cash flows from financing activities	9,291,100	(6,712,702)	16,003,802	(238.41%)
Increase (decrease) in cash and cash equivalents (a ± b ± c)	**24,771,122**	**10,172,349**	**14,598,773**	**143.51%**
Cash and cash equivalents at end of period	**51,082,816**	**26,311,694**	**24,771,122**	**94.14%**

With reference to the cash flows for the year, it should be noted that the Group recorded a net cash generation of € 24.8 million, determined by the cash flow from operating activities, partially offset by investment expenses; with reference to the trend in financial indebtedness, there was an increase due to the combined effect of the reduction in short-term bank debt (approximately € 4.5 million), and the effect of financial funding policy implemented by the Group in consideration of favorable market conditions and in view of future investments (in particular an increase for new contracts signed - € 32.8 million in the year - net of contractually agreed reimbursements - € 19.1 million– was recorded).

Results

To facilitate a better understanding of the company's results of operations, a reclassified income statement is set out below.

Income Statement

(Amount in EUR)

Item	FY 2017/2018	%	FY 2016/2017	%	Change	Change%
VALUE OF PRODUCTION	**215,085,029**	**100.00%**	**201,578,371**	**100.00%**	**13,506,658**	**6.70%**
- Consumption of raw materials	108,895,590	50.63%	105,469,497	52.32%	3,426,093	3.25%
- General expenses	33,271,472	15.47%	30,267,500	15.02%	3,003,972	9.92%
ADDED VALUE	**72,917,967**	**33.90%**	**65,841,374**	**32.66%**	**7,076,593**	**10.75%**
- Payroll costs	34,907,641	16.23%	32,536,127	16.14%	2,371,514	7.29%
- Provisions	300,000	0.14%	-	0.00%	300,000	-
GROSS OPERATING MARGIN	**37,710,326**	**17.53%**	**33,305,247**	**16.52%**	**4,405,079**	**13.23%**
- Depreciation, amortisation and writedowns	18,580,719	8.64%	16,840,320	8.35%	1,740,399	10.33%
- Other operating expenses	1,850,883	0.86%	1,703,052	0.84%	147,831	8.68%
INCOME BEFORE FINANCIAL ITEMS	**17,278,724**	**8.03%**	**14,761,875**	**7.32%**	**2,516,849**	**17.05%**
+ Financial items	(1,051,349)	(0.49%)	(1,407,369)	(0.70%)	356,020	(25.30%)
+ Adjustment and to financial assets and liabilities	(85,094)	(0.04%)	14,868	0.01%	(99,962)	(672.33%)
INCOME BEFORE TAX	**16,142,281**	**7.51%**	**13,369,374**	**6.63%**	**2,772,907**	**20.74%**
- Taxation	6,060,040	2.82%	5,338,428	2.65%	721,612	13.52%
NET INCOME	**10,082,241**	**4.69%**	**8,030,946**	**3.98%**	**2,051,295**	**25.54%**

The income statement for the period shows a growth in the value of production (+6.7%) that is significantly higher than the trend in the registration of new cars on the EU market, which grew by 1.4% in the same period. The increase in the value of production is due to the good performance of sales to the FCA, VW and BMW groups in the first half of the year and to the significant growth in sales to VW Group in the second half of the year (a jump of more than 70% compared to the same period of the previous year, due to the gradual entry into operation of the new overhead supply) and BMW Group, while GM Group recorded a contraction.

Production costs increased less than proportionally, resulting in an increase in the Gross Operating Margin of more than 13%. Amortization, depreciation and other operating costs increased due to higher charges deriving from the use and start-up of new production lines.

The net result increased by more than 25% compared to the previous year, reaching Euro 10.1 million.

Key indicators of results

On the basis of the above reclassification, indicators of financial position are set out below:

RATIO	FY 2017/2018	FY 2016/2017	% Change
R.O.E.	21.78%	22.18%	(1.80%)
R.O.I.	22.74%	21.81%	27.29%
R.O.S.	8.07%	7.39%	9.23%
R.O.A.	8.56%	8.23%	3.99%

Information required by Art. 2428 of the Civil Code

Set out below is the detailed information specifically required by Art. 2428 of the Italian Civil Code.

Main risks and uncertainties that the Group is exposed to

As required by the first paragraph of Art. 2428 of the Italian Civil Code, set out below is a description of the main risks and uncertainties to which the Group is exposed:

RISKS RELATED TO THE GENERAL TREND OF THE ECONOMY: The Group's results are influenced by trends in the domestic and international economies. Developments regarding GDP, the cost of raw materials, the unemployment rate, interest rates and low level of confidence shown by consumers and enterprises can affect the sales performance of final customers and, thus, the Group's sales performance.

RISKS RELATED TO THE SECTOR IN WHICH THE COMPANY OPERATES: The metal alloys and metal parts machining sector, as well as the plastic moulding sector, in which Group companies operate, are characterised by heated competition that is partly attributable to the sales trends in the automotive market. As much as the Endurance Group has taken action deemed necessary to improve its level of flexibility, a significant fall in end customers' needs and consequent further pressure on prices caused by heated competition could adversely impact the Group's results and financial position.

RISKS RELATED TO THE ABILITY TO CREATE INNOVATIVE PRODUCTS: The automotive components sector is characterised by continuous product development needed to satisfy product performance required by car manufacturers and by environmental legislation (governing emissions). Future Group's investments (continuing the activities carried out during the year) will seek to develop the portfolio of products and diversify the types of production, thereby increasing the ability to meet the needs of customers. Failure to develop products and to meet needs in terms of price, quality and functionality imposed by end customers could adversely impact the future prospects of Group companies.

FINANCIAL RISKS: The Group is exposed to the following financial risks in the conduct of its operations:

- credit risk in relation to normal commercial transactions with customers;
- liquidity risks, with particular reference to the availability of financial resources and access to the market for managing credit and financial instruments in general;
- market risk, mainly relating to changes in interest rates and, to a lesser extent, exchange rates.

The Group constantly monitors its exposure to financial risks, in order to evaluate in advance any potential adverse effects and take appropriate action to mitigate them.

Credit Risks

Given the nature of the industrial activities carried out by the operating companies - production of metal and plastic components for engines and gearboxes for car makers, by managing the entire production chain, especially for metal components – the receivables of the Group are structurally concentrated since its customers comprise a limited number of industrial groups. The integration of the activities of the individual companies within the Endurance group results in a better degree of diversification, as the intercompany supply of products results in reaching a wide range of third-party final customers.

The Group constantly monitors the level of outstanding receivables and adjusts the related allowances for collection risks.

Liquidity risks

The two main factors that determine the Group's liquidity position are, on one hand, the resources generated or absorbed by operations and by investments and, on the other hand, the timing of the repayment and renewal of debt and of the liquidity of financial investments.

The Group seeks the most appropriate sources of finance bearing in mind the current and prospective financial position. Any difficulties encountered in obtaining financing needed to support current operations and investment requirements could adversely impact the Group's results and financial position.

Management believes that funds currently available, the keeping of suitable contacts for access to credit, as well as funds generated from operating activities, will allow the Group to meet the needs of investing activities, of working capital management and of timely repayment of outstanding debts.

Market risks

In the conduct of its activities, the Group is exposed to various market risks, particularly the risk of fluctuations in interest rates and, to a lesser extent, exchange rates.

Risks relating to changes in interest rates

The Group utilises financial resources provided by third parties mainly in the form of bank long and short term borrowings and employs the funds to finance operations and investment and development initiatives. Furthermore, the Group may factor its trade receivables. Changes in market interest rates impact the cost of various forms of financing and of factoring and thus affect the level of the Group's financial charges.

To face these risks, the Group strives to maintain a suitable relationship between the financing structure and the structure of capital employed, compatibly with opportunities offered and actual market conditions.

With this aim, the Group has appropriately structured its financing, mainly at floating rates, with repayment due in the medium/ long term at favourable conditions (with the objective of optimising current conditions and mitigating the high volatility of interest rates).

Lastly, where considered appropriate, the Group makes use of interest rate derivatives (Interest rate swaps and caps) with the aim of hedging the risks described.

Risks relating to changes in exchange rates

Based on the functional currency used by the Group for the majority of its transactions (Euro), it does not currently appear to be subject to significant risks relating to exchange rate fluctuations.

Key non financial indicators

Pursuant to art. 2428 of the Civil Code, it is hereby confirmed that, due to the specific activities performed, the presentation of non-financial indicators is not deemed relevant for an understanding of the Group's results and financial position.

Information on the environment and safety at work

The Endurance Group, in the context of the specific policies in place, operates with particular attention in order to ensure that production and operating activities are carried out in compliance with all applicable regulations, with the aim of introducing and maintaining a culture of continuous improvement of environmental performance, process and product safety of the Group and to protect the safety of persons and plants.

During the financial year ended 31st March, 2018, activities continued to aim at monitoring and maintaining adequate standards for environmental protection in compliance with the provisions of the BS OHSAS 18001:2007 scheme in relation to the environmental management system, as well as preparatory activities for the transition to application of the new ISO 14001:2015 reference standard.

Training sessions were held for personnel on general and job-specific safety training, specific training for supervisors on how to exercise the activity of monitoring compliance by workers with the provisions of company law on health and safety at work, refresher courses for forklift truck drivers, training on the use of RLF lifting and updating equipment/means and training for newly appointed employees.

Works performed on the plants in relation to their safety guarantee included the following principal actions:

- With reference to the sites of the subsidiary Endurance Fondalmec S.p.A.:
    - Construction of the new compressor cabin with installation of energy-saving machines to replace those in the individual departments.
    - Installation of the power factor correction unit in the workshop 6.2 (VW)
    - Realization of the centralized system for the preparation and distribution of coolant in workshop 2 with water saving and less use of hazardous substances.
    - Installation of the chemical storage container with a suitable containment basin.
    - Installation of the air extractors on the workshop cover 3.5 to improve the microclimate.
    - Improvement of horizontal and vertical signage both inside and outside the production areas.
- With reference to the sites of the subsidiary Endurance FOA S.p.A.:
    - Chivasso Factory 1 - Via Regione Pozzo: installation of skylights on the foundry roof and extraction towers in the melting furnaces department to improve climatic conditions; extension of the modification of the workpiece unloading system to almost all the die-casting islands; improvement of protection in the aluminium removal area on maintenance furnaces; implementation of the anti-fall system on the electric maintenance furnaces; review of the waterproofing of the tank for temporary storage of waste water from the foundry; replacement of the lighting fixtures in the departments with LED lamps (with an estimated saving generation of around 140,000 KWh/year); installation of a vacuum evaporation plant for the treatment of foundry waste, with the objective of reducing the total quantity of hazardous waste sent to an authorised external landfill.
    - Chivasso Factory 2 - Via F.lli Bonaudo: safety overhaul of pedestrian crossings near changing rooms and department offices with installation of handrails and guard rails.

- Grugliasco plant: reconstruction of the sound evacuation system, installation of a containment duct around the mould washing area with connection to the collection tank, complete review of the waterproofing of the temporary storage tank for the waste water deriving from the foundry and technological updating of the fume abatement system for the melting furnaces.

- With reference to the sites of the subsidiary Endurance Engineering S.r.l.: replacement of 2 forklift trucks and activities to reduce the risk of exposure to chemical agents by conveying them outside through dedicated suction of 2 moulding presses in Department A.

In addition, with reference to fire-fighting activities, the planned evacuation drills for the departments were carried out, covering all the work shifts in the entirety of Group's plants.

With regard to health surveillance and accident monitoring, the Risk Assessment Document was updated and accident monitoring and analysis continued with the S EWO and Safety Reports for the definition of causes and countermeasures.

Personnel

The Group's workforce averaged 490 employees during fiscal year 2017/2018, compared with 483 in the previous year, as detailed below:

Employees	FY 2017/2018	FY 2016/2017
Managers	15	16
White collar	101	93
Blue collar	374	374
Total	**490**	**483**

As of 31st March, 2018, the Group employed 493 people.

During the period 2017-2018 the main training activities were addressed to Manufacturing, Engineering and Quality topics, with the aim of adapting the standards of general and specific skills also in relation to the variables linked to the continuous improvement of production and company processes. Particular attention and targeted interventions have been provided for the certification of the "Process Auditors", in relation to the provisions of the IATF standard, being an indispensable requirement for the companies of the sector in which the Group operates.

In particular, in addition to what was already indicated in the previous section dedicated to information on the environment and safety at work, training activities were carried out on the following types of themes and subjects:

In the Production area, continued the plan for development of skills, start-up of new processing lines, management of system procedures, specific training carried out with suppliers of mechanical processing plants and automation lines; in particular through the following:

- Operational management of automation and mechanical processing lines with external and on-the-job training activities aimed at developing the specific skills of specialised and operational personnel and the training of new dedicated figures.

- Self-maintenance of the processing plants and approaches to the management of the "tools" provided for by "Lean Manufacturing" with particular attention to the 5S method.

- Radiation protection training for personnel operating radiogenic machines and PND level 2 training on radioscopic methodology (RX machine functionality for image transfer and software processing).

- Procedure for loading material into melting furnaces.

- On-the-job training on attendance checks, use of RX machinery, V.N.C. management, suspended areas.

Quality/Engineering subjects:

- Internal quality: Improvement of internal management processes of the compliance variables of the processing products, of the different control methodologies, of the documentation of the quality system through on-the-job training.

- Metrology area: Internal/external training related to the use of Zeiss measuring machines - Accuracy, creation and modification of part-programs, plant management.

- Training activities related to the development of technical skills, in particular:

    - SPC - Statistical Process Control

    - MSA - Measurement System Analysis

    - Problem Solving & FMEA

    - Process audits on VDA 6.3 standards

    - PSB - Product Safety Representative

    - Drafting of plant manuals and their operation

    - Lean Manufacturing & Six Sigma

- Transversal skill development and special projects:

    - English and German language courses;

    - Soft skills training - Leadership in employee management;

    - High degree apprenticeship programmes as part of the "ICARO" project (see the section on "Research and Development activities").

The courses carried out involved a total of over 9,800 hours of company personnel, with training activities carried out internally, externally and on-the-job.

Research and Development activities

Pursuant to paragraph 3.1 of art. 2428 of the Civil Code, it is hereby confirmed that research and development activities applied to products and the production process were performed during the financial year.

During the first part of 2017-18, we completed the activities relating to the "Future Manufacturing Endurance" project, a strategic initiative of the Endurance Group started in 2015/2016 with the aim of responding to new trends in the automotive sector, increasingly directed towards orders featuring high volumes and increasing needs in terms of price competitiveness, technical features and product complexity and quality standards tending towards zero defect objectives.

This strategic R&D project was developed to support the process of technological, productive and qualitative growth and to provide the Company with an advanced production system; in other words, innovative, efficient production processes capable of guaranteeing high productivity and flexibility, at the same time ensuring total management of the quality of the finished product. These objectives have been achieved through the study, design, experimentation and development of a new pilot production line, whose procedural solutions are currently being implemented in mass production.

The project, which the Turin Polytechnic and the University of Padua (Department of Technology and Management of Industrial Systems) also took part in, has allowed the development of a complex process for the use in mass production of advanced solutions able to operate at high performance regimes with optimised cycles and times and through high precision machines, automation of handling and feeding of work centres with the development of software applications and mechanical systems for the overall management of line movement, automated quality control, re-working, monitoring and its re-configurability. Analytical methods were also implemented in order to predict the conformity of components by developing correlations between process simulations and their behaviour under test conditions. A number of additional objectives are also being validated at increasing rates of production: energy saving, reduction in production noise and the more efficient recoverable of consumables.

With regard to the activities carried out in previous years and in the year under review, costs were capitalised for a total of Euro 2.7 million and amortisation began on 1st October, 2016 at the time of recording of the first revenues from the implementation of the pilot line. After that date, the additional costs incurred to finalise the technological solutions introduced and to verify the complete industrialisation of the processes involved (mainly the cost of internal personnel), up to the first quarter of the year 2017/2018, were charged to the income statement (with the exception of Euro 27 thousand costs, relating to the completion of a specific activity by the Turin Polytechnic, which were capitalised in line with the residual useful life of the project).

This initiative was included in a programme to support technological research by the Ministry of Economic Development, for which the approval process was completed during the current year, by issuing the related Concession Decree; recognition of the expected support (in the form of a grant towards incurred expenses and a subsidised loan) will be recognized, subject to verification that the proposed innovation targets have been achieved, as a result of the audit activities by the ministerial bodies, expected to occur in the second quarter of year 2018/2019.

With reference to the additional special projects that involved the Group, it should be noted in particular that, with reference to the industrial research and experimental development project for the industrialisation of innovative products in aluminium alloy ("ICARO") as part of the Regional Operational Programme ERDF 2014/2020 - Action I.1b.1.1- "IR2" Industrialisation of Research Results, the approval process of the co-financing (by means of a sinking-front grant) was completed during the year by the competent bodies (Regione Piemonte and Finpiemonte S.p.A.).

This project, in which Endurance FOA S.p.A. (which has taken on the role of lead partner of a temporary joint venture made up of 4 players in the sector in the region) and Endurance Fondalmec S.p.A. are participating, envisages a pre-production investment time horizon of approximately 36 months (until the end of 2020), involved the Group operationally from April, 2017 and, in January, 2018, the periodic reporting procedures were started with the entities concerned, for which official approvals are currently being awaited.

Among the objectives of the project, which concern verification of the application of innovative procedural and production solutions to die-casting technology and related mechanical processing, there is also the establishment and implementation of a die-cast R&D centre - at the service of the mechanical engineering supply chain, in particular - which will be set up at the Endurance Group's facilities in Chivasso. In the context of the project, in relation to the objectives of the ban, 4 resources dedicated to Research and Development were hired through an apprenticeship scheme in high training, in collaboration with the ITS Camerana Institute in Turin and the Polytechnic of Turin, and collaboration activities with other University bodies were activated.

In addition to the special projects described above, further process and product development activities were carried out by the various company departments involved, which acted in accordance with the following main guidelines:

- Re-definition of the structures of the Technical Office (with the addition of resources with experience in Advanced Quality, Process Engineering and Project Management) and of the budgeting procedures.

- Introduction of new production solutions for current products, with the aim of increasing both capacity and efficiency.

- Start of the industrialisation of 15 new products (in terms of machining activity), referring to all the Group's main customers.

In addition to the above, further processes and product development activities were carried out by the various company departments involved, which acted along the following main lines:

- Completion of the reorganisation of the Technical Offices with the introduction of an integrated product development platform structure (with the co-operation of the German affiliate Endurance Amann Gmbh), also through the hiring of new resources (process engineer) through a high level training programme in collaboration with the Polytechnic of Turin (developed within the ICARO Project, previously described);

- Insertion and training of 3 new resources for Process, Tooling and Quality Engineers in the programme of advanced training in collaboration with ITS - Istituto Camerana di Torino (within the ICARO project described).

- Definition and implementation of virtual simulation codes of the company's processes: following benchmarks on cases of interest, a specific software (PiQ2) was acquired and installed, whose simulation methodology was applied to all new products under development and to support the qualitative improvement of on-going products.

- Start of benchmarking activities on new dimensional inspection techniques (using laser scanning and structured light technologies).

With reference to design activities in the process and product areas, we would like to point out the following implementations:

- Completion of the process of bringing the new process solution for the certified fitting of bushings on new generation BMW (Deckel) components into operation.

- Completion of the set-up of the mechanical processing line for the Lagherrhamen capacitive increase (destined to Thyssen /VW Group); full production of the first step of the upper cylinder overhead line VW-ZSB Zylinderkopfhaube EA211 EVO, also designed and installed the module for the implementation of the next step 2.

- Ramped-up the production Step 1 phase of the VW upper cylinder overhead in the die-casting field with application of vacuum technology;

- Design and production start-up of the VW - VR6 mechanical machining and tappet cover assembly line.

- Updating of the Wandergehause Daimler production line with configurational adjustments relating to the alignment of the PFMEA and Control Plan.

- Following the positive experience on the pilot island, the use of the new unloading method for punched castings was extended with the aim of reducing the problems of deformation of the raw parts, as well as the use of a lubrication head dedicated to critical products for this process phase was extended, optimizing the use through the use of specific devices.

- Carry out sampling procedures on 21 new products dedicated to all the Endurance Group's main customers.

With particular reference to the segment of plastic processing, following activities should be noted:

- Preparation and consolidation of the company's partnership team with some reference providers for the co-development of technological updates and the sharing of analyses and strategies for both potential future businesses and support for the development of current ones.

- Consolidation of the supply specifications and of the testing procedure during the start-up phase of new products.

- Technological updating of some production lines.

- Development of new moulds using the direct poppet injection system in the figure and with sequential injection moulding and vacuum technology.

Pursuant to paragraph 3.1 of art. 2428 of the Italian Civil Code, we can confirm that the above research and development activities applied to products and production process, R&D costs totalled around Euro 1.7 million, of which Euro 27 thousand were capitalised, relating to payroll costs for the employees involved, equipment and other plant and machinery (for the portion related to yearly depreciation costs) used in testing activities.

With regard to the various R&D activities mentioned here, the Group has benefited from the tax credit envisaged by the Decree of 27th May, 2015, issued by the Minister of the Economy and Finance together with the Minister of Economic Development, as per article 3 of Law-Decree 145 of 23rd December, 2013 (the so-called "Decreto Destinazione Italia"), as amended by article 1, paragraph 35 of Law 190 of 23rd December, 2014 (the "Legge di Stabilità 2015"). During the year, the Group recorded related grant incomes for about Euro 435 thousand.

Transactions with related parties

With regard to the provisions of art. 2428, para. 3, point 2) of the Italian Civil Code, reference is made below to the information on related party transactions.

Certain related party transactions were entered into in the year; these were arranged on arm's length terms and conditions and, in particular, they mainly include services provided to entities under common control (Endurance Amann GmbH in particular), as follows:

Receivables and Payables towards Related parties

(Amount in EUR)

Description	31st March, 2018	31st March, 2017	Change
Receivables from companies under common control	1,217,323	1,339,375	(122,052)
Liabilities due to companies under common control	(6,557,672)	(7,288,300)	730,629
Liabilities due to other related parties – current portion	(4,900,000)	(2,450,000)	(2,450,000)
Liabilities due to other related parties – non-current portion	-	(4,900,000)	4,900,000
Total	**(10,240,349)**	**(13,298,925)**	**3,058,576**

Receivables from entities under common control relate to transactions occurred with Endurance Amann Gmbh regarding material supplies and activities carried out by the Group under the Service Agreement in favour of the German company.

Liabilities due to entities under common control are as well related to Endurance Amann GmbH and refer to the cash pooling position of the German company towards Endurance Overseas S.r.l. (Euro 3,558 thousand, as of 31st March, 2018) and the outstanding amount of a loan granted by Endurance Amann Gmbh to the Group (Euro 3,000 thousand, as of 31st March, 2018).

Payables to other related parties refer to the short-term portion (Euro 4,900 thousand) of payables due to the Bonotto family (referring to one of the members of the Board of Directors of the Parent Company) deriving from the acquisition of Haminoea S.r.l. (later merged into the Parent Company, Endurance Overseas S.r.l.). The classification of these payables takes into account the change in the original repayment schedule, which led to the early repayment of the entire outstanding debt on 4th April, 2018, as indicated in the following paragraph.

Finally, with reference to transactions with other related parties during the financial year, we note the recording in the income statement of costs for rent costs of Euro 114 thousand, related to the rent contract of the operating headquarters of the Parent Company in Turin, signed with V&P S.r.l.

Significant subsequent events

Please note that in April, 2018, on the basis of agreements reached with the counterparty, payment of the residual amount (Euro 4,900 thousand) of the outstanding payables to the Bonotto family which arose in the context of the acquisition of the shares of Haminoea S.r.l., was made; mentioned transaction occurred in advance with respect to the original contractual provisions, which provided for the reimbursement in October, 2018 and in October, 2019.

It should also be noted that:

- on 27th April, 2018, with a deed signed with the Notary Smirne in Turin, a building in Chivasso (for office and industrial use) where the Group carries out its activities was purchased for early redemption under a leasing contract with Unicredit

Leasing S.p.A. This operation resulted in a cash outflow of Euro 3,676 thousand, representing the redemption value of the asset paid to the leasing company;

- on 27th April, 2018, with a deed signed with the Notary Smirne in Turin, a building for office and industrial use located in Lombardore was purchased for early redemption under a leasing contract with Unicredit Leasing S.p.A.; such operation determined a cash outflow of Euro 849 thousand.

Business outlook

According to estimates made by the International Monetary Fund, the growth prospects of the world economy remain positive (+3.9% in 2018 and +3.9% in 2019) due to the expansionary fiscal policies recently launched in the USA (with expected growth of +2.9% in 2018 and +2.7% in 2019) and the persistence of the monetary impulse conditions that have been going on for several years, particularly in the EU (where growth is expected to be +2.4% in 2018 and +2.0% in 2019) and Japan (where growth is expected to be +1.2% in 2018 and +0.9% in 2019).

These incentives should continue to support domestic consumption, in addition to the benefits of the favourable outlook for foreign demand.

Italy is expected to confirm lower-than-average growth rates (+1.5% in 2018 and +1.1% in 2019), due to austerity policies in public accounts that will limit the implementation of expansionary manoeuvres.

Emerging economies should continue to grow at a sustained pace due to the better prospects expected in the commodity market (Brazil +2.3% and +2.5% and Russia +1.7% and +1.5% respectively in 2018 and 2019). China, on the other hand, is expected to slow down moderately (+6.6% in 2018 and +6.4% in 2019) as a result of the rebalancing of the economy due to the transition from an investment-driven growth to a consumption-based one. On the contrary, India is expected to accelerate (+7.4% in 2018 and +7.8% in 2019) due to the robust growth expected in private consumption, favoured also by the end of the transitory effects deriving from the implementation of the tax on goods and services.

After years of sustained growth that have allowed, at European level, a return to volumes of registration and production not seen since 2007, the automotive sector growth is expected to slow down. The European Automobile Manufacturers' Association (ACEA) forecasts a growth in registrations of around 1% in 2018.

This forecast is supported by the trend in registrations in the first part of 2018 (from January to March), which showed average growth rates in Europe of +0.7% (compared to +8.4% in the same period of the previous year), with positive figures for some markets (Germany +4.0%, France +2.9% and Spain +10.5%) and less comforting situations for others (UK -12.4%), including Italy (-1.5%). During this quarter, VW increased its sales targets by 5.4%, PSA (without the newly acquired Opel) by 6.6%, while BMW fell by 1.6%, FCA by 4.3% and Opel (old scope) by 9.6%. Daimler is substantially unchanged.

The market scenario will also be affected by the trend in the import/export balance of vehicles with non-EU countries.

The overall outlook therefore remains favourable, even if less dynamic, thus consolidating the positive results of the recent past. Positive results are therefore also expected for the new year. However, it is necessary to recall those risk factors which are still unresolved and which may have an impact on the overall macroeconomic situation. Situations of geopolitical and protectionist conflict, contrasts and imbalances in the European context, a return to expansionary monetary policies and financial markets tensions due to the high level of indebtedness of the public and private sectors, could determine adverse market conditions.

Among the factors that will continue to condition future prospects, it is necessary to remember also the evolution of the regulations applicable to the automotive sector. This will force manufacturers to change the design of their vehicles, engines and exhaust systems, increasingly moving towards alternative vehicles (electric, hybrid and gas) whose prospects are also favoured by public incentives, now introduced in many countries (such as exemption from circulation taxes for many years, incentives for the purchase and scrapping of old combustion vehicles, in particular for diesel ones). Although some manufacturers have already announced the termination of diesel engines production in the medium term, the development of combustion engines has not been definitively abandoned, as shown by recent announcements regarding systems and devices that should also allow criticized diesel engines to operate within the emission limits of the most stringent regulations to be applied.

The gradual approach to extreme technical solutions requires the ability to differentiate one's own production abilities, adapting them to the changing needs of the market. The applied research and process development projects undertaken by the Group, together with the various technical partners, are aimed precisely at acquiring the new skills that we envisage will represent a determining factor in the future evolution of the market.

Use of financial instruments material to the measurement of the results and financial position

Pursuant and consequent to paragraph 3.6-bis of Art. 2428 of the Civil Code, we can confirm that the Group has a policy in place to hedge the interest-rate risks relating to medium-term loans by arranging IRS and CAP contracts in relation to some of these loans. The fair value of these hedging instruments is reported in the explanatory notes.

Lombardore (Turin), 11th May, 2018

For the Board of Directors

Chief Executive Officer

Signed by Massimo Venuti

Standalone Financial Statements

for the year ended 31st March, 2018

Condensed balance sheet

(Amount in EUR)

	31st March, 2018	31st March, 2017
ASSETS		
B) Fixed assets		
I Intangible assets	1,025,403	1,112,751
II Tangible fixed assets	13,445,221	13,775,729
III Financial fixed assets	38,554,358	36,054,358
Total fixed assets (B)	**53,024,982**	**50,942,838**
C) Current assets		
II Receivables	3,802,720	3,669,197
due within one year	3,684,750	3,636,994
due beyond one year	28,570	32,203
Deferred tax assets	89,400	-
IV Cash and cash equivalents	20,663,359	5,353,557
Total current assets (C)	**24,466,079**	**9,022,754**
D) Prepaid expenses and accrued income	**209,438**	**169,077**
Total assets	**77,700,499**	**60,134,669**
Liabilities and quotaholder's equity		
A) Quotaholder's equity		
I Quota capital	16,105,263	16,105,263
II Share premium reserve	304,737	304,737
III Revaluation reserves	-	-
IV Legal reserve	309,977	299,300
V Statutory reserves	-	-
VI Other reserves	5,563,997	5,563,997
VII Cash flow hedge reserve	-	-
VIII Retained earnings (accumulated losses)	2,508,240	2,305,379
IX Net income (loss) for the year	3,513,221	213,538
Total quotaholder's equity	**28,305,435**	**24,792,214**
B) Provision for risks and charges	**2,002,375**	**2,097,580**
C) Employee termination indemnities	**37,655**	**31,171**
D) Payables	**47,324,537**	**33,213,704**
Due within one year	30,387,957	23,394,747
Due beyond one year	16,936,580	9,818,957
E) Accrued expenses and deferred income	**30,497**	**-**
Total liabilities and quotaholder's equity	**77,700,499**	**60,134,669**

Condensed income statement

(Amount in EUR)

	FY 2017/2018	FY 2016/2017
A) Value of production		
1) Revenues from sales of goods and services	9,946,016	8,071,425
2) Change in inventories of work in progress, semi-finished and finished products	-	-
3) Change in contract work in progress	-	-
4) Increases in non-current assets from in-house production	-	-
5) Other income and revenues	-	-
Grants	-	-
Other	363,632	589,553
Total other income and revenues	363,632	589,553
Total value of production	10,309,648	8,660,978
B) Cost of production		
6) Raw and ancillary materials, consumables and goods for resale	33,580	24,792
7) Services	546,596	717,918
8) Lease and rental charges	477,665	204,934
9) Payroll	-	-
a) Wages and salaries	6,200,948	4,688,711
b) Social contributions	881,402	781,657
c) Employee termination indemnity	169,214	148,261
d) Pensions and similar commitments	-	-
e) Other costs	31,304	18,743
Total payroll costs	7,282,868	5,637,372
10) Depreciation, amortisation and writedowns	-	-
a) Amortisation of intangible fixed assets	98,517	103,388
b) Depreciation of tangible fixed assets	788,447	814,062
c) Other writedowns	-	-
Total depreciation, amortisation and writedowns	886,964	917,450
11) Change in inventory of raw and ancillary materials, consumables and goods	-	-
12) Provisions for risks and charges	-	-
13) Other provisions	-	-
14) Other operating expenses	206,037	204,347
Total cost of production	9,433,710	7,706,813
Difference between production value and cost (A - B)	875,938	954,165
C) Financial income and charges		
15) Income from equity investments	-	-
From subsidiaries	4,000,000	-
Total income from equity investments	4,000,000	-
16) Other financial income	-	-
a) From financial non-current assets	-	-
b) From other non current securities	-	-
c) From other current securities	-	-
d) Income other than the above	-	-
From subsidiaries	620	19,673
Other	27,178	292
Total income other than the above	27,798	19,965
Total other financial income	27,798	19,965

(Amount in EUR)

	FY 2017/2018	FY 2016/2017
17) Interest and other financial charges	-	-
From controlled companies	76,968	121,140
From compnies under common control	20,100	11,038
From other	240,588	125,197
Total interest and other financial charges	337,656	257,375
Total financial income and charges (15+16-17+-17-bis)	3,690,142	(237,410)
D) Adjustments to financial assets and liabilities		
18) Revaluations	-	-
19) Writedowns	-	-
a) of investments	-	-
b) of financial fixed assets other than equity investments	-	-
c) of securities included in current assets	-	-
d) of derivative financial instruments	79,283	-
e) of financial assets for centralized cash management (cash pooling)	-	-
Total writedowns	79,283	-
Total adjustments to financial assets and liabilities (18-19)	(79,283)	-
Result before taxes (A-B+-C+-D)	**4,486,797**	**716,755**
20) Income taxes for the year, current and deferred		
Current taxation	1,233,796	902,527
Deferred taxation	(260,220)	(399,310)
Total income taxes for the year, current and deferred	973,576	503,217
21) Net income (loss) for the year	**3,513,221**	**213,538**

Explanatory notes, first part

Quotaholders, these explanatory notes are an integral part of the financial statements for the year ended 31st March, 2018. The financial statements submitted for your approval report net income of € 3,513,221, after taxes of € 973,576 and depreciation and amortisation of € 886,964; they have been prepared in a condensed format, since the limits set by art. 2435-bis of the Italian Civil Code have not been exceeded for two consecutive financial years.

Form and content of the financial statements

The financial statements for the year ended 31st March, 2018 have been prepared in compliance with the Italian Civil Code, as interpreted and supplemented by the accounting standards issued by the OIC (Italian Accounting Board) and, if these are unavailable and to the extent not in conflict with Italian Accounting Standards, by those issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a going concern basis, as there are no significant uncertainties in this regard.

The condensed financial statements comprise the balance sheet, the income statement (prepared in conformity with the respective requirements of arts. 2424 and 2424 bis and arts. 2425 and 2425 bis of the Italian Civil Code) and these explanatory notes.

The purpose of the explanatory notes is to describe, analyse and, in some cases, supplement the data reported on the face of the financial statements. They contain the information required by arts. 2427 and 2427 bis c.c., other provisions of the civil code and other legislation. In addition, they provide all the complementary information deemed necessary in order to present the most transparent and complete view possible, even if such information is not required by specific legislation.

No significant events have taken place subsequent to the reporting date that would have had an effect on the financial statements for the year ended 31st March, 2018.

Amounts are stated in whole Euro (€), unless specified otherwise.

Preparation of the financial statements

The information contained in this document is presented in the order in which the related components are indicated in the balance sheet and income statement.

With reference to the matter indicated in the introduction to the explanatory notes, we can confirm that, pursuant to paragraph 3 of art. 2423 of the Civil Code, where the information required by legislative provisions is not sufficient to give a true and fair view of the company's situation, supplementary information is provided for this purpose.

No exceptional cases have arisen that have made it necessary to seek exemptions under paragraphs 4 and 5 of art. 2423 and paragraph 2 of art. 2423-bis of the Civil Code.

Accounting policies

The financial statement items are stated in accordance with the prudence concept and on a going concern basis. Pursuant to art. 2423-bis, para. 1, point 1-bis c.c., items are recognised and presented having regard for the substance of the operations or contracts concerned.

In the preparation of the financial statements, income and expenses are recorded on an accrual basis, regardless of the timing of collection and expenditure. Contingencies and losses relating to the year are recognised, even if they become known after the reporting date.

Preparation of the financial statements

The balance sheet, income statement and the accounting disclosures contained in these explanatory notes agree to the books of account, from which they have been directly prepared.

The items preceded by Arabic numerals in the balance sheet and income statement have not been grouped together, which is optional under art. 2423 ter of the civil code.

The measurement criteria adopted for the various items comply with those specified in art. 2426 c.c. and the relevant accounting standards. These criteria are consistent with those applied for the preparation of the financial statements of the prior year, having regard for the changes in the relevant regulatory framework described below.

Pursuant to Art. 2424 of the Civil Code, we can confirm that no balance sheet items have been allocated to more than one balance sheet line.

Accounting policies

The accounting principles applied for the preparation of these financial statements, described below, take account of the amendments, additions and new provisions included in the civil code by Decree 139/2015, which transposed Directive

34/2013/EU into Italian law. In particular, the domestic accounting standards were reformulated by the OIC in the latest version issued on 22nd December, 2016, inclusive of the amendments published on 29th December, 2017.

The accounting policies applied for the measurement of financial statement items and for their adjustment comply with the provisions of the Italian Civil Code and with the indications included in the Italian accounting standards reformulated by the Italian Accounting Board. Pursuant to art. 2427 paragraph 1 no. 1 of the Italian Civil Code, we explain the more significant accounting policies applied in compliance with the provisions of art. 2427 of the Italian Civil Code, particularly for those items for which the legislator permits the use of options for measurement and adjustments or for which no specific accounting policy exists.

Intangible assets

When the established criteria are met, these are recorded at purchase or production cost, inclusive of direct costs and related charges, and amortised systematically each year on a straight-line basis. Intangible assets are recognised with the consent of the Board of Statutory Auditors where prescribed by law.

Their book value is stated net of accumulated amortisation and write downs.

Amortisation is applied as indicated below, in order to allocate the cost incurred over the useful life of the assets:

Intangible asset item	Amortisation period
Start-up and expansion costs	5 years on a straight-line basis
Industrial patent rights and intellectual property rights	3 years on a straight-line basis
Goodwill	15 years on a straight-line basis
Other intangible assets	5 years on a straight-line basis

Start-up and expansion costs are recorded as a balance sheet asset, with the consent of the Board of Statutory Auditors, as they are prudently considered to be of future benefit; these costs are amortised over a period that does not exceed five years.

Advertising and research costs are expensed in full in the accounting period in which they are incurred.

Goodwill, comprising the extra value recognised on the acquisition of businesses and in relation to other corporate transactions, is amortised over its useful life. Useful life is estimated at the time of initial recognition and is not changed in subsequent years. If this estimate cannot be made, goodwill is amortised over 10 years.

In order to determine the useful life of goodwill, the Company applies the information available in order to estimate the likely duration of its economic benefits. Should the useful life of goodwill be found to exceed 10 years, specific analyses are carried out to support the value determined with reference to the longer useful life, as required by OIC 24.70.

Leasehold improvements are capitalised and classified as “other intangible assets” if they cannot be separated from the assets concerned (in which case they are recognised in the relevant category of “tangible fixed assets”). They are amortised systematically over the period they are expected to benefit (prudently determined to be 5 years) or, if shorter, over the residual duration of the lease after taking account of any renewal period available at the discretion of the Company.

If permanent impairment is identified regardless of the amortisation already recorded, the asset is written down accordingly; should the reasons for write-downs cease to apply in subsequent years, the original amounts are reinstated without exceeding the carrying amounts that the assets would have had in the absence of the earlier write-downs. This reinstatement does not apply to goodwill or the deferred charges referred to in point 5 of art. 2426 c.c.

Pursuant to art. 10 of Law 72 of 19th March, 1983 and subsequent laws on the revaluation of assets, we confirm that the intangible assets recorded in the books have never been revalued.

Tangible fixed assets

These are recorded at purchase or internal construction cost and stated net of the depreciation charged in the current and prior years. Costs comprise related charges and the direct and indirect expenses that can reasonably be allocated to assets during the construction period and until they become available for use. They also include any borrowing costs incurred to finance the construction work (whether internal or carried out by third parties) until the asset become available for use, without however exceeding its recoverable value. Tangible fixed assets are only revalued if this is required or allowed by special laws.

Pursuant to art. 10 of Law 72 of 19th March, 1983 and subsequent laws on revaluations of assets, it is hereby confirmed that the tangible assets recorded in the books have never been revalued.

Assets purchased in foreign currencies are recorded at cost using the exchange rate in force on the transaction date, or using the lower rate applying on the reporting date if the reduction is deemed to be permanent.

Tangible fixed assets are depreciated systematically each year on a straight-line basis using the following rates:

Tangible fixed assets	Depreciation rate
Buildings	3%
Buildings – allocation of Merger difference (*)	6.67%
Plant and machinery	10%
Industrial and commercial equipment	15%
Temporary constructions	10%
Alarm systems	30%
Telephone	20%
Motor cars	25%

(*) depreciation based on the estimated residual useful lives, 15 years, of the assets that were allocated additional value following the merger (the effective date of which was 1st January, 2015).

When fixed assets enter into service during the year, their depreciation, calculated on a time-apportioned basis (pro-rata temporis), commences from the month after which the assets become available and ready for use.

Depreciation is also charged on fixed assets that are temporarily out of use. Land is not depreciated, as its useful life is not finite.

If applicable, buildings held as a financial investment are not depreciated if their residual value is greater than or equal to their net carrying amount.

If permanent impairment is identified regardless of the depreciation already recorded, the asset is written down accordingly; should the reasons for write-downs cease to apply in subsequent years, the original amounts are reinstated without exceeding the carrying amounts that the assets would have had in the absence of the earlier write-downs.

Routine maintenance and repair costs are charged in full to the income statement. Improvement costs are allocated to the fixed assets concerned and depreciated over their residual useful lives.

Costs incurred to expand, modernise or improve the structural elements of a tangible fixed asset are capitalised if they significantly and measurably increase its productive capacity, safety or useful life. If the costs concerned do not have the above effect, they are treated as routine maintenance and charged to the income statement.

Grants are recognised when it becomes reasonably certain that the conditions for their collection will be satisfied and the grants will be paid. They are deducted from cost indirectly, as they are credited to income statement caption A5 "other income and revenues" and then deferred for recognition on an accruals basis via classification as "deferred income".

Impairment (intangible assets and tangible fixed assets)

At each reporting date, the Company determines if there is any evidence that the value of its tangible and intangible fixed assets might be impaired. If such evidence is found, the Company estimates the recoverable value of each asset concerned and records an impairment writedown if it is lower than the corresponding net carrying amount.

Recoverable value is not determined if there is no evidence of possible impairment.

The recoverable value of tangible and intangible fixed assets is deemed to be their value in use (calculated by discounting their future cash flows) or, if greater, their fair value (being the amount obtainable at the reporting date, based on the best available information, from their sale in an arm's-length transaction between knowledgeable and willing parties, net of the related selling costs).

With regard to the above, the Company has looked for evidence that the value of its tangible and intangible fixed assets might be impaired, but did not find any and, accordingly, has not determined the recoverable value of the above assets.

Equity investments, securities and financial receivables (classified as financial fixed assets)

The equity investments and debt securities classified as fixed assets will be held by the Company over the long term.

Equity investments are measured at cost, as adjusted for any impairment. The cost recorded in the financial statements is determined with reference to purchase or subscription price, inclusive of related expenses. If lasting impairment is identified, the carrying amount of equity investments is reduced to their recoverable value, which is determined with reference to the future benefits that are expected to accrue to the Company.

Should the Company be obliged or intend to cover the (non-permanent) losses incurred by an equity investment, a suitable provision is recorded to cover the liability to which the Company is exposed. If in future years the reasons for the writedown cease to apply, the equity investment is written back to its original carrying amount.

Intercompany loans

Intercompany loans with a duration of more than 12 months are usually governed by contracts arranged on market terms and conditions; interest-free intercompany loans and those arranged at significantly below market rates are recognised initially at the value of the related future cash flows, as discounted using the market rate (being the average funding rate of the Company or the Group). The difference with respect to the liquidity collected by the parent company is credited to quotaholder's equity.

Receivables

Receivables are stated at amortised cost, having regard for the time factor and their estimated realisable value. The amortised cost method is not applied when its effects are insignificant, being when the transaction costs, the commissions paid between the parties and all other difference between initial value and maturity value are immaterial or when the receivables are recoverable in the short term (within 12 months).

Trade receivables due beyond 12 months at the time of initial recognition, without the payment of interest or with interest that differs significantly from market rates, and the related revenues are recognised initially at the value of their future cash flows discounted using the market rate (being that applied by two independent parties when negotiating a loan transaction with similar terms and conditions). The difference between the amount of the receivable recognised initially and its maturity value is recognised as financial income in the income statement over the duration of the receivable, using the effective interest method.

The amount of receivables, as determined above, is adjusted when necessary by a specific allowance for doubtful accounts, which is deducted directly from their gross amount in order to report them at their estimated realisable value. The provision (which takes account of collection losses, returns and invoicing adjustments, discounts and allowances, interest not yet earned and other reasons for reduced recoverability) is charged to the income statement.

Receivables assigned to factors are only derecognised if they are sold without recourse and essentially all the related risks are transferred (the difference between the consideration received on the assignment and the carrying amount of the receivable is recognised in income statement caption C17). If the assignment does not involve derecognition (for example, assignment with recourse), since not all the related risks are transferred, the receivable continues to be reported in the balance sheet and is measured in the manner described above. If advance consideration is received from the assignee, the amount is recognised as a financial payable.

Receivables taking the form of bank receipts that have not been assigned remain classified as receivables until final collection of the amounts concerned.

Receivables deriving from centralised treasury management activities are classified separately within current assets, if recoverable in the short term. If this is not the case, they are classified as financial fixed assets.

Equity investments and securities not held as fixed assets

This caption comprises the equity investments and debt securities that will not be held over the long term by the Company. They are recorded at specific cost or, if lower, at their market value that, for listed investments, is determined with reference to their market price on the reporting date, being 31st March, 2018.

These equity investments are written down to their realisable value case by case, rather than on an overall basis. If the reasons for any adjustments cease to apply, in whole or in part, the adjustments are reversed with exceeding original cost.

Cash and cash equivalents

Cash and cash equivalents at the reporting date are measured at their nominal value. Amounts denominated in foreign currencies are measured using the closing exchange rates.

Prepaid/deferred expenses and accrued/deferred income

Prepaid/deferred expenses and accrued/deferred income include costs and revenues relating to the year that will be formally recorded in future years, and costs and revenues recorded by the reporting date that relate to future years. The related amounts are determined on a time-apportioned basis.

Provisions for risks and charges

The provisions for risks and charges cover known or likely losses or liabilities, the timing or extent of which cannot be determined at the reporting date. These provisions, including those for deferred tax liabilities, which are classified in this caption, reflect the best possible estimates based on the information available. Risk that only might give rise to a liability are described in the notes on the provisions, without actually recording a provision. As required by OIC 31, new provisions for risks and charges are, where possible, classified in the relevant income statement classes (B, C or D). Whenever it is not possible to correlate a new provision with a caption in one of the above classes, it is classified in income statement caption B12 or B13.

Employee termination indemnities

Employee termination indemnities represent the total amount that would have been payable to all employees had they terminated their employment on the reporting date. The charge for the year, comprising the new provision and the revaluation of the accumulated provision (based on the change in the relevant ISTAT index), is determined in accordance with current regulations, having regard for the specific employment contracts and the professional categories concerned. Employee termination indemnities are classified in liability caption C, while the provision for the year is classified in income statement caption B9.

The changes made to the regulations governing termination indemnities by Law 296 dated 27th December, 2006 (2007 Finance Law) and subsequent decrees and enabling regulations, amended the accounting for the indemnities earned by 31st December, 2006 and those earned from 1st January, 2007. In particular, following creation of the INPS Treasury Fund to manage the termination indemnities of private sector employees, employers with more than 50 employees are obliged to pay the new provisions relating to them into the Treasury Fund, unless the persons concerned have specifically opted for their indemnities to be paid to a supplementary pension fund. The employee termination indemnities reported in the balance sheet are therefore stated net of the amounts paid to the above INPS Treasury Fund.

Payables

Payables are stated at amortised cost, as defined in art. 2426, para. 2 c.c., having regard for the time factor envisaged in art. 2426, para. 1, point 8 c.c.. Payables are however stated at their nominal amount if application of the amortisation cost and/or discounting methods would not be significant for the purpose of providing a true and fair view of the financial position and results of operations. This situation arises in the case of payables due within twelve months or, with regard to the amortised cost method, if the transaction costs, commissions and all other differences between the initial value and the maturity value are insignificant or, again, with regard to the discounting method, if the interest rate inherent in the contractual conditions is not significantly different to the market rate of interest.

The amounts due to employees for untaken holidays and deferred payroll, including the related social security contributions, are accrued with reference to the amount that would have been payable had their employment ceased on the reporting date.

Finance leases

Finance leases are recognised using the payments method, by charging the instalments paid to the income statement on an accruals basis. A specific section of these explanatory notes contains the supplementary information required by the law on the effect of recognising these contracts using finance lease methodology.

Derivative financial instruments

Derivative financial instruments consist of financial assets and liabilities measured at fair value.

They are only classified as hedging instruments when, at the time of arrangement, there is a strict, documented correlation between the characteristics of the hedged item and those of the hedging instrument, and that hedging relationship is both formally documented and, based on periodic checks, highly effective.

When derivatives hedge the risk of changes in the fair value of the hedged instruments (fair value hedges), they are measured at fair value through profit or loss; for consistency, the carrying amounts of the hedged items are adjusted to reflect the changes in fair value associated with the hedged risk.

When derivatives hedge the risk of changes in the future cash flows generated by the hedged instruments (cash flow hedges), the effective portion of the profit or loss on the derivative is deferred to quotaholder's equity. The ineffective portion of the profits and losses associated with a hedge is recognised in the income statement. On completion of the transaction, the accumulated profits and losses, previously deferred to quotaholder's equity, are released to the income statement (to adjust the income statement items affected by the hedged cash flows).

When hedge accounting is used, the changes in the related fair value of the hedging derivatives are recognised:

- in income statement captions D18 or D19, in the case of a fair value hedge of a reported asset or liability, together with the changes in the fair value of the hedged items (if the change in the fair value of the hedged item is greater in absolute terms than the change in the fair value of the hedging instrument, the difference is recognised in the income statement caption affected by the hedged item);

- in a specific equity reserve (caption AVII "Reserve for cash flow hedges") in a manner that offset the effects of the hedged flows (the ineffective portion, like the change in the time value of options and forwards, is classified in captions D18 and D19).

The changes in the fair value of financial instruments that are classified as trading derivatives, either because they do not qualify for treatment as hedging derivatives or because they were not designated as hedges, even though they were arranged operationally to hedge the risk of changes in interest rates and/or exchange rates and/or commodity prices, are recorded in the balance sheet and recognised in income statement captions D18 or D19.

Any derivatives embedded in other financial instruments must also be measured at fair value. In particular, embedded instruments are only separated from the primary contract and recognised as derivative financial instruments if, and only if:

- the economic characteristics and risks of the embedded derivative are not closely correlated with the economic characteristics and risks of the primary contract. Close correlation exists if hybrid contracts are arranged in accordance with market practice;

- all the elements included in the definition of a derivative financial instrument specified in OIC 32.11 are satisfied.

Revenues

Revenues from the sale of goods are recognised when ownership passes in substance, rather than in formal terms, being when the related risks and benefits are transferred (which in practice coincides with the time of delivery or shipment of the goods).

Revenues from the sale of products, goods and services in the ordinary course of business are stated net of returns, discounts, allowances and rebates, as well as the direct taxes charged on the sale of products and services.

Revenues from services are recognised upon completion and/or when earned.

Transactions with related parties take place on normal market terms and conditions.

Costs

Costs stated net of returns, discounts, allowances and rebates are recognised on an accrual basis in accordance with the matching principle, regardless of the date of collection or payment. Compliance with the matching principle requires an estimate to be made of the invoices to be received.

Dividends

Dividends are recognised in the year in which they are declared by the quotaholders' meeting. Dividends are recognised as financial income, regardless of the nature of the reserves that are distributed.

Financial income and charges

Financial income and charges are recognised on an accrual basis. Costs relating to the disposal of receivables for whatever reason are charged to the income statement on an accrual basis.

Taxation

Income taxes are recognised with reference to an estimate of taxable income in compliance with current regulations, having regard for any applicable exemptions and tax credits.

Deferred tax assets and liabilities are calculated on the temporary differences between the reported carrying amount of assets and liabilities and their corresponding values for tax purposes. Their measurement takes account of the tax rates expected to be in force in the year in which such differences contribute to the formation of taxable income, being the rates in force or already communicated at the reporting date (24% for IRES and 3.9% for IRAP). They are classified respectively among the current assets as "deferred tax assets" and among the provisions for risks and charges as "deferred tax liabilities".

In accordance with the concept of prudence, deferred tax assets are recognised on all deductible temporary differences if it is reasonably certain that taxable income in the years in which they reverse will not be less than the amount of the differences to be absorbed.

By contrast, deferred tax liabilities are recognised on all taxable temporary differences.

Deferred tax liabilities are not recognised in relation to reserves subject to the deferral of taxation if they are unlikely to be distributed to the quotaholder.

Commencing from the year under review and for a period of three financial years (until the year ended 31st March, 2020 inclusive), the Company decided to organize a domestic tax group for the Endurance Group pursuant to arts. 117/129 of the Consolidated Tax Law (T.U.I.R.), of which Endurance Fondalmec S.p.A., Endurance FOA S.p.A. and Endurance Engineering S.r.l. are members.

The Company is the parent of this tax group and calculates just one taxable income for all member companies, with the benefit that taxable income can be offset against tax losses in a single tax declaration.

All members of the tax group transfer their taxable income (or loss) to the group parent, which records an amount receivable from them for the IRES to be paid (the consolidated companies record an amount payable to the tax group parent). Conversely, the group parent records an amount payable to the companies that transfer tax losses, representing the IRES actually offset at group level (the consolidated companies record an amount receivable from the tax group parent).

Translation of foreign currency items

Non-monetary assets and liabilities originally denominated in foreign currencies are recognised in the balance sheet using the exchange rates applying at the time of their acquisition, being their initial recognition cost.

Monetary assets and liabilities originally denominated in foreign currencies are recognised in the balance sheet using the spot exchange rates applying on the reporting date; the related exchange gains and losses are recognised in the income statement and any net unrealised gains are allocated to a non-distributable reserve until they have been realised.

Other information

Information on the Company's performance

Quotaholders, the financial statements as at 31st March, 2018 show a net income for the year of € 3,513,221.

The value of production amounted to € 10,309,648, comprising revenues from the activities carried out for the companies in the Endurance Group and rental income from the properties held by the Company.

It should also be noted that the results for the year ended 31st March, 2018 were positively influenced by the presence of income from equity investments in subsidiaries (dividends) for a total of € 4,000,000.

Measurement of components denominated in foreign currency

As at the balance sheet date, the Company does not have any assets or liabilities denominated in foreign currency.

Repurchase agreements

Pursuant to art. 2427 point 6-ter, the Company confirms that no repurchase agreements were arranged during the year.

Explanatory notes, assets

The assets recorded in the balance sheet are measured in accordance with art. 2426 c.c. and Italian accounting standards. The specific measurement criteria applied are indicated in the individual notes on each item.

Fixed assets

Intangible assets

(Amount in EUR)

Particulars	Start-up and expansion costs	Industrial patent rights and intellectual property rights	Goodwill	Other intangible assets	Total intangible assets
Balance at the beginning of the year					
Cost	52,430	11,775	1,345,787	74,400	1,484,392
Amortisation (Accumulated amortisation)	48,598	11,307	244,504	67,232	371,641
Carrying value	**3,832**	**468**	**1,101,283**	**7,168**	**1,112,751**
Changes during the year					
Additions	-	11,169	-	-	11,169
Amortisation for the year	3,355	2,645	89,629	2,888	98,517
Total changes	(3,355)	8,524	(89,629)	(2,888)	(87,348)
Carrying value at the end of the year					
Cost	52,430	22,944	1,345,787	74,400	1,495,561
Amortisation (Accumulated amortisation)	51,953	13,952	334,133	70,120	470,158
Carrying value	**477**	**8,992**	**1,011,654**	**4,280**	**1,025,403**

Start-up and expansion costs (€ 477 at 31st March, 2018) comprise the costs incurred at the time of business combinations carried out in prior years.

Industrial patent rights and intellectual property rights (€ 8,992 at 31st March, 2018) relate to the licences for the management software used by the Company, which are amortised over 3 years.

Goodwill amounting to € 1,011,654 at 31st March, 2018 (€ 1,101,283 at 31st March, 2017) represents part of the difference that arose on the merger of Haminoea S.r.l. and Lomec S.r.l. operated by Endurance Overseas S.r.l. (the "Merger") in 2014/2015, and represents the additional value associated with certain properties held under finance lease arrangements.

In particular, the Merger was carried out in order to simplify the chain of control over the subsidiaries and resulted in a merger difference of € 6.3 million, being the gap between the book value of the quotas of the two merged subsidiaries and their net equity. This difference was allocated as follows:

- € 5.0 million to increase the carrying amount of certain properties (based on appraisals, determined by independent experts, of their market value);
- € 2.5 million to increase the carrying amount of the investment in Endurance FOA S.p.A. (based on the expected profitability of the acquired company);
- the recognition of € 1.3 million as goodwill, reflecting the additional value of certain properties held under finance lease arrangements (and therefore not reported in the balance sheet).

At the same time, on the liabilities side of the balance sheet, deferred tax liabilities of € 2.6 million were recognised on the additional value allocated to the properties concerned. Given that the additional values identified as a result of the merger are irrelevant for tax purposes, this being a tax neutral transaction under the current tax legislation, the gradual release to the income statement of these tax provisions will neutralise the additional tax charges made in the current and subsequent years due to the disallowance of the additional costs (depreciation) deriving from the increased carrying amount of the assets following the merger.

Goodwill is amortised over 15 years, being the estimated useful life of the assets acquired by the Company via the above-mentioned business combination.

Pursuant to art. 10 of Law 72 of 19th March, 1983 and subsequent laws on the revaluation of assets, we confirm that the intangible assets recorded in the books have never been revalued.

These deferred charges have not been written down pursuant to para. 1.3 of art. 2426 of the Italian Civil Code because, in compliance with OIC 9, there is no evidence of that they might be impaired. The recoverability of the goodwill recognised in the balance sheet was confirmed by the five-year economic-financial forecasts prepared by management, which show that the activities of the Group are expected to be profitable over that period. Applying the DCF method to the cash flows for each year, the enterprise value of the Company was determined as part of an impairment test that confirmed that the individual fair value of all assets, including goodwill in particular, exceeds their corresponding net carrying amounts.

Tangible fixed assets

Tangible fixed assets recorded in the financial statements at 31st March, 2018 amounted to € 13,445,221, net of accumulated depreciation of € 4,441,508 and consist of:

- Land and buildings: € 12,811,030 (including the additional value allocated to the property of the Company at the time of the Merger);
- Plant and machinery: € 314,501;
- Industrial and commercial equipment: € 3,068;
- Other assets: € 71,872;
- Assets under construction and advance payments: € 244,750.

The change during the 2017/2018 financial year are analysed below:

(Amount in EUR)

Particulars	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Assets under construction and advance payments	Total tangible fixed assets
Balance at the beginning of the year						
Cost	16,551,052	712,439	7,811	157,488	-	17,428,790
Depreciation (Accumulated depreciation)	3,242,567	351,954	3,572	54,968	-	3,653,061
Carrying value	13,308,485	360,485	4,239	102,520	-	13,775,729
Changes during the year						
Additions	207,572	-	-	5,616	244,750	457,939
Disposals (at carrying amount)	-	-	-	-	-	-
Reclassifications (of carrying amount)	-	-	-	-	-	-
Depreciation for the year	705,027	45,984	1,171	36,265	-	788,447
Total changes	(497,455)	(45,984)	(1,171)	(30,648)	244,750	(330,508)
Carrying value at the end of the year						
Cost	16,758,624	712,439	7,811	166,105	244,750	17,886,729
Depreciation (Accumulated depreciation)	3,947,594	397,938	4,743	94,609	-	4,441,508
Carrying value	**12,811,030**	**314,501**	**3,068**	**71,872**	**244,750**	**13,445,221**

The most significant increases for the period concern Land and Buildings and include the purchase of the portion of industrial property following early repayment of the financial lease contract with Banco BPM and the urbanisation charges paid for construction in the industrial area of Lombardore of another building, which will be completed during the next financial year.

Assets under construction and advance payments include the cost for the new building mentioned above.

Finance leases

Finance leases are recognised in accordance with the Italian tax regulations: this involves charging the lease instalments for the period to the income statement (€ 155,052 in 2017/2018). The adoption of finance lease methodology, as required by the international accounting standards, would have involved expensing the interest accrued on the loan principal and the depreciation of the leased assets, as well as capitalising those assets and recognising the residual loan principal as a payable.

Had the Company adopted the above finance lease methodology, the accounting effects would have been as follows:

(Amount in EUR)

	Effects on the Balance Sheet - Assets		
a)	Outstanding contracts		
a.1)	Assets under finance leases at the end of the previous year		1,604,329
	- of which the gross amount	2,187,269	
	- of which accumulated depreciation	(582,940)	
a.2)	Assets purchased under finance leases during the year		-
a.3)	Assets under finance leases redeemed during the previous year		285,000
a.4)	Depreciation charge for the year		63,937
a.5)	Writedowns/writebacks on assets under finance leases		-
a.6)	Assets under finance leases at the end of the year		1,255,392
	- of which the gross amount	1,902,269	
	- of which accumulated depreciation	(646,877)	
a.7)	Prepaid expenses on instalment interest at the end of the year		-
a.8)	Curtailment of prepaid expenses under the balance sheet method		(70,682)
b)	Redeemed assets		-
b.1)	Higher/lower total value of redeemed assets, determined using finance lease methodology, with respect to their carrying amounts at year end		172,948
	Effects on the Balance Sheet – Liabilities & Equity		
c)	Implicit payables		
c.1)	Implicit payables for finance leases at the end of the previous year		1,070,916
	- of which due within one year	124,550	
	- of which due beyond one and within 5 years	580,847	
	- of which due beyond 5 years	365,519	
c.2)	Implicit payables that arose during the year		-
c.3)	Repayment of principal and redemptions during the year		(227,721)

(Amount in EUR)

c.4)	Implicit liabilities for finance leases at the end of the year		843,195
	- of which due within one year	843,195	
	- of which due beyond one and within 5 years		
	- of which due beyond 5 years		
c.5)	Accrued expenses on instalment interest at the end of the year		-
c.6)	Curtailment of prepaid expenses under the balance sheet method		-
d)	**Total gross effect at the end of the year [a.6+(a.7-a.8)+b.1-c.4+(c.5-c.6)]**		**514,463**
e)	**Tax effect**		**143,535**
f)	**Effect on Quotaholders' Equity at the end of the year (d-e)**		**370,928**
	Effects on the Income Statement		
g)	**Effect on income before taxes (lower/higher costs) (g.1+g.2+g.3+g.4+g.5)**		**74,108**
g.1)	Reversal of instalments on finance lease transactions	155,052	-
g.2)	Recognition of financial charges on finance lease transactions	17,007	-
g.3)	Recognition of depreciation charges on outstanding contracts	64,273	-
g.4)	Recognition of depreciation charges on redeemed assets	(336)	-
g.5)	Recognition of adjustments/write-backs on leased assets	-	-
h)	**Recognition of the tax effect**		**(20,676)**
i)	**Net effect on the result for the year of accounting for lease transactions with the finance lease method rather than the balance sheet method actually used (g-h)**		**53,431**

Attention should be paid to the following facts:

- on 17th November, 2017, with an agreement signed at the office of Notary Sibille in Turin, the portion of the industrial property located in Lombardore was purchased for € 112,051 for early redemption from the lease contract with Banco BPM Spa;

- on 27th April, 2018 with an agreement signed at the office of Notary Smirne in Turin, the company purchased for early redemption from the lease contract with Unicredit Leasing Spa, the industrial property located in Lombardore for € 849,081; since this is a deed concluded after the balance sheet date, the amount of the residual debt at 31st March, 2018 has been shown for the entire amount as a short-term debt.

As a result of the above, all of the building units in the Lombardore area are wholly owned by Endurance Overseas S.r.l. at the date of preparation of the financial statements.

Financial fixed assets

The item relates to the amount of the investments in subsidiaries held at the end of the financial year. The equity investments recorded in the financial statements are stated at cost, equal to the expense incurred for the purchase, regardless of the manner of payment, comprising any ancillary charges (commissions and bank charges, stamp duty, bank intermediary fees, etc.). The purchase cost of the investment in Endurance FOA S.p.A. includes an additional amount of € 2,450,000 allocated at the time of the Merger in prior years.

Details of equity investments in subsidiaries

The following table provides details of equity investments in subsidiary companies as well as the additional disclosures required by art. 2427 of the Civil Code (amounts in Euro):

(Amount in EUR)

Name	City or Country	Quota capital	Result FY 2017/ 2018	Equity held at 31st March, 2018	Equity interest held (%)	Equity interest held (amount)	Carrying amount
ENDURANCE FONDALMEC SPA	Lombardore (Turin)	2,700,000	6,318,855	31,490,501	100.00%	31,490,501	25,020,442
ENDURANCE FOA SPA	Chivasso (Turin)	382,200	4,684,369	16,158,428	100.00%	16,158,428	9,033,916
ENDURANCE ENGINEERING SRL	Turin	100,000	969,049	4,241,050	100.00%	3,272,001	2,000,000
Total							**36,054,358**

The carrying amount of all investments in subsidiaries is considerably lower that the corresponding value of the quotaholders' equity held, given the positive results generated by those companies.

The absence of any evidence of impairment is further confirmed by the five-year economic-financial forecasts prepared by the management of each company, which indicate continued profitability over that period. The theoretical present value of the subsidiaries was calculated using the DCF method (impairment test). The outcome confirmed that the present value of each subsidiary is higher than the related carrying amount.

Information on receivables

Financial assets include other receivables III.2 d-bis) totalling € 2,500,000. This refers to the financial bills of exchange purchased during the year as part of the programme of temporary use of available liquidity. The bills, issued by three separate issuers, are classified as fixed assets because of their nature as a financial investment, although the maturity date of the entire amount is 30th June, 2018. Each bill is backed by guarantees, in the form of an endorsement, in the individual tranches of 50% issued by Rete Fidi Liguria Società consortile Per Azioni and Confidi Sardegna respectively. The total guarantee given for the entire nominal value of the issue operates net of any reimbursements made by the issuer and each endorser is liable up to the limit of its guarantee commitment.

Current assets

Current assets are measured in the manner described in paragraphs 8 to 11-bis of art. 2426 of the Civil Code. The accounting policies applied are explained in the notes on the respective financial statement items.

Current receivables

In particular, current receivables at 31st March, 2018 (€ 3,802,720, up by € 133,523 on the prior year) comprise:

- Trade receivables: € 8,688 due from customers;
- Receivables due from subsidiaries: € 2,334,894, relating to:
    - the amounts due from Endurance FOA S.p.A. (€ 147,775) and Endurance Engineering S.r.l. (€ 132,940) in relation to the domestic tax group;

- trade receivables (totalling € 2,054,179) in relation to the operational and financial services provided by the Company, as part of the management of the Group.

- Receivables due from companies under common control: € 586,601 due from Endurance Amann GmbH for administrative and HR services provided to the Endurance Group German company ;

- Tax receivables: € 740,742, of which € 723,533 for IRES tax receivable deriving from the tax consolidation agreement and € 17,209 related to the VAT receivable;

- Deferred tax assets: € 89,400;

- Other receivables: € 43,018, of which € 28,570 due beyond one year in relation to guarantee deposits.

Breakdown of current receivables by geographical area

In terms of the geographical distribution of receivables, the above amounts are due to the Company by Italian counterparties, except as mentioned in relation to the amounts receivable from Endurance Amann GmbH (€ 586,601).

Current assets: cash and cash equivalents

Cash and cash equivalents (€ 20,663,359 at 31st March, 2018) include own cash and the balance of cash resulting from the cash pooling system. A receivable is recorded as a contra-entry in the event of a liability, or a payable in the case of an asset from the other participants to the cash pooling system (companies belonging to the Endurance Group). The increase compared with the previous year (the balance at 31st March, 2017 was of € 5,353,557) is mainly due to the higher liquidity deposited by Group companies in the cash pooling system (€ 4,228,468) and to liquidity not yet invested and resulting from the signing of medium-term loans during the year for the remaining amount, as explained below.

Prepaid expenses and accrued income

Prepaid expenses (€ 209,438 at 31st March, 2018) include amounts paid in advance by way of insurance premiums, advance payments on lease instalments and services pertaining to the following year.

Capitalised financial charges

All interest expense and other financial charges have been expensed during the year. In compliance with paragraph 1.8 of art. 2427 of the Italian Civil Code, we can confirm that no financial charges have been capitalised.

Explanatory notes, liabilities and Quotaholders' equity

Quotaholders' equity and all liabilities are recorded in the balance sheet in compliance with Italian accounting standards; the specific measurement criteria applied are indicated in the individual notes on each item.

Quotholders' equity

The components are stated at their carrying amount in accordance with accounting standard OIC 28.

Changes in Quotaholders' equity items

The following tables covering the past two years present the changes in Quotaholders' equity and details of the other reserves reported in the balance sheet.

The changes in Quotaholders' equity during the prior year are analysed below:

(Amount in EUR)

	Amount at 1st April, 2016	Allocation of the prior year result - Other allocations	Result for the year	Amount at 31st March, 2017
Quota capital	16,105,263	-	-	16,105,263
Share premium reserve	304,737	-	-	304,737
Legal reserve	173,568	125,732	-	299,300
Extraordinary reserve	2,681,395	-	-	2,681,395
Paid in to cover losses	2,882,602			2,882,602
Retained earnings (accumulated losses)	(61,103)	2,366,482		2,305,379
Net income (loss) for the year	2,492,214	(2,492,214)	213,538	213,538
Total	**24,578,676**	**-**	**213,538**	**24,792,214**

The changes in quotaholders' equity during the year are indicated below:

(Amount in EUR)

		Allocation of the prior year result - Other allocations	Result for the year	Amount at 31st March, 2018
Quota capital	16,105,263	-	-	16,105,263
Share premium reserve	304,737	-	-	304,737
Legal reserve	299,300	10,677	-	309,977
Extraordinary reserve	2,681,395	-	-	2,681,395
Paid in to cover losses	2,882,602	-	-	2,882,602
Retained earnings (accumulated losses)	2,305,379	202,861	-	2,508,240
Net income (loss) for the year	213,538	(213,538)	3,513,221	3,513,221
Total	**24,792,214**	**-**	**3,513,221**	**28,305,435**

Availability and use of Quotaholders' equity

The following table provides details of the components of Quotaholders' equity, including their origin, their potential utilisation and whether they are distributable, as well as the utilisation thereof in prior years.

(Amount in EUR)

Description	Amount	Origin/ Nature	Potential utilisation	Amount available
Quota capital	16,105,263	Quota capital		-
Share premium reserve	304,737	Quota capital	A;B;C	304,737
Legal reserve	309,977	Revenue	B	-
Extraordinary reserve	2,681,395	Revenue	A;B;C	2,681,395
Paid in to cover losses	2,882,602	Quota capital	A;B;C	2,882,602
Retained earnings (accumulated losses)	2,508,240	Revenue	A;B;C	2,508,240
Total	**24,792,214**			**8,376,974**
Amount not distributable				89,648
Residual amount distributable				8,287,326

The above table indicates the potential utilisation of each component as indicated below:

A: for increase in capital

B: to cover losses

C: for distribution to the quotaholders

The non-distributable equity reserves, determined in accordance with the provisions of art. 2426 of the Italian Civil Code, cover the start-up and expansion costs that have not yet been fully amortised and the deferred tax assets recorded in the balance sheet.

Provisions for risks and charges

The provisions for risks and charges, mainly related to deferred taxation, are recognised in the financial statements according to OIC 31 (a total of € 2,002,375 at 31st March, 2018).

The related provisions are charged to the income statement in the year to which they refer and classified according to the nature of the costs. The changes during the year are summarised below:

(Amount in EUR)

	Balance at the beginning of the year	Changes during the year - Utilisation	Changes during the year - Total	Carrying value at the end of the year
Provision for risk and charges	2,097,580	(95,205)	(95,205)	2,002,375

The amount comprises:

- € 1,923,092 of deferred tax liabilities, recorded in the yeart ended 31st March, 2015, as part of the above merger. The change during the year (€ 174,488) reflects the release of the tax effect to match the depreciation of the additional amounts allocated to the assets of the Company at the time of the merger;

- € 79,283 of the derivative financial instruments represent the negative fair value of certain derivatives used by the Company, as required by OIC 32. See the section on financial fixed assets for information about their recognition for accounting purposes.

Employee termination indemnity

Information on the employee termination indemnity

Employee termination indemnities amount to € 37,655 at 31st March, 2018 (€ 31,171 at 31st March, 2017). The changes during the year are summarised below:

(Amount in EUR)

	Balance at the beginning of the year	Changes during the year - Provision	Changes during the year - Utilisation	Changes during the year - Total	Carrying value at the end of the year
Provision for employee termination indemnity (TFR)	31,171	13,723	7,239	6,484	37,655

The item includes the portion of cost present in the financial statements relating to the termination indemnity not allocated to the treasury account with INPS, Previndai and Fondo Cometa.

Payables

At the end of the year, payables amounted to € 47,324,537 and are detailed as follows:

- Due to banks within one year: € 3,627,070, relating to the current portion of loans agreements in place;
- Due to banks beyond one year: € 16,609,580, relating to the non-current portion of loans agreements in place;
- Trade payables: € 187,874;
- Due to subsidiaries within one year, € 11,281,117, as analysed below:
    - € 3,000,000 for the loan received from Endurance Fondalmec S.p.A.;
    - € 6,966,312 for the amount due related to the cash pooling arrangement, of which
        - € 4,251,753 to Endurance Fondalmec S.p.A.
        - € 813,623 to Endurance FOA S.p.A.
        - € 1,900,936 to Endurance Engineering S.r.l.
    - € 1,232,475 for the amount due to Endurance Fondalmec S.p.A. for the tax consolidation
    - the residual amount of € 82,330 for trade receivables;
- Due to subsidiaries beyond one year: € 327,000, relating to guarantee deposits received from Endurance Fondalmec S.p.A. and Endurance FOA S.p.A.;
- Payables due to companies under common control: € 6,517,330 due to Endurance Amann GmbH, a foreign affiliate, including € 3,505,820 due under the cash pooling arrangements, € 3,000,000 related to a loan granted by the affiliate to the company and € 11,510 as trade receivables;
- Tax payables: € 176,225, related to IRAP tax payable - € 35,665 - and taxes withheld from payments to employees and freelance workers - € 140,560;
- Due to pension institutions: € 496,503, mainly payable to INPS and Previndai;

- Other payables within one year: € 8,102,340, concern for € 4,900,000 two residual tranches of the liability due to the Bonotto family resulting from the purchase of Haminoea S.r.l. The entire amount has been classified as short-term in consideration of the early repayment of the entire amount occurred on 4th April, 2018. These liability (recognised by the Company in 2014/2015) did not bear interest and was recorded and measured at its nominal value, following the election under OIC 19 to apply the amortised cost method on a prospective basis. For the remainder, the item includes payables to employees for salaries and accruals to be settled and sundry other payables.

With regard to loan agreements, we report the subscription of the following agreements:

- a five-year loan of € 3,000,000 arranged in July, 2017 with UBI Banca.
- a five-year loan of € 10,000,000 arranged in July, 2017 with Unicredit;
- a five-year loan of € 5,000,000 arranged in October, 2017 with BNL.

It should be noted that, on newly signed contracts, application of the amortised cost method resulted in a reduction in the nominal amount of payables of € 51,581 at 31st March, 2018.

The following is a breakdown of medium-term loans outstanding at 31st March, 2018:

(Amount in EUR)

Bank	Initial amount paid	Arrangement date and duration in years	Residual debt outstanding at 31st March, 2018	Within one year	Beyond one year
Intesa Sanpaolo	3,000,000	26/04/2011 - 10	923,077	307,692	615,385
UBI (*)	2,500,000	27/03/2017 - 5	2,008,701	495,612	1,513,089
Unicredit (*)	10,000,000	04/07/2017 - 5	10,000,000	1,250,000	8,750,000
UBI (*)	3,000,000	19/07/2017 - 5	2,606,452	593,995	2,012,457
BNL (*)	5,000,000	27/10/2017 - 5	4,750,000	1,000,000	3,750,000
Application of amortised cost method	-	-	(51,581)	(20,229)	(31,352)
Total	**23,500,000**		**20,236,649**	**3,627,070**	**16,609,580**

(*) Financial payables recognised using the amortised cost method.

The contracts settled on the basis of the 3-month Euribor rate, were hedged against the risk of interest rate fluctuations through the signing of derivative contracts for a notional amount of € 16,416,666 at 31st March, 2018, of which € 14,750,000 with IRS contracts and € 1,666,666 with cap contracts.

It should also be noted that in December, 2017 two loans with Intesa Sanpaolo were repaid in advance, with the disbursement of a residual principal amount of € 2,222,222.

Breakdown of payables by geographical area

In terms of the geographical distribution of payables, the Company's counterparties are all Italian, except for the amounts due to Endurance Amann GmbH (totalling € 6,517,330).

Debt secured by collateral on Company Assets

The following schedule details the payables secured on the Company's assets. In relation to the amounts due to banks, these comprise the loan from Intesa Sanpaolo that was transferred to Endurance Overseas S.r.l. as a result of the merger, which is secured by a mortgage on the property at Lombardore (at nominal value):

(Amount in EUR)

	Debts secured by mortgages	Total debt secured by collateral	Debt not secured by collateral	Total
Payables	923,077	923,077	46,401,460	47,324,537
Total payables	**923,077**	**923,077**	**46,401,460**	**47,324,537**

The nominal value of the payables secured by mortgages on the assets of the Company are analysed by maturity in the following table (without considering the amortised cost adjustment):

(Amount in EUR)

Debt secured by collateral	Amount
- due within one year	307,692
- due beyond one year but within 5 years	615,385
Total	**923,077**

Loans from quotaholders

The Company has not received any loans from Quotaholders.

Off balance sheet commitments

No off-balance sheet agreements were entered into during the year.

Explanatory notes, income statement

The income statement reports the results for the year.

This statement presents the results of operations by summarising the positive and negative components of income that contributed to them. These positive and negative components of income, recognised pursuant to art. 2425-bis c.c., are analysed into the following categories: core business, ancillary and financial activities.

Core business activities include the components of income that were generated from continuing operations in the principal sector, and which identify and distinguish the economic activities carried out by the Company in the pursuit of its corporate objectives.

Financial activities comprise those operations that generate financial income and expense.

Ancillary activities comprise those residual operations that generate income in the ordinary course of business that cannot be classified as financial or core business activities.

Value of production

The property and equity investment management activities of the Company generate revenues principally from the rental of property, the management and coordination services provided to Group companies and the recharge to subsidiaries and affiliates of the cost of the executives employed by the Company.

The following table analyses the operating costs incurred during the 2017/2018 financial year on a comparative basis:

(Amount in EUR)

Description	FY 2017/2018	FY 2016/2017	Change
Revenues from sales of goods and services	9,946,016	8,071,425	1,874,591
Other income and revenues	363,632	589,553	(225,921)
Total	**10,309,648**	**8,660,978**	**1,648,670**

Revenues from sales of goods and services include rental income (€ 2,090,016) and income for services provided under the service agreement with the subsidiaries and affiliates (€ 7,856,000). The increase compared with the previous period (€ 1,874,591) is mainly due to the higher income deriving from the Service Agreement.

Other income and revenues refer to the recharge of personnel on secondment and ancillary charges, from the affiliate (€ 331,666 from Endurance Amann GmbH), and other income and revenues for the residual amount.

Cost of production

The following table analyses the operating costs incurred during the 2017/2018 financial year on a comparative basis:

(Amount in EUR)

Description	FY 2017/2018	FY 2016/2017	Change
Cost of raw and ancillary materials, consumables and goods for resale	33,580	24,792	8,788
Cost of services	546,596	717,918	(171,322)
Lease and rental charges	477,665	204,934	272,731
Payroll costs			
Wages and salaries	6,200,948	4,688,711	1,512,237
Social contributions	881,402	781,657	99,745
Employee termination indemnity and other costs	200,518	167,004	33,514
Amortisation of intangible fixed assets	98,517	103,388	(4,871)
Depreciation of tangible fixed assets	788,447	814,062	(25,615)
Other operating expenses	206,037	204,347	1,690
Total	**9,433,710**	**7,706,813**	**1,726,897**

Payroll costs comprise the entire cost of employees, inclusive of merit increases, changes in labour category, holiday pay and accruals required by law and by collective labour agreements, cost for external collaborators, variable remuneration components, incentives to leave the Company, as well as charges deriving from the management retention plan in favour of corporate management, which depends on the economic-financial results achieved in Europe and the continued employment of the personnel concerned for a minimum pre-determined period. The increase recorded during the year is also influenced by the increase in the overall workforce and in a higher number of managers.

Financial income and charges

Income from equity investments in the 2017/18 financial year (€ 4,000,000) refers to the distribution of dividends made by subsidiaries during the year under review.

Financial income for 2017/2018 (€ 27,798) principally comprises the interest income earned on the outstanding credit balances. Financial charges (€ 337,656) mainly relate to the interest incurred on the intercompany loan (€ 97,068) and on the loans from banks (€ 240,588).

Amount and nature of revenues/costs of individual significance

During the financial year 2017/2018, no revenues or other positive components deriving from exceptional events were recorded. During the financial year 2017/2018, no costs deriving from exceptional events were recorded.

Income taxes for the year, current and deferred

Current taxes, deferred tax assets and liabilities

 The Company has accrued for taxation for the year based on the application of tax legislation in force. The tax charge for the year consists of current taxation, as resulting from the tax returns, of deferred taxation relating to positive or negative components of income, taxable or deductible, respectively, in fiscal years that differ from the year in which the item is accounted for statutory reporting purposes.

The composition of taxation for the year split between current taxation and the deferred tax asset item is provided in the following table:

(Amount in EUR)

	IRES Tax FY 2017/2018	IRAP Tax FY 2016/2017
Income taxes	**973,576**	**503,217**
Current taxes		
IRES for the year (current)	1,012,190	723,877
IRAP for the year (current)	209,081	161,466
Taxation relating to prior years	12,525	17,184
Deferred taxation	(260,220)	(399,310)

They are detailed in the following tables:

- a description of the temporary differences that have given rise to the recognition of deferred tax liabilities and assets, with details of the rate applied changes in the year and the amounts credited or debited to the income statement or to quotaholders' equity;
- the amount of deferred tax assets recognised relating to losses for the year or prior years and the reasons for their recognition; the amount not yet recognised and the reasons for the non-recognition;
- items excluded from the computation and the reasons for their exclusion.

Deferred tax assets and liabilities have been calculated using the following rates, which are expected to be in force during the years when it is reckoned that the temporary differences will reverse (IRES at 24% and IRAP at 3.9%).

(Amount in EUR)

A) Temporary differences	
Total deductible temporary differences	(382,361)
Total taxable temporary differences	371,544
Net temporary differences	753,905
B) Tax effects	
Provision for deferred tax liability (assets) at the beginning of the year	2,097,580
Deferred tax liability (assets) of the year	(260,220)
Provision for deferred tax liability (assets) at the end of the year	1,837,360

Statement of cash flows

Consistent with the recommendations made by the OIC and without electing to apply the waiver envisaged in art. 2435-bis, para. 2, and art. 2435-ter of the Italian Civil Code for the companies that prepare condensed financial statements, the following statement of cash flows has been prepared using the indirect method envisaged in OIC 10.

(Amount in EUR)

		FY 2017/2018	FY 2016/2017
A.	**Cash flows from operating activities (indirect method)**		
	Income (loss) for the year	3,513,222	213,538
	Taxation	973,577	503,216
	Interest expense/(interest income)	309,858	237,410
	(Dividends)	(4,000,000)	-
	(Gains)/losses from disposal of assets		(25,986)
1.	**Income (loss) for the year before taxes, interest, dividends and gains/losses from disposals**	**796,657**	**928,178**
Adjustments for non-cash items that had no counterpart in net working capital			
	Provisions	13,723	148,260
	Depreciation and amortisation of fixed assets	886,964	917,450
	Writedowns for permanent losses	-	-
	Other adjustments for non-cash items	79,283	
2.	**Cash flow before changes in net working capital**	**979,970**	**1,065,710**
Change in net working capital			
	Decrease/(increase) in inventory	-	
	Decrease/(increase) in trade receivables	(568,122)	388,754
	Increase/(decrease) in trade payables	3,143,610	4,602,068
	Decrease/(increase) in prepaid expenses and accrued income	(40,361)	26,061
	Increase/(decrease) in accrued expenses and deferred income	30,497	-
	Other changes in net working capital	(1,282,458)	(3,192,263)
3.	**Cash flow after changes in net working capital**	**1,283,166**	**1,824,619**
Other adjustments			
	Interest collected/(paid)	(309,858)	(237,410)
	(Income taxes paid)	(1,527,363)	(472,087)
	Dividends received	4,000,000	-
	(Use of provisions)	(181,727)	(549,186)
4.	**Cash flow after other adjustments**	**1,981,052**	**(1,258,683)**
	Cash flow from operating activities (A)	**5,040,845**	**2,559,825**

(Amount in EUR)

	FY 2017/2018	FY 2016/2017
B. Cash flows from investing activities		
Tangible fixed assets	(457,939)	19,172
(Investments)	(457,939)	(101,420)
Proceeds of disposals	-	120,592
Intangible assets	(11,169)	(0)
(Investments)	(11,169)	(0)
Proceeds of disposals	-	-
Non-current financial assets	(2,500,000)	-
(Investments)	(2,500,000)	
Proceeds of disposals	-	-
Cash flow from investing activities (B)	**(2,969,108)**	**19,172**
C. Cash flows from financing activities		
Third-party funds		
Increase (decrease) in short-term due to banks and other lenders	(500,000)	-
New loans	18,000,000	2,500,000
Repayment of loans	(4,261,938)	(1,428,762)
Own funds		
Cash increase in capital	-	-
Sale (purchase) of treasury shares	-	-
Dividends (and interim dividends) paid	-	
Cash flow from financing activities (C)	**13,238,062**	**1,071,238**
Increase (decrease) in cash and cash equivalents (a ± b ± c)	**15,309,799**	**3,650,235**
Cash and cash equivalents at beginning of period	5,353,557	1,703,324
Cash and cash equivalents at end of period	20,663,359	5,353,557

Fees payable to Directors, Statutory Auditors and independent auditors

Fees of € 74,705 were paid to Directors during the 2017/2018 financial year.

Fees of € 51,719 were paid to the Board of Statutory Auditors during the 2017/2018 financial year.

During the 2017/2018 financial year, the following amounts (comprising fees and expenses) were paid to the independent auditors (Deloitte & Touche S.p.A.):

- € 39,036 for the legal audit of the financial statements, both statutory financial statements of the Company and consolidated financial statements of the Company and its subsidiaries, as well as for checking the Group Reporting Package, prepared from the consolidated financial statements and submitted for the purpose of consolidating the Endurance Technologies Group;
- € 1,050 for the audit work performed in order to sign the tax declarations;
- € 10,756 for services provided by other members of the independent auditors' network.

Securities issued by the company

The Company has not issued any securities that fall under the provisions of art. 2427, para. 18 of the Italian Civil Code.

Information on financial instruments issued by the Company

The Company has not issued any other financial instruments as per paragraph 1.19 of art. 2427 of the Civil Code.

Commitments, guarantees and contingent liabilities not reported in the balance sheet

The Company has given mortgage guarantees in favour of Endurance Fondalmec S.p.A. in relation to the loan arranged in 2015/2016 with Intesa Sanpaolo (residual balance at 31st March, 2018 of € 5,925,926), which is secured by a mortgage on the property used by that subsidiary under rental contracts signed with the Company.

In addition, the Company has given a letter of patronage on behalf of Endurance Engineering S.r.l. that assists a loan arranged with Banca Regionale Europea in January, 2015 (residual balance at 31st March, 2018 of € 128,352).

Information about capital and loans allocated to a specific business project

Allocation of capital to a specific business project

We can confirm that, at the balance sheet date, there has been no allocation of capital to a specific business project as per no. 20 of art. 2427 of the Italian Civil Code.

Loans for a specific business project

We can confirm that, at the balance sheet date, there are no loans provided for a specific business project as per no. 21 of art. 2427 of the Italian Civil Code.

Information about off-balance sheet agreements

No off-balance sheet agreements were entered into during the year.

Information about significant events arising subsequent to the reporting date

Referring to what has already been reported in the previous points, the significant events occurring after the end of the year concern the purchase for early redemption of the industrial property located in Lombardore subject to a finance lease contract with Unicredit Leasing S.p.A. and the early repayment of the residual debt to the Bonotto family due to the acquisition of Haminoea S.r.l. For more details, please refer to the information provided in the pages above.

Companies that prepare consolidated financial statements for the larger/smaller group of companies to which the Company belongs as a subsidiary

The following information is provided about the companies that prepare consolidated financial statements for the larger/smaller group of companies to which the Company belongs as a subsidiary:

	Larger group coincident with smaller group
Company name	Endurance Technologies Limited
Town (if in Italy) or foreign State	Aurangabad (India)
Tax code (Italian companies)	-
Place where the consolidated financial statements are filed	Registered office: Aurangabad (India)
Provision for deferred tax liability (assets) at the beginning of the year	India Stock Exchange: NSE and BSE (*)

(*) Endurance Technologies Limited, the parent company, is listed on the National Stock Exchange of India Ltd. (NSE) and the BSE Ltd. (BSE).

Summary financial statements of the company which exercises management and coordination activities

The Company is subject to management and coordination by its indirect parent company, Endurance Technologies Limited, with Registered Office at E-92, MIDC Industrial Area, Waluj, Aurangabad 431 136, Maharashtra, India, which wholly owns the Company via Endurance Overseas S.r.l.

The following amounts taken from the latest approved financial statements of Endurance Technologies Limited are stated in millions of Indian Rupees. For the sake of clarity, the Rupee/Euro exchange rate at 31st March, 2017 (source www.rbi.org.in) was 69.2476 (75.0955 at 31st March, 2016):

(₹ in million)

Balance sheet	Financial statements for the year ended 31st March, 2017	Financial statements for the year ended 31st March, 2016
Non-current assets		
Fixed assets, net	8,799.10	8,168.96
Investments and other non-current assets	5,442.53	5,580.90
Current assets	**8,245.55**	**6,246.54**
Total Assets	**22,487.18**	**19,996.40**
Liabilities and shareholder's equity		
Shareholder's equity	**15,630.64**	**13,496.99**
Non-current liabilities		
Non-current financial liabilities	198.52	780.81
Other non-current liabilities	185.41	181.77
Current liabilities		
Current financial liabilities	1,877.08	1,662.98
Other current liabilities	4,595.53	3,873.85
Total liabilities and shareholders' equity	**22,487.18**	**19,996.40**

(₹ in million)

Income Statement	Financial statements for the year ended 31st March, 2017	Financial statements for the year ended 31st March, 2016
Revenues	**42,947.19**	**40,683.61**
Operating costs	38,111.24	36,085.09
Depreciation and amortisation	1,668.57	1,475.00
Financial charges	178.57	329.74
Income before tax	**2,988.81**	**2,793.78**
Taxation for the year (current and deferred)	773.84	707.33
Income (loss) for the year	**2,214.97**	**2,086.45**
OCI - Other comprehensive income	(17.83)	0.75
Total statement of comprehensive income	**2,197.14**	**2,087.20**

The following section describes relations with the company that provides management and coordination services and with the other affiliates, as well as the effect of those activities on the operations of the Company and its results.

Relations with related parties

As required by OIC 12.130 and art. 2427, para. 1, point 22-bis c.c., it is confirmed that relations with related parties comprise transactions with the parent company and its subsidiaries (together referred to as "affiliates"), as summarised below:

Receivables from related parties classified as current assets

(Amount in EUR)

Description	31st March, 2018	31st March, 2017	Change
from subsidiaries	2,334,894	3,018,050	(683,156)
from companies under common control	586,601	528,697	57,904
from other related parties – due beyond one year	28,500	-	28,570
Total	**2,950,995**	**3,546,747**	**(596,752)**

Receivables due from subsidiaries: € 2,334,894, relating to:

- the amounts due from Endurance FOA S.p.A. (€ 147,775) and Endurance Engineering S.r.l. (€ 132,940) in relation to the domestic tax group;
- trade receivables (totalling € 2,054,179) in relation to the operational and financial services provided by the Company, as part of the management of the Group.

Receivables due from companies under common control: € 586,601 due from Endurance Amann GmbH for services provided to the Endurance Group's German subsidiary;

Receivables from other related parties due beyond one year: € 28,500 of a guarantee deposit related to the lease contract with V&P Srl.

Payables to related parties classified as current assets

(Amount in EUR)

Description	31st March, 2018	31st March, 2017	Change
to subsidiaries – current portion	11,281,117	7,388,981	3,892,136
to subsidiaries – non-current portion	327,000	327,000	-
to companies under common control	6,517,330	7,288,796	(771,466)
to other related parties – due within one year	4,900,000	2,450,000	2,450,000
to other related parties – due beyond one year	-	4,900,000	(4,900,000)
Total	**23,025,447**	**22,354,777**	**670,670**

Payables due to subsidiaries – current portion (€ 11,281,117) - comprise:

- € 3,000,000 for the loan received from Endurance Fondalmec S.p.A.;
- € 6,966,312 for the amount due related to the cash pooling arrangement, of which
  - € 4,251,753 to Endurance Fondalmec S.p.A.
  - € 813,623 to Endurance FOA S.p.A.
  - € 1,900,936 to Endurance Engineering S.r.l.
- € 1,232,475 the payable to Endurance Fondalmec S.p.A. within the Tax consolidation

- trade payables of € 82,330;

Payables Due to subsidiaries beyond one year: € 327,000, relating to guarantee deposits received from Endurance Fondalmec S.p.A. and Endurance FOA S.p.A.;

Payables due to companies under common control: € 6,517,330 due to Endurance Amann GmbH, a foreign affiliate, including € 3,505,820 due under the cash pooling arrangements, € 3,000,000 related to a loan granted by the affiliate to the company and € 11,510 as trade receivables;

Payables due to other related parties concern the amount due to the Bonotto family (linked to one of the members of the Board of Directors of the Company) deriving from the purchase of Haminoea S.r.l. (in the context of the Merger). The outstanding payable, settled without interest, was classified as short-term in consideration of the early repayment of the entire amount on 4th April, 2018.

With regard to other transaction occurred during the year with other related parties, the income statement contains rental expense of € 114,000 that was charged under the rental contract for the Company's offices in Turin in place between the Company and V&P S.r.l. (company linked to one of the members of the Board of Directors of the Company).

Treasury shares and shares in parent companies

In accordance with Art. 2435-bis and paragraphs 3.3 and 3.4 of Art. 2428 of the Civil Code, it is hereby confirmed that the Company did not hold any shares or quotas in the parent company during the year.

Explanatory notes, closing section

We confirm that these financial statements, which comprise the balance sheet, income statement and explanatory notes, give a true and fair view of the financial position and results for the year and agree with the books of account.

Given all of the above, the Directors recommend approval of these draft financial statements at 31st March, 2018, together with the following proposed allocation of the net income for the year of € 3,513,221:

- € 175,661 to the legal reserve;
- € 3,337,560 to retained earnings.

Lombardore, 11th May, 2018

For the Board of Directors

The Managing Director

Signed by Massimo Venuti

Report of the Board of Statutory Auditors

Statutory financial statements for the year ended 31st March, 2018

Report to the Quotaholders' Meeting pursuant to art. 2429, paragraph 2 of the Italian Civil Code - Administrative supervision

During the course of the financial year ended 31st March, 2018, our activities were performed in compliance with applicable legislation and the principles of conduct for the Board of Statutory Auditors issued by the Italian Accounting Profession (as represented by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili).

Activities carried out by the Board of Statutory Auditors during the year ended 31st March, 2018

We supervised compliance with the law, with the articles of association and with principles of proper administration.

We attended shareholders' meetings and Board meetings, in respect of which, based on information made available, no matters came to our attention to indicate that there had been any infringements of the law or of the articles of association, nor transactions which were clearly imprudent, risky, likely to give rise to a conflict of interest or such as to compromise the integrity of the company's assets.

We acquired information from the directors on the status of capital transactions, with respect to which we have no particular observations to make.

We obtained information from the directors on the company's performance and the likely outlook, as well as on the most significant transactions, in terms of size or characteristics, entered into by the company and by its subsidiaries and, based on the information obtained, we have no particular findings to report.

We met with the independent auditors and from their information no significant issues arose that require disclosure in this report.

We gained knowledge on and supervised, within the scope of our duties, the adequacy of and the operations of the company's organisational structure by obtaining information from function heads, with respect to which we have no particular findings to report.

We gained knowledge on and supervised, within the scope of our duties, the adequacy of and the operations of the company's administrative-accounting system, as well as on the reliability of the latter in correctly presenting the results of operations, by obtaining information from function heads, from the independent auditors and from an examination of corporate documents, and, with respect thereto, we have no particular findings to report.

No complaints were presented to us as per Art. 2408 of the Italian Civil Code.

During the course of the financial year, no opinions were issued by the Board of Statutory Auditors as required by law.

During the course of our supervisory activities, as described above, no other significant matters arose that are worthy of inclusion in this report.

This report therefore summarises our activity with regard to the requirements of art. 2429, para. 2 of the Italian Civil Code, namely information on:

- the results for the year;
- the work performed in fulfilment of our legal duties; the observations and proposals regarding the financial statements, with particular regard to any use made by the administrative body of the exception permitted by art. 2423, para. 5 of the Italian Civil Code;
- any complaints received from the shareholders as per art. 2408 of the Italian Civil Code.

In any case, we are at your complete disposal to examine any other aspects during the Shareholders' Meeting.

The work performed by us covered the entire financial year and regular meetings were held during the year pursuant to art. 2404 of the Italian Civil Code.

During our periodic checks, we gained knowledge on how the Company's activities were evolving, paying particular attention to contingent problems in order to identify the economic and financial impact on the result for the year and on the balance sheet, as well as any risks.

Minutes were drawn up of these meetings and duly signed for unanimous approval.

Information on the financial statements

The draft financial statements for the year ended 31st March, 2018, prepared in condensed form, verified related requirements, has been provided to us for our examination by the Board of Directors pursuant to art. 2429 of the Italian Civil Code, and have been prepared in accordance with the requirements of Legislative Decree no. 127/91; it consists of:

- Balance sheet
- Income Statement
- Explanatory notes

It should be noted that the financial statements are also accompanied by a statement of cash flows, as the option not to prepare one envisaged by the applicable accounting standards has not been exercised.

Balance sheet

(Amount in EUR)

Description	FY 2018	FY 2017	Difference
FIXED ASSETS	53,024,982	50,942,838	2,082,144
CURRENT ASSETS	24,466,079	9,022,754	15,443,325
PREPAID EXPENSES AND ACCRUED INCOME	209,438	169,077	40,361
TOTAL ASSETS	**77,700,499**	**60,134,669**	**17,565,830**

Description	FY 2018	FY 2017	Difference
QUOTAHOLDERS' EQUITY	28,305,435	24,792,214	3,513,221
PROVISION FOR RISKS AND CHARGES	2,002,375	2,097,580	(95,205)
PROVISION FOR EMPLOYEE TERMINATION INDEMNITY	37,655	31,171	6,484
PAYABLES	47,324,537	33,213,704	14,110,833
ACCRUED EXPENSES AND DEFERRED INCOME	30,497	-	30,497
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**77,700,499**	**60,134,669**	**17,565,830**

Income Statement

(Amount in EUR)

Description	FY 2018	FY 2017	Difference
VALUE OF PRODUCTION	10,309,648	8,660,978	1,648,670
PRODUCTION COST	9,433,710	7,706,813	1,726,897
DIFFERENCE BETWEEN PRODUCTION VALUE AND COST (A - B)	875,938	954,165	(78,227)
RESULT BEFORE TAXES (A-B+-C+-D)	4,486,797	716,755	3,770,042
INCOME TAXES FOR THE YEAR, CURRENT AND DEFERRED	973,576	503,217	470,359
PROFIT (LOSS) FOR THE YEAR	**3,513,221**	**213,538**	**3,299,683**

We have examined the draft financial statements for the year ended 31st March, 2018, prepared in the condensed form, in relation to which we point out the following.

Due to the fact that we were not appointed as independent auditors of the financial statements, we have limited ourselves to monitoring the overall approach to their preparation and their general compliance with the law as regards their format and structure and we do not have any particular observations to make in this regard.

More precisely, we note that:

- The accounting policies used in preparing the financial statements as at 31st March, 2018 comply with the Italian Civil Code as amended by Decree Law 139/2015;
- the Directors have provided information on the Company's performance and on the outlook for operations;
- the balance sheet and income statement formats adopted by the Company comply with articles 2424, 2424-bis, 2425 and 2425-bis of the Italian Civil Code, and with the specific provisions of art. 2435-bis of the Italian Civil Code which governs the preparation of the financial statements in condensed form;
- pursuant to art. 2426 para. 5, of the Italian Civil Code, start-up and expansion costs for a net carrying value of € 477 as at 31st March, 2018 have been recorded with our approval, having verified the requisites;
- pursuant to art. 2426 para. 6, of the Italian Civil Code, goodwill is recorded in the balance sheet, the net carrying value of which amounts to € 1,011,654 as at 31st March, 2018, recorded in the context of business combinations that occurred in previous years and with Board of Statutory Auditors' consent, being verified with the requirements for registration.

We have verified compliance with the law (art. 2435-bis and 2428 of the Italian Civil Code) regarding the option not to prepare a report on operations.

As far as we are aware, in the preparation of the financial statements, there was no failure by the directors to comply with the law pursuant to paragraph 5 of Art. 2423 of the Italian Civil Code.

Result for the year

The net result ascertained by the Directors for the year ended 31st March, 2018, as shown in the financial statements, is positive and amounts to € 3,513,221.

We do not have any observations to make on the allocation of the net result for the year proposed by the Directors.

Conclusion

Also considering the results of the work performed by the independent auditors, as explained in their audit report, issued without exceptions or remarks on 14th May, 2018, we unanimously believe that there are no reasons why the Shareholders' Meeting should not approve the draft annual financial statements for the year ended 31st March, 2018, as drafted and proposed by the Directors.

Milano, 14th May, 2018

The Board of Statutory Auditors

Signed by Fulvio Mastrangelo

Signed by Fabio Greco

Signed by Massimo Carera

General information on the company

Company data

Name:	ENDURANCE OVERSEAS SRL
Registered office:	VIA DEL BOSCHETTO 2/43 – LOMBARDORE (TURIN)
Quota capital:	16,105,263.00
Quota capital fully paid in:	Yes
Chamber of Commerce:	TO
VAT Number:	05754620960
Tax code:	05754620960
REA Number:	1101893
Legal form:	LIMITED LIABILITY COMPANY
Core business (ATECO):	642000
Company in liquidation:	No
Company with sole quotaholder:	No
Company subject to management and coordination activities:	Yes
Name of the company or entity that exercises management and coordination activities:	ENDURANCE TECHNOLOGIES LIMITED
Belonging to a Group:	Yes
Name of the parent company:	ENDURANCE TECHNOLOGIES LIMITED
Country of the parent company:	INDIA
Cooperatives register number:	

Independent Auditor's Report

PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF 27th January, 2010

To the Quotaholders of Endurance Overseas S.r.l.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Endurance Overseas S.r.l. (the "Company"), prepared in short form in accordance with article 2435-bis of the Italian Civil Code, which comprise the balance sheet as at 31st March, 2018, the statement of income for the year then ended and the explanatory notes.

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

Basis for Opinion

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

Other matters

Pursuant to art. 2497-bis, first paragraph, of the Italian Civil Code, Endurance Overseas S.r.l. has disclosed that it is subject to management and coordination of its activities by Endurance Technologies Limited (India) and, therefore, has indicated in the notes to the financial statements the key financial data from the most recent financial statements of such company. Our opinion on the financial statements of Endurance Overseas S.r.l. does not extend to such data.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

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

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company'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 management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transaction and events in a manner that achieves fair presentation.

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

DELOITTE & TOUCHE S.p.A.

Signed by
Giorgio Barbieri
Partner

Turin, Italy
14th May, 2018

Consolidated financial statements

as at and for the year ended 31st March, 2018

Consolidated balance sheet

(Amount in EUR)

	31st March, 2018	31st March, 2017
Assets		
B) Fixed assets		
I Intangible fixed assets	**-**	**-**
1) Start-up and expansion costs	477	4,390
2) Development costs	1,873,695	2,384,737
3) Industrial patent rights and intellectual property rights	161,286	47,473
4) Concessions, licenses, trademarks and similar rights	-	-
5) Goodwill	2,836,709	4,862,530
6) Intangible fixed in progress and advance payments	-	-
7) Other intangible fixed assets	105,750	697,598
Total intangible fixed assets	**4,977,917**	**7,996,728**
II Tangible fixed assets	**-**	**-**
1) Land and buildings	23,542,721	23,826,605
2) Plant and machinery	46,083,474	48,783,064
3) Industrial and commercial equipment	2,246,453	1,713,513
4) Other assets	486,923	679,172
5) Assets under construction and advance payments	5,810,845	2,835,860
Total tangible fixed assets	**78,170,416**	**77,838,214**
III Financial fixed assets	**-**	**-**
1) Equity investments in	-	-
a) Controlled companies	-	-
b) Associated companies	-	-
c) Parent/controlling companies	-	-
d) Companies under common control	-	-
d-bis) other companies	789	789
Total equity investments	**789**	**789**
2) Receivables	-	-
a) From controlled companies	-	-
b) From associated companies	-	-
c) From parent/controlling companies	-	-
due within one year	-	-
d) From companies under common control	-	-
d-bis) From others	4,500,000	-
due within one year	4,500,000	-
Total receivables	**4,500,000**	**-**
2) Financial non current receivables	-	-
3) Other securities	-	-
4) Fair value of financial derivative instruments	691	8,569
Total financial fixed assets	**4,501,480**	**9,358**
Total fixed assets (B)	**87,649,813**	**85,844,300**
C) Current assets		
I Inventories	**-**	**-**
1) Raw materials, ancillary materials and consumables	7,224,490	5,264,129
2) Work in process and semi-finished products	8,350,945	7,965,201
3) Contract work in progress	-	-
4) Finished products and goods	10,358,646	9,836,754
5) Advances	1,115,270	29,293
Total inventories	**27,049,351**	**23,095,377**

(Amount in EUR)

	31st March, 2018	31st March, 2017
II Receivables	**-**	**-**
1) From customers	25,895,532	32,318,717
due within one year	25,895,532	32,318,717
2) From controlled companies	-	-
3) From associated companies	-	-
4) From parent/controlling companies	-	-
5) From companies under common control	1,217,323	1,339,375
due within one year	1,217,323	1,339,375
5-bis) Tax receivables	5,198,204	6,800,405
due within one year	5,198,204	6,495,711
due beyond one year	-	304,694
5-ter) Deferred tax assets	2,508,922	2,251,906
5-quater) From others	489,935	484,144
due within one year	449,127	443,371
due beyond one year	40,808	40,773
Total receivables	**35,309,916**	**43,194,547**
III Current financial assets	**-**	**-**
IV Cash and cash equivalents	**-**	**-**
1) Bank and postal deposits	51,079,273	26,306,075
2) Cheques	-	-
3) Cash on hand	3,543	5,619
Total cash and cash equivalents	**51,082,816**	**26,311,694**
Total current assets (C)	**113,442,083**	**92,601,618**
D) Prepaid expenses and accrued income	**754,930**	**872,824**
Total assets	**201,846,826**	**179,318,742**
Shareholder's equity and liabilities		
A) Shareholder's equity	**46,292,383**	**36,210,144**
I Share capital	16,105,263	16,105,263
II Share premium reserve	304,737	304,737
III Revaluation reserves	-	-
IV Legal reserve	309,977	299,300
V Statutory reserves	-	-
VI Other distinctly indicated reserves	-	-
Extraordinary or discretionary reserve	2,681,395	2,681,395
Paid in for future capital increase	2,882,602	2,882,602
Other reserves	186,181	186,181
Total other reserves	**5,750,178**	**5,750,178**
VII Cash flow hedge reserve	-	-
VIII Retained earnings (accumulated losses)	13,739,987	5,719,720
IX Net income (loss) for the year	10,082,241	8,030,946
Total Group's shareholder's equity	**46,292,383**	**36,210,144**
Total third parties' shareholder's equity	**-**	**-**
Total consolidated shareholder's equity	**46,292,383**	**36,210,144**
B) Provision for risks and charges		
1) Provisions for pensions and similar obligations	-	-
2) Provision for taxes, including deferred taxes	2,125,735	2,318,844
3) Negative fair value of financial derivative instruments	84,181	6,965
4) Oher provision for risks and charges	449,858	330,950
Total provisions for risks and charges	**2,659,774**	**2,656,759**

(Amount in EUR)

	31st March, 2018	31st March, 2017
C) Provision for risks and charges	**2,018,485**	**1,904,716**
D) Payables		
1) Bonds	-	-
2) Convertible bonds	-	-
3) Due to quotaholders for loans	-	-
4) Due to banks	57,732,708	46,264,083
due within one year	18,144,145	18,477,719
due beyond one year	39,588,563	27,786,364
5) Due to other financial institutions	9,348,654	11,526,750
due within one year	5,896,785	1,931,294
due beyond one year	3,451,869	9,595,456
6) Advances	-	-
7) Trade payables	58,036,461	51,845,499
due within one year	58,036,461	51,845,499
8) Credit notes-represented payables	-	-
9) Due to controlled companies	-	-
10) Due to associated companies	-	-
11) Due to parent/controlling companies	-	-
11-bis) Due to entities under common control	6,557,672	7,288,301
due within one year	6,557,672	7,288,301
12) Tax payable	816,406	1,652,007
due within one year	816,406	1,652,007
13) Due to pension and social security institutions	1,702,684	1,700,182
due within one year	1,702,684	1,700,182
14) Other payables	14,504,859	15,109,928
due within one year	14,504,859	10,209,928
due beyond one year	-	4,900,000
Total payables	**148,699,444**	**135,386,750**
E) Accrued expenses and deferred income	**2,176,740**	**3,160,373**
Total shareholder's equity and liabilities	**201,846,826**	**179,318,742**

Consolidated income statement

	FY 2017/2018	FY 2016/2017
A) Value of production		
1) Revenues from sales of goods and services	208,809,736	193,593,865
2) Change in inventories of work in progress, semi-finished and finished products	907,637	1,704,001
3) Change in contract work in progress	-	-
4) Increases in non-current assets from in-house production	304,507	1,231,892
5) Other income and revenues		-
Grants	744,133	267,191
Other revenues	4,319,016	4,781,422
Total other income and revenues	**5,063,149**	**5,048,613**
Total value of production	**215,085,029**	**201,578,371**
B) Cost of production		
6) Raw and ancillary materials, consumables and goods for resale	110,855,952	103,827,933
7) Services	31,689,483	29,127,811
8) Lease and rental charges	1,581,989	1,139,689

(Amount in EUR)

	FY 2017/2018	FY 2016/2017
9) Payroll		-
a) Wages and salaries	27,880,843	25,851,297
b) Social contributions	5,625,086	5,416,337
c) Employee termination indemnity	1,191,413	1,139,642
d) Pension and similar	-	2,635
e) Other costs	210,299	126,216
Total payroll costs	**34,907,641**	**32,536,127**
10) Depreciation, amortisation and writedowns		-
a) Amortisation of intangible fixed assets	2,829,757	2,827,526
b) Depreciation of tangible fixed assets	15,662,987	13,990,181
c) Fixed assets writedowns	-	-
d) Current receivables and cash equivalents writedowns	87,975	22,613
Total depreciation, amortisation and writedowns	**18,580,719**	**16,840,320**
11) Change in inventory of raw and ancillary materials, consumables and goods	(1,960,362)	1,641,564
12) Provision for risks	300,000	-
13) Other provisions	-	-
14) Other operating expenses	1,850,883	1,703,052
Total cost of production	**197,806,305**	**186,816,496**
Difference between production value and cost (A - B)	**17,278,724**	**14,761,875**
C) Financial income and charges		
15) Financial income from investments	-	-
16) Other financial income		
a) From financial non-current assets		
Other	22,938	1,706
Total income from financial fixed assets	22,938	1,706
b) From other non current securities	-	-
c) From other current securities	-	-
d) Income other than the above		
Other	31,278	6,294
Total income other than the above	31,278	6,294
Total other financial income	**54,216**	**8,000**
17) Interest and other financial charges		
From companies under common control	20,100	11,038
From other	1,126,182	1,392,462
Total interest and other financial charges	**1,146,282**	**1,403,500**
17 bis) Exchange gains and losses	40,717	(11,869)
Total financial income and charges (15+16-17+-17-bis)	**(1,051,349)**	**(1,407,369)**
D) Adjustments to financial assets and liabilities		
18) Revaluation		
a) of investments	-	-
b) of financial fixed assets other than equity investments	-	-
c) of securities included in current assets	-	-
d) of derivative financial instruments	7	14,868
e) of financial assets for centralized cash management (cash pooling)	-	-
Total revaluation	**7**	**14,868**
19) Writedowns		
a) of investments	-	-
b) of financial fixed assets other than equity investments	-	-
c) of securities included in current assets	-	-

(Amount in EUR)

	FY 2017/2018	FY 2016/2017
d) of derivative financial instruments	(85,101)	-
e) of financial assets for centralized cash management (cash pooling)	-	-
Total writedowns	**(85,101)**	**-**
Total adjustments to financial assets and liabilities (18-19)	**(85,094)**	**14,868-**
Result before taxes (A-B+-C+-D+-E)	**16,142,281**	**13,369,374**
22) Income taxes for the year, current and deferred		
Current taxation	6,461,819	5,962,614
Deferred taxes	(401,779)	(624,186)
Total income taxes for the year, current and deferred	6,060,040	5,338,428
23) Net income (loss) for the year	**10,082,241**	**8,030,946**
Net income (loss) for the year pertaining to the Group's shareholders	**10,082,241**	**8,030,946**

Consolidated statement of cash flow – Indirect method

(Amount in EUR)

	FY 2017/2018	FY 2016/2017
A) Cash flows from operating activities (indirect method)		
Income (loss) for the year	10,082,241	8,030,946
Taxation	6,060,040	5,338,428
Interest expense/(interest income)	1,051,349	1,407,369
(Gains)/losses from disposal of assets	(21,392)	
1) Income (loss) for the year before income taxes, interest, dividends and gains/losses from disposals	17,172,238	14,776,743
Adjustments for non-cash items that had no counterpart in net working capital		
Provisions	1,491,413	1,139,642
Depreciation and amortisation of fixed assets	18,492,744	16,817,707
Writedowns for permanent losses	85,094	(14,868)
Other adjustments for non-cash items	87,975	22,613
Total adjustments for non-cash items that had no counterpart in net working capital	20,157,226	17,965,094
2) Cash flow before changes in net working capital	37,329,464	32,741,837
Change in net working capital		
Decrease/(increase) in inventory	(3,953,974)	(91,730)
Decrease/(increase) in trade receivables	6,457,262	496,276
Increase/(decrease) in trade payables	5,460,333	5,534,862
Decrease/(increase) in prepaid expenses and accrued income	117,894	(21,403)
Increase/(decrease) in accrued expenses and deferred income	(983,633)	1,673,925
Other changes in net working capital	1,844,711	5,516,617
Total changes in net working capital	8,942,593	2,075,313
3) Cash flow after changes in net working capital	46,272,057	34,817,150
Other adjustments		
Interest collected/(paid)	(1,051,349)	(1,407,369)
(Income taxes paid)	(8,004,098)	(5,939,659)
(Use of provisions)	(1,459,723)	(1,467,775)
Total other adjustments	(10,515,170)	(8,814,803)
Cash flow from operating activities (A)	**35,756,887**	**26,002,346**
B) Cash flows from investing activities		
Tangible fixed assets		
(Investments)	(17,146,243)	(8,185,119)

(Amount in EUR)

	FY 2017/2018	FY 2016/2017
Proceeds of disposals	1,563,315	927,259
Intangible fixed assets		
(Investments)	(201,815)	(1,850,889)
Financial fixed assets		
(Investments)	(4,492,122)	(8,546)
Cash flows from investing activities (B)	**(20,276,865)**	**(9,117,295)**
C) Cash flows from financing activities		
Third-party funds		
Increase (decrease) in short-term due to banks and other lenders	(4,458,453)	(11,273,777)
New loans	32,800,665	20,321,130
(Repayment of loans)	(19,051,112)	(15,760,055)
Cash flows from financing activities (C)	**9,291,100**	**(6,712,702)**
Increase (decrease) in cash and cash equivalents (A ± B ± C)	**24,771,122**	**10,172,249**
Cash and cash equivalents at beginning of period		
Bank and postal deposits	26,306,075	16,131,995
Cash on hand	5,619	7,350
Total cash and cash equivalents at beginning of period	**26,311,694**	**16,139,345**
Cash and cash equivalents at the end of period		
Bank and postal deposits	51,079,273	26,306,015
Cash on hand	3,543	5,619
Total cash and cash equivalents at end of period	**51,082,816**	**26,311,634**

Cash flow ancillary information

In accordance with Italian generally accepted accounting principle OIC 10, the consolidated cash flow statement of the Endurance Group (Endurance Overseas S,r,l, and its subsidiaries) for the year under review is presented, as compared with the previous financial year's one, The statement is prepared using the indirect method in order to distinguish sources and uses for distinct operating, financial and investment areas,

It should be noted in particular that the item " Increase/(decrease) in trade payables" includes the change in the balance of the cash pooling account managed by the Parent Company for the benefit of Endurance Amann GmbH, a subsidiary controlled by Endurance Technologies Limited, which is the ultimate Parent Company of the Group (the liability recorded a reduction of Euro 719 thousand in the current year), and the balance of a loan granted by Endurance Amann GmbH to the Parent Company (Euro 3,000 thousand, unchanged from the previous year).

Explanatory notes

Consolidated financial statements as at and for the year ended 31st March, 2018

Introduction to the explanatory notes

Dear Quotaholders,

These explanatory notes form an integral part of the financial statements as at and for the year ended 31st March, 2018.

The consolidated financial statements of Endurance Overseas S.r.l. (the "Company" or the "Parent Company") comprise those of the Company and its subsidiaries, Endurance Fondalmec S.p.A., Endurance Engineering S.r.l. and Endurance FOA S.p.A. (collectively, the "Group"). They include the consolidated balance sheet, the consolidated income statement, the consolidated statement of cash flows, (prepared in accordance with the schemes referred to in art. 2424, 2424 bis, 2425 and 2425 bis c.c. and 2425 ter of the Civil Code respectively) and these explanatory notes,

The consolidated financial statements as of and for the year ended 31st March, 2018 have been prepared in accordance with the Italian Civil Code, interpreted and supplemented by the accounting principles and policies developed by the Italian Accounting Organization (OIC), including those introduced in December, 2016 by the OIC, integrated by the amendments published on 29th December, 2017, and, if these are unavailable and to the extent not in conflict with Italian Accounting Standards, those issued by the International Accounting Standards Board (IASB).

In particular, the valuation of the items included in the financial statements has been carried out in accordance with the principle of prudence and on a going concern basis. According to art. 2423-bis c.1, paragraph 1-bis c.c., the recording and presentation of the items shall be made taking into account the substance of the operation or the contract. In the preparation of the consolidated financial statements, incomes and charges have been recorded in accordance with the principle of competence, regardless of the time of their financial occurrence. Risks and losses attributable to the exercise have taken into consideration, even if known after the year-end reference date.

The Group's balance sheet and financial position as well as the Group's results are presented with the aim to give a true and fair view of the financial position of the Group as at 31st March, 2018, in accordance with the provisions of Legislative Decree 127/91 (as supplemented by Legislative Decree 139/15); If necessary, additional information required by the third paragraph of art. 29 of the said decree are presented.

The notes to the consolidated financial statements illustrate, in addition to the consolidation criteria, the valuation principles followed for the preparation of the consolidated financial statements, in compliance with the relevant civil law; the list of the companies included and excluded from the consolidation and the statement of reconciliation between the Parent Company's equity as shown in its statutory financial statements and shareholders' equity as shown in the consolidated financial statements are also reported.

The consolidated financial statements are also accompanied by a report of the Board of Directors of the Parent Company regarding the Group's operations and the performance of its management.

Information on the composition of the Group

The Group is comprised as follows at 31st March, 2018:

Investee - Name	Held by - Name	Role	Nature of Parent Company control	% of direct control / % of voting rights	consolidation %
ENDURANCE OVERSEAS SRL	-	Parent Company			
ENDURANCE FONDALMEC SPA	ENDURANCE OVERSEAS SRL	Subsidiary	Direct	100.00	100.00
ENDURANCE ENGINEERING SRL	ENDURANCE OVERSEAS SRL	Subsidiary	Direct	100.00	100.00
ENDURANCE FOA SPA	ENDURANCE OVERSEAS SRL	Subsidiary	Direct	100.00	100.00

All businesses belonging to the Group at the consolidated balance sheet date have been included in the scope of consolidation and the information required by art. 39 of Legislative Decree 127/91 is set out below:

(Amount in EUR)

Investee - Name	Head office	Share capital
Entities consolidated on a line-by-line basis:		
ENDURANCE FONDALMEC SPA	VIA DEL BOSCHETTO 2/43 – LOMBARDORE (Turin)	2,700,000
ENDURANCE ENGINEERING SRL	STRADA DEL CASCINOTTO 135/A TURIN (Turin)	100,000
ENDURANCE FOA SPA	VIA REGIONE POZZO 26 CHIVASSO (Turin)	382,200

The scope of consolidation has not changed over the past year.

Basis of preparation and consolidation

Basis of preparation of the consolidated financial statements

It is hereby confirmed that, for the purposes of providing a true and fair presentation of the results and financial position, there were no exceptions to the provisions of Legislative Decree 127/91 (as supplemented by Legislative Decree 139/15).

The consolidated financial statements as at 31st March, 2018 have been prepared in accordance with the provisions of the Italian Civil Code, interpreted and supplemented by the accounting principles and criteria developed by the Italian Accounting Board (OIC) and, finally, where lacking and in so far as they do not conflict with Italian accounting rules and principles, by those issued by the International Accounting Standard Board (I.A.S.B.).

In the preparation of the consolidated financial statements, use was made of the Group companies' financial statements as at and for the year ended 31st March, 2017, as prepared by the respective Boards of Directors and that will be approved by the respective general meetings of shareholders or quotaholders. The balance sheet, the income statement, the cash flow statement and the accounting information contained in these Notes are in accordance with the accounting records of the consolidated companies, from which they have been directly disclosed.

The financial statements used for the consolidated financial statements have been prepared in accordance with uniform accounting policies, being those applied by the Parent Company for its financial statements.

The consolidated financial statements have been prepared in euro, as have the detailed tables presented in these explanatory notes (unless specified otherwise). The comments on items state the consolidated amounts in thousands of Euro (unless specified otherwise).

Basis of consolidation

Equity investments in subsidiaries have been consolidated on a line-by-line basis.

In the preparation of the consolidated financial statements, all the receivables and payables due from/to businesses included in the consolidation have been eliminated, as well as income and expenses arising from intercompany transactions and gains and losses on intercompany asset transactions.

The positive difference arising on the elimination of the carrying amounts of the investments held in Endurance Fondalmec S.p.A. and Endurance FOA S.p.A., and the corresponding equity interests, represents an asset and has been allocated to the "Goodwill" item of the balance sheet. As at 31st March, 2018, this difference amounts to Euro 1,465 thousand and is being amortised on a straight-line basis over 10 years.

Accounting policies

Accounting principles applied to the preparation of this consolidated financial statements, the references of which are set out below, have been adjusted with the modifications, additions and novelties introduced in the Civil Code by the Legislative

Decree no. 139/2015, which has transposed in Italy the European Accounting Directives 34/2013/ EU. In particular, the national accounting principles have been updated by the Italian Accounting Organization (OIC) in the version issued on 22nd December, 2016, integrated by the amendments published on 29th December, 2017.

Criteria applied in the valuation of the financial statements items and in the value adjustments are in accordance with the provisions of the Italian Civil Code and the guidance contained in the accounting principles updated by the OIC. According to Article 2427 c. 1 n. 1 of the c.c., the following paragraphs illustrate the most significant valuation criteria adopted in accordance with the provisions of Article 2426 of the Italian Civil Code, with particular with reference to those items for which the legislator admits different valuation and adjustment criteria or for which no specific criteria are identified.

Intangible fixed assets

When the established criteria are met, these are recorded at purchase or production cost, inclusive of direct costs and related charges, and amortised systematically each year on a straight-line basis. Intangible assets are recognised with the consent of the Boards of Statutory Auditors of consolidated companies, where prescribed by law.

Their book value is stated net of accumulated amortisation and write-downs.

Amortisation is applied as indicated below, in order to properly allocate the cost incurred over the useful life of the assets:

Intangible fixed asset items	Amortisation period
Start-up and expansion costs	5 years on a straight line basis
Development costs	5 years on a straight line basis
Patents and intellectual property rights	3 years on a straight line basis
Goodwill – portion included in the Endurance FOA S.p.A.'s financial statements	5 years on a straight line basis
Goodwill – portion included in the Endurance Engineering S.r.l. 's financial statements	5 years on a straight line basis
Goodwill – portion emerging in consolidation (*)	10 years on a straight line basis
Other intangible fixed assets (leasehold improvements)	5 years on a straight line basis

(*) related to the consolidation of Endurance Fondalmec S.p.A. and Endurance FOA S.p.A.

It should be noted that no write-downs of these assets were needed in accordance with paragraph 1.3 of Art. 2426 of the Civil Code.

Any start up and expansion costs are recorded with the consent of the Board of Statutory Auditors. In the event of a distribution of dividends, enough distributable reserves are maintained to cover the unamortised portion of these costs.

Advertising and research costs are expensed in full in the accounting period in which they are incurred.

In exceptional cases in which the useful lives of development costs cannot be estimated reliably, they are in all cases amortised over a period that does not exceed five years. Until these assets are fully amortised, dividends cannot be distributed unless the remaining available reserves are sufficient to cover the unamortised balance.

Goodwill, comprising the extra value recognised on the acquisition of businesses, in relation to other corporate transactions, or relating to difference emerging in the first consolidation between investment value in controlled companies and corresponding net assets value is amortised over its useful life.

In order to determine the useful life of goodwill, the Company applies the information available in order to estimate the likely duration of its economic benefits. Should the useful life of goodwill be found to exceed 10 years, specific analyses are carried out to support the value determined with reference to the longer useful life, as required by OIC 24.70. If this estimate cannot be made, goodwill is amortised over 10 years.

Leasehold improvements are capitalised and classified as "other intangible assets" if they cannot be separated from the assets concerned (in which case they are recognised in the relevant category of "tangible fixed assets"). They are amortised systematically over the period they are expected to benefit (prudently determined to be 5 years) or, if shorter, over the residual duration of the lease after taking account of any renewal period available at the discretion of the Company.

If permanent impairment is identified regardless of the amortisation already recorded, the asset is written down accordingly; should the reasons for write-downs cease to apply in subsequent years, the original amounts are reinstated without exceeding the carrying amounts that the assets would have had in the absence of the earlier write-downs. This reinstatement does not apply to goodwill or the deferred charges referred to in point 5 of art. 2426 c.c.

Pursuant and consequent to art. 10 of Law 72 of 19th March, 1983 and subsequent laws on the revaluation of assets, we confirm that the intangible assets reported in the financial statements have never been revalued.

Tangible fixed assets

These are recorded at purchase or internal construction cost and stated net of the depreciation charged in the current and prior years. Costs comprise related charges and the direct and indirect expenses that can reasonably be allocated to assets during the construction period and until they become available for use. They also include any borrowing costs incurred to finance the construction work (whether internal or carried out by third parties) until the asset become available for use, without however exceeding its recoverable value. Tangible fixed assets are only revalued if this is required or allowed by special laws.

Assets purchased in foreign currencies are recorded at cost using the exchange rate in force on the transaction date, or using the lower rate applying on the reporting date if the reduction is deemed to be permanent.

Tangible fixed assets are depreciated systematically each year on a straight-line basis using the following rates:

Tangible fixed assets	Depreciation rate
Buildings	3%
Temporary constructions	10%
General plant	7.5% - 10%
Automated machineries	15.5% - 17.5%
Sundry and minor equipment	25%
Foundry equipment	40%
Mechanical equipment	40%
Furniture and furnishings	12%
Electronic office machines	20%
Motor cars	25%
Transport vehicles	20%
Internal transport vehicles	20%

When fixed assets enter into service during the year, their depreciation, calculated on a time-apportioned basis (pro-rata temporis), starts from the month after which the assets become available and ready for use.

Depreciation is also charged on fixed assets that are temporarily out of use. Land is not depreciated, as its useful life is not finite.

If applicable, buildings held as a financial investment are not depreciated if their residual value is greater than or equal to their net carrying amount.

If permanent impairment is identified regardless of the depreciation already recorded, the asset is written down accordingly; should the reasons for write-downs cease to apply in subsequent years, the original amounts are reinstated without exceeding the carrying amounts that the assets would have had in the absence of the earlier write-downs.

Routine maintenance and repair costs are charged in full to the income statement. Improvement costs are allocated to the fixed assets concerned and depreciated over their residual useful lives.

Costs incurred to expand, modernise or improve the structural elements of a tangible fixed asset are capitalised if they significantly and measurably increase its productive capacity, safety or useful life. If the costs concerned do not have the above effect, they are treated as routine maintenance and charged to the income statement.

Capital grants are recognised when it becomes reasonably certain that the conditions for their collection will be satisfied and the grants will be paid. They are deducted from cost indirectly, as they are credited to income statement caption A5 "other income and revenues" and then deferred for recognition on an accrual basis via classification as "deferred income".

Financial leases are recognized in the financial statements in accordance with the financial method (aligned with the provisions of International Accounting Standard IAS 17).

Impairment (intangible and tangible fixed assets)

At each reporting date, the Group determines if there is any evidence that the value of its tangible and intangible fixed assets might be impaired. If such evidence is found, the Group estimates the recoverable value of each asset concerned and records an impairment write-down if it is lower than the corresponding net carrying amount.

Recoverable value is not determined if there is no evidence of possible impairment.

The recoverable value of tangible and intangible fixed assets is deemed to be their value in use (calculated by discounting their future cash flows) or, if greater, their fair value (being the amount obtainable at the reporting date, based on the best available information, from their sale in an arm's-length transaction between knowledgeable and willing parties, net of the related selling costs).

With regard to the above, the Group has looked for evidence that the value of its tangible and intangible fixed assets might be impaired, but did not find any and, accordingly, has not determined the recoverable value of the above assets.

Financial fixed assets

Equity investments and debt securities classified as fixed assets will be held by the Company over the long term.

Equity investments are measured at cost, as adjusted for any impairment. The cost recorded in the financial statements is determined with reference to purchase or subscription price, inclusive of related expenses. If lasting impairment is identified, the carrying amount of equity investments is reduced to their recoverable value, which is determined with reference to the future benefits that are expected to accrue to the Group. Should the Group be obliged or intend to cover the (non-permanent) losses incurred by an equity investment, a suitable provision is recorded to cover the liability to which the Group is exposed. If in future years the reasons for the write-down cease to apply, the equity investment is written back to its original carrying amount.

Current assets

Inventory

Inventories are stated at the lower of purchase and/or production cost, determined using the weighted average cost method, or the realisable value inferred from market prices.

In particular, the specific criteria used to measure the various categories of inventory (unchanged with respect to the prior year) are summarised below:

- Raw materials: annual weighted average cost (including components purchased from third parties and alloys).

- Work in process (semi-finished products): manufacturing cost based on the stage of completion of the production process, being the cost of production.

- Finished products: manufacturing cost

- Dies for resale: purchase cost

- Consumables: purchase cost, inclusive of spare parts.

Purchase cost includes any directly attributable ancillary charges, with the exclusion of borrowing costs. Production cost includes the indirect costs that are reasonably attributable to each asset during the production period until it becomes available for use.

The realisable value of goods, finished products, semi-finished products and work in process inferred from market conditions is deemed to be their net realisable value. Raw and ancillary materials held for the production of finished products are not written down if the finished products in which they will be used are realisable for an amount that is greater than or equal to their production cost.

Inventories are written down when their realisable value estimated with reference to market conditions is lower than their carrying amount. Obsolete and slow-moving inventories are written down with reference to their possible uses or realisable value. If in future years the reasons for any write-down cease to apply, the related inventories are written back to not more than their original cost.

Receivables

Receivables are stated at amortised cost, having regard for the time factor and their estimated realisable value. The amortised cost method is not applied when its effects are insignificant, being when the transaction costs, the commissions paid between the parties and all other difference between initial value and maturity value are immaterial or when the receivables are recoverable in the short term (within 12 months).

Trade receivables due beyond 12 months at the time of initial recognition, without the payment of interest or with interest that differs significantly from market rates, and the related revenues are recognised initially at the value of their future cash flows discounted using the market rate (being that applied by two independent parties when negotiating a loan transaction with similar terms and conditions). The difference between the amount of the receivable recognised initially and its maturity value is recognised as financial income in the income statement over the duration of the receivable, using the effective interest method.

The amount of receivables, as determined above, is adjusted when necessary by a specific allowance for doubtful accounts, which is deducted directly from their gross amount in order to report them at their estimated realisable value. The provision (which takes account of collection losses, returns and invoicing adjustments, discounts and allowances, interest not yet earned and other reasons for reduced recoverability) is charged to the income statement.

Receivables assigned to factors are only derecognised if they are sold without recourse and essentially all the related risks are transferred (the difference between the consideration received on the assignment and the carrying amount of the receivable is recognised in income statement caption C17). If the assignment does not involve derecognition (for example, assignment with recourse), since not all the related risks are transferred, the receivable continues to be reported in the balance sheet and is measured in the manner described above. If advance consideration is received from the assignee, the amount is recognised as a financial payable.

Receivables taking the form of bank receipts that have not been assigned remain classified as receivables until final collection of the amounts concerned.

Receivables deriving from centralised treasury management activities (i.e. cash pooling) are classified separately within current assets, if recoverable in the short term. If this is not the case, they are classified as financial fixed assets.

Equity investments and securities not held as fixed assets

This caption comprises the equity investments and debt securities that will not be held over the long term by the Group. They are recorded at specific cost or, if lower, at their market value that, for listed investments, is determined with reference to their market price on the reporting date, being 31st March, 2018.

These equity investments are written down to their realisable value case by case, rather than on an overall basis. If the reasons for any adjustments cease to apply, in whole or in part, the adjustments are reversed up to the original cost.

Cash and cash equivalents

Cash and cash equivalents at the reporting date are measured at their nominal value. Amounts denominated in foreign currencies are measured using the closing exchange rates.

Prepaid/deferred expenses and accrued/deferred income

Prepaid/deferred expenses and accrued/deferred income comprise costs and revenues relating to the year that will be formally recorded in future years, and costs and revenues recorded by the reporting date that relate to future years. The related amounts are determined on a time-apportioned basis.

Provisions for risks and charges

The provisions for risks and charges cover known or likely losses or liabilities, the timing or extent of which cannot be determined at the reporting date. These provisions, including those for deferred tax liabilities, which are classified in this caption, reflect the best possible estimates based on the information available. Risk that only might give rise to a liability are described in the notes on the provisions, without actually recording a provision. As required by accounting principle OIC 31, new provisions for risks and charges are, where possible, classified in the relevant income statement classes (B, C or D). Whenever it is not possible to correlate a new provision with a caption in one of the above classes, it is classified in income statement caption B12 or B13.

Employee termination indemnities

Employee termination indemnities represent the total amount that would have been payable to all employees had they terminated their employment on the reporting date. The charge for the year, comprising the new provision and the revaluation of the accumulated provision (based on the change in the relevant ISTAT index), is determined in accordance with current regulations, having regard for the specific employment contracts and the professional categories concerned. Employee termination indemnities are classified in liability caption C, while the provision for the year is classified in income statement caption B9.

The changes made to the regulations governing termination indemnities by Law 296 dated 27th December, 2006 (2007 Finance Law) and subsequent decrees and enabling regulations, amended the accounting for the indemnities earned by 31st December, 2006 and those earned from 1st January, 2007. In particular, following creation of the INPS Treasury Fund to manage the termination indemnities of private sector employees, employers with more than 50 employees are obliged to pay the new provisions relating to them into the Treasury Fund, unless the persons concerned have specifically opted for their indemnities to be paid to a supplementary pension fund. The employee termination indemnities reported in the balance sheet are therefore stated net of the amounts paid to the above INPS Treasury Fund.

Payables

Payables are stated at amortised cost, as defined in art. 2426, para. 2 c.c., having regard for the time factor envisaged in art. 2426, para. 1, point 8 c.c. Payables are however stated at their nominal amount if application of the amortisation cost and/or discounting methods would not be significant for the purpose of providing a true and fair view of the financial position and results of operations. This situation arises in the case of payables due within twelve months or, with regard to the amortised cost method, if the transaction costs, commissions and all other differences between the initial value and the maturity value are insignificant or, again, with regard to the discounting method, if the interest rate inherent in the contractual conditions is not significantly different to the market rate of interest.

The amounts due to employees for unused holidays and deferred payroll, including the related social security contributions, are accrued with reference to the amount that would have been payable had their employment ceased on the reporting date.

Derivative financial instruments

Derivative financial instruments consist of financial assets and liabilities measured at fair value.

They are only classified as hedging instruments when, at the time of arrangement, there is a strict, documented correlation between the characteristics of the hedged item and those of the hedging instrument, and that hedging relationship is both formally documented and, based on periodic checks, highly effective.

When derivatives hedge the risk of changes in the fair value of the hedged instruments (fair value hedges), they are measured at fair value through profit or loss; for consistency, the carrying amounts of the hedged items are adjusted to reflect the changes in fair value associated with the hedged risk.

When derivatives hedge the risk of changes in the future cash flows generated by the hedged instruments (cash flow hedges), the effective portion of the profit or loss on the derivative is deferred to shareholder's equity. The ineffective portion of the profits and losses associated with a hedge is recognised in the income statement. On completion of the transaction, the accumulated profits and losses, previously deferred to shareholder's equity, are released to the income statement (to adjust the income statement items affected by the hedged cash flows).

When hedge accounting is used, the changes in the related fair value of the hedging derivatives are recognised:

- in income statement captions D18 or D19, in the case of a fair value hedge of a reported asset or liability, together with the changes in the fair value of the hedged items (if the change in the fair value of the hedged item is greater in absolute terms than the change in the fair value of the hedging instrument, the difference is recognised in the income statement caption affected by the hedged item);
- in a specific equity reserve (caption AVII "Reserve for cash flow hedges") in a manner that offset the effects of the hedged flows (the ineffective portion, like the change in the time value of options and forwards, is classified in captions D18 and D19).

The changes in the fair value of financial instruments that are classified as trading derivatives, either because they do not qualify for treatment as hedging derivatives or because they were not designated as hedges, even though they were arranged operationally to hedge the risk of changes in interest rates and/or exchange rates and/or commodity prices, are recorded in the balance sheet and recognised in income statement captions D18 or D19.

Any derivatives embedded in other financial instruments must also be measured at fair value. In particular, embedded instruments are only separated from the primary contract and recognised as derivative financial instruments if, and only if:

a) the economic characteristics and risks of the embedded derivative are not closely correlated with the economic characteristics and risks of the primary contract. Close correlation exists if hybrid contracts are arranged in accordance with market practice;

b) all the elements included in the definition of a derivative financial instrument specified in OIC 32.11 are satisfied.

Revenues

Revenues from the sale of goods are recognised when ownership passes in substance, rather than in formal terms, being when the related risks and benefits are transferred (which in practice coincides with the time of delivery or shipment of the goods).

Revenues from the sale of products and goods or the provision of services relating to core operations (including income from the sale of production machinery and equipment, if envisaged under contractual agreements with customers) are recognised net of returns, discounts, allowances and rebates, as well as the taxes directly associated with the sale of products and the provision of services.

Revenues from services are recognised upon completion and/or when earned.

Transactions with related parties take place on normal market terms and conditions (on arm's length basis).

Costs

Costs stated net of returns, discounts, allowances and rebates are recognised on an accrual basis in accordance with the matching principle, regardless of the date of collection or payment. Compliance with the matching principle requires an estimate to be made of the invoices to be received.

Dividends

Dividends are recognised in the year in which they are declared by the shareholders' meeting. Dividends are recognised as financial income, regardless of the nature of the reserves that are distributed.

Financial income and charges

Financial income and charges are recognised on an accruals basis. Costs relating to the disposal of receivables for whatever reason are charged to the income statement on an accruals basis.

Taxation

Income taxes are recognised with reference to an estimate of taxable income in compliance with current regulations, having regard for any applicable exemptions and tax credits.

Deferred tax assets and liabilities are calculated on the temporary differences between the reported carrying amount of assets and liabilities and their corresponding values for tax purposes. Their measurement takes account of the tax rates expected to be in force in the year in which such differences contribute to the formation of taxable income, considering the rates in force or those already communicated at the reporting date (24% for IRES and 3.9% for IRAP). They are classified respectively among the current assets as "deferred tax assets" and among the provisions for risks and charges as "deferred tax liabilities".

In accordance with the concept of prudence, deferred tax assets are recognised on all deductible temporary differences if it is reasonably certain that taxable income in the years in which they reverse will not be less than the amount of the differences to be absorbed.

By contrast, deferred tax liabilities are recognised on all taxable temporary differences.

Deferred tax liabilities are not recognised in relation to reserves subject to the deferral of taxation if they are unlikely to be distributed to the shareholder.

From 2015 (and with current validity renewed until the year ending 31st March, 2020), the Endurance Group set up a national tax consolidation agreement, pursuant to articles 117/129 of the Consolidated Income Tax Act (TUIR), in which are participating the Parent Company, as the consolidating company, and the subsidiaries Endurance Fondalmec S.p.A., Endurance FOA S.p.A. (from the year in question) and Endurance Engineering S.r.l.

Translation of foreign currency items

Non-monetary assets and liabilities originally denominated in foreign currencies are recognised in the consolidated balance sheet using the exchange rates applying at the time of their acquisition, being their initial recognition cost.

Monetary assets and liabilities originally denominated in foreign currencies are recognised in the consolidated balance sheet using the spot exchange rates applying on the reporting date; the related exchange gains and losses are recognised in the consolidated income statement and any net unrealised gains are allocated to a non-distributable reserve until they have been realised.

Consolidated explanatory notes – Consolidated assets

The following tables detail significant changes in the assets reported in the balance sheet.

Intangible fixed assets

After having charged amortisation for the year of Euro 2,830 thousand, the balance of intangible fixed assets is Euro 4,978 thousand.

The following table analyses intangible fixed assets and the changes during the financial year 2017/2018:

(Amount in EUR)

CONSOLIDATED	Start-up and expansion costs	Development costs	Industrial patent rights and intellectual property rights	Goodwill	Other intangible fixed assets	Intangible fixed assets in progress and advance payments	Total intangible fixed assets
Balance at the beginning of the year							
Cost	284,847	2,649,707	505,350	23,702,094	3,635,032	-	30,777,030
Amortisation (Accumulated amortisation)	280,457	264,970	457,877	18,293,608	2,937,434	-	22,234,346
Write-downs	-		-	545,956	-	-	545,956
Carrying value	**4,390**	**2,384,737**	**47,473**	**4,862,530**	**697,598**	**-**	**7,996,728**
Changes during the year							
Additions	-	27,000	148,876	-	25,939	-	201,815
Amortisation for the year	3,913	538,042	35,063	2,025,821	226,918	-	2,829,757
Other changes	-	-	-	-	(390,869)	-	(390,869)
Total changes	(3,913)	(511,042)	113,813	(2,025,821)	(591,848)	-	(3,018,811)
Balance at the end of the year							
Cost	284,847	2,676,707	654,226	23,702,093	3,316,121	-	30,633,994
Amortisation (Accumulated amortisation)	284,370	803,012	492,940	20,319,428	3,210,371	-	25,110,121
Write-downs	-		-	545,956	-	-	545,956
Carrying value	**477**	**1,873,695**	**161,286**	**2,836,709**	**105,750**	**-**	**4,977,917**

The item "Development costs" includes the capitalisation of costs incurred by the Company in the context of a research and development project carried out between September, 2015 and the middle of 2017, which aimed to acquire the knowledge and innovations considered essential in the operating context and in the reference market, through the preparation of a pilot production line, in order to apply the relevant in the current production process.

The process of amortisation of capitalised costs began in 2016/2017, in relation to the recording of the first revenues deriving from the operational application of the project. Costs incurred in the following period, although referring to the completion and efficiency of the innovative solutions tested and therefore falling within the scope of research and development costs, were charged to the Company's income statement (except of certain costs relating to the completion of activities commissioned to the university bodies involved in the project, the costs of which were capitalised on the basis of a useful life consistent with the residual life of the overall project, set at a total of 5 years).

The Goodwill caption includes:

- the amounts recorded as goodwill, net of the related amortization, in the financial statements of the individual companies forming part of the consolidation area (Endurance FOA S.p.A., which completed the amortization process during the year 2017/2018 and Endurance Engineering S.r.l., amounting to Euro 360 thousand as at 31st March, 2018).

- the amount (Euro 1,211 thousand), net of amortization, of the emerging consolidation difference (based on initial consolidation and subsequent changes in the shareholding) from the elimination of the investment in the subsidiary Endurance Fondalmec S.p.A.;

- the amount (1,266 thousand euros) of the difference arising during the first consolidation of the investment held in Haminoea S.r.l. (formerly company the investments into Endurance FOA S.p.A.), subsequently merged into Endurance Overseas S.r.l. When consolidating, the value of the merging difference recorded in the Parent Company's financial statements is eliminated in the context of the recognition of the net book value of the above-mentioned consolidation difference.

It should be noted that regarding goodwill recognized in Endurance FOA S.p.A. and in Endurance Engineering S.r.l., consistent with the logic of utilization of production factors and taking into account the acceleration of the company's business technologies' life cycle, the useful life of mentioned goodwill was modified during the financial year 2015/2016 previous financial year, changing from 10 years to a total of 5 years (starting from the time of asset first recognition, occurred, respectively, in the financial years 2013 and 2014/2015).

As a result, the Group has changed the amortisation rate applied (from 10% to 20%) and adjusted the total net carrying amount of goodwill at 31st March, 2016, by recording a provision totalling Euro 546 thousand. These changes have not affected the tax deductibility of the amounts concerned, which remained unchanged (over 18 years, in accordance with the Consolidated Income Tax Law - TUIR).

The recoverability of mentioned goodwill portions, which are amortised on the basis indicated above, is checked annually using the Discounted Cash Flows ("DCF") method. Group management has prepared economic-financial five-year forecasts for the individual companies, which indicate positive results over that period. Accordingly, the resulting assessment confirmed that fair value of the Group's assets exceeds their corresponding carrying amounts.

Other intangible fixed assets primarily include leasehold improvements (to rented or leased buildings, in particular).

No intangible fixed assets potential impairment indicators were identified the year and, accordingly, no write-downs have been recorded pursuant to art. 2426, para. 1, point 3, of the Italian Civil Code and the requirements of accounting principle OIC 9.

Tangible fixed assets

Tangible fixed assets as at 31st March, 2018, net of an yearly depreciation of Euro 15,663 thousand, amounts Euro 78,170 thousand, as compared with Euro 77,838 in the prior year.

The item Land and buildings include the value of assets pertaining to the Group's production sites located in Lombardore, Chivasso and Grugliasco, including the structures used by Group companies under financial lease contracts (for a net asset value of about Euro 4.7 million at 31st March, 2018).

Plant and machinery and Industrial and commercial machinery and equipment items include all the production assets used by Group companies for the production of automotive engine and transmission components, mainly made of non-ferrous metals (in particular aluminium-based) and of plastics. These include infrastructure for die-casting (furnaces), die-casting cells, as well as robotic lines and cells used in mechanical machining, for both metallic and plastic machining. Plant and machinery used on the basis of financial lease contracts signed by the Group companies (for an amount of Euro 5.3 million) are included in the item.

The item Assets under construction and advance payments includes the value of advances paid to suppliers for the acquisition, plant and machinery in particular, and the value of goods already purchased but waiting to be approved for use in production (including, in particular, a medium-sized die-casting machine under construction at the Chivasso plant) mainly with reference to the increase in production of the German customers (mainly VW group).

The following table analyses tangible fixed assets and the changes during the year:

(Amount in EUR)

CONSOLIDATED	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Assets under construction and advance payments	Total tangible fixed assets
Balance at the beginning of the year						
Cost	30,499,825	108,873,759	16,945,901	2,438,313	2,835,860	161,593,659
Revaluations	-	438,412	-	7,200	-	445,612
Depreciation (Accumulated depreciation)	6,673,220	60,465,107	15,232,388	1,766,341	-	84,137,056
Write-downs	-	64,000	-	-	-	64,000
Carrying value	**23,826,605**	**48,783,064**	**1,713,513**	**679,172**	**2,835,860**	**77,838,214**
Changes during the year						
Additions	562,638	9,002,825	1,857,523	119,688	5,611,670	17,154,344
Depreciation for the year	1,128,409	13,020,400	1,306,200	207,978	-	15,662,987
Reclassifications (of the carrying value)	-	2,458,968	177,717	-	(2,636,685)	-
Disposals (at carrying value)	112,052	1,129,812	196,100	103,959	-	1,541,923
Other changes	393,939	(11,171)	-	-	-	382,768
Write-downs	-	-	-	-	-	-
Total changes	(283,884)	(2,699,590)	532,940	(192,249)	2,974,985	332,202
Balance at the end of the year						
Cost	31,344,350	109,955,720	17,244,696	2,204,267	5,810,845	166,559,878
Revaluations	-	438,412	-	7,200	-	445,612
Depreciation (Accumulated depreciation)	7,801,629	64,246,658	14,998,243	1,724,544	-	95,851,302
Write-downs	-	64,000	-	-	-	64,000
Carrying value	**23,542,721**	**46,083,474**	**2,246,453**	**486,923**	**5,810,845**	**78,170,416**

The increases in the period recorded under the item Plant and machinery related to the following main businesses:

- with reference to machining processing (for a total of approximately Euro 8.5 million), should be mentioned the installation of production islands (machinery, automations and control devices) mainly related to the completion of preparation and expansion of the high-tech production line dedicated to parts for the Volkswagen customer (Zylinderkphaube project), as well as the production capacitive increase of various products of the main customers (in particular FCA - Giorgio project - and BMW – Deckel project), in view of the implementation of most recent productive solutions, also in relation to the development guidelines of automation and interconnection of production systems in the Industry 4.0 framework.

- with regard to the die-casting process (for approximately € 2.0 million), came to completion the installation of a medium-tonnage die-casting machine and a processing and assembly island at the Chivasso plant (for which a portion of the costs were included, as at 31st March, 2017, among fixed assets under construction and advances), as well as an industrial radioscopy plant and two sand blasting machines;

- finally, with reference to general plants, it's to be noted the installation of the die-casting emulsion treatment plant at the Chivasso plant (with an investment of approximately Euro 0.5 million).

As far as industrial and commercial equipment is concerned, the increases recorded (investments of approximately € 2.0 million) refer to the purchase of equipment for the projects above-described, as well as for other production lines (i.e. for GM customer parts), and for the replacement and extension of equipment for the machining processing islands of on-going products.

No write-downs have been recorded pursuant to para. 1.3 of art. 2426 of the Italian Civil Code and the requirements of OIC 9, as no evidence of potential impairment indicators has been found regarding tangible fixed assets.

Revaluations of tangible fixed assets

As required by art. 10 of Law No 72 of 19th March, 1983, as integrated by the subsequent revaluation laws, it is stated that some of the assets under use have been revalued in the past (related to assets owned by Endurance Fondalmec S.p.A. and Endurance FOA S.p.A.); related revaluation effects are detailed below:

(Amount in EUR)

Revaluation law applied	Category	Amount
Law No. 342/2000	Industrial and commercial equipment	106,463
Law No. 266/2005	Specific machinery and furnaces	438,412
Law No. 266/2005	Transport vehicles	7,200

Mentioned revaluation were performed through the increase of specific Equity reserves, which cannot be distributed by the Group's companies until such reserves have been reintegrated (with profits) or reduced accordingly by resolution of an extraordinary Shareholders' or Quotaholders' Meeting (based on art. 6 of Law 72/83 and subsequent revaluation laws).

Financial fixed assets

This item is summarised in the following table:

(Amount in EUR)

Details	Balance at 31st March, 2017	Additions	Write-downs / Deductions	Balance at 31st March, 2018
1. Equity investments in other businesses	789	-	-	789
2d-bis. Receivables from others		4,500,000	-	4,500,000
3. Financial derivative instruments	8,569	-	7,878	691
Total	**9,358**	**4,500,000**	**7,878**	**4,501,480**

Equity investments in other businesses included in the financial statements relate to:

- the investment in CET S.c.r.l., a consortium that supplies electricity and natural gas (acquired together with the Grana line of business), Euro 505;

- shares held on Confartigianato Fidi Piemonte and Nord Ovest S.C.p.A. (Euro 155); and

- shares held in Unionfidi Piemonte S.C. (Euro 129).

The Group also owns an investment in CONSAF (training consortium), Euro 258, that is fully written down at the reporting date.

The caption "receivables from others" refer to the value of the financial bills acquired during the year by the Group as part of the programme for the temporary investment of available liquidity. The bills, issued by five different entities, are classified as fixed assets due to their financial investment nature and are considered a short-term item due to the maturity date of the instruments (variable between June and August, 2018). All financial bills are secured by guarantees, in the form of a bills of exchange guarantee, for an individual portion of 50% issued respectively by Rete Fidi Liguria Società consortile per Azioni and Confidi

Sardegna. The total guarantee given for the entire nominal value of the issue operates net of redemptions in any case made by the issuer and each guarantor is liable within the limits of its guarantee commitment.

The item "Financial derivative instruments" includes, on the basis of the rules define by accounting principle OIC 32, the positive fair value of certain financial derivative instruments subscribed by the Group with the aim of managing the interest rate fluctuation risk of medium/long-term loans subscribed (instruments used are mainly Interest Rate Swap and Interest Rate CAP). It should be noted that, with reference to the above-mentioned contracts, even if current instruments can be qualified as hedging items (as they match the terms of respective loan contracts in place), the Group opted not to apply the cash flow hedge accounting method. As a consequence, the change in the fair value of mentioned instruments has been recorded in the income statement (determining a Euro 85 thousand net charges in the income statement for the year ended 31st March, 2018).

Inventory

Set out below are details of inventory at 31st March, 2018, together with prior year end comparatives:

(Amount in EUR)

Description	31st March, 2018	31st March, 2017	Change	Change%
Raw materials, ancillary materials and consumables	7,224,490	5,264,129	1,960,361	37%
Work in process and semi-finished products	8,350,945	7,965,201	385,744	5%
Finished products and goods	10,358,646	9,836,754	521,892	5%
Advances	1,115,270	29,293	1,085,977	3707%
Total	**27,049,351**	**23,095,377**	**3,953,973**	**17%**

The inventories held as of 31st March, 2018 are stated net of a provision totaling Euro 2,088 thousand, which was increased by Euro 176 thousand during the year to take account of obsolete and slow-moving items, mainly related to phasing out products, based the production lifecycles of car model impacted by the updates of environmental regulations about emissions.

Inventories at 31st March, 2018 includes items totalling Euro 643 thousand (Euro 551 thousand at 31st March, 2018) that are held for storage by third parties.

The increase in the caption is consistent with the trend of the turnover, which grew particularly in the last part of the year, and takes into account the Group's procurement policies also taking into account future forecasts of the use of production factors for production activities.

Receivables

Set out below are details of receivables at 31st March, 2018, with comparative prior year end amounts:

(Amount in EUR)

Description	31st March, 2018 due within one year	31st March, 2018 due beyond one year	31st March, 2018 Total	31st March, 2017	Change	Change %
Trade receivables	25,895,532	-	25,895,532	32,318,717	(6,423,185)	(20%)
Receivables from companies under common control	1,217,323	-	1,217,323	1,339,375	(122,052)	(9%)
Tax receivables	5,198,204	-	5,198,204	6,800,405	(1,602,201)	(24%)
Deferred tax assets	2,508,922	-	2,508,922	2,251,906	257,016	11%
Other receivables	449,127	40,808	489,935	484,144	5,791	1%
Total	**35,269,108**	**40,808**	**35,309,916**	**43,194,547**	**(7,884,631)**	**(18%)**

The nominal amount of trade receivables is adjusted to reflect their expected realisable value by the allowance for doubtful accounts of Euro 438 thousand, which recorded an accrual of Euro 88 thousand during the year.

The reduction in trade receivables, despite an increase recorded in sales volumes, is related to the change in the structure of the product/customer portfolio, which was particularly marked in the latter part of the year and which led to an overall reduction in the trade receivables' collection timing.

Receivables from companies under common control (amounting to Euro 1,217 thousand at 31st March, 2018, a decrease of Euro 122 thousand compared to the previous year) refer to trade receivables from the German company Endurance Amman GmbH (a subsidiary of Endurance Technologies Limited, or "ETL", the Group's parent company).

Tax receivables (Euro 5,198 thousand as at 31st March, 2018, decreasing of about Euro 1,602 thousand as compared with prior year) mainly include VAT recoverable totaling Euro 4,115 thousand, IRES and IRAP tax credit, connected to the excess of advance payment as compared to respective liabilities, totaling Euro 765 thousand and, for Euro 308 thousand, fixed assets investment-related tax credits, emerging pursuant to art. 18 of Decree no. 91 dated 24th June, 2014, as formalised by Law 116 dated 11th August, 2014.

Deferred tax assets (Euro 2,509 thousand as at 31st March, 2018, with a Euro 257 thousand increase as compared to prior year) derive from the deductible temporary differences between, in particular, the accounting and tax value of goodwill recorded in the financial statements of Group companies, of equipment (depending on the depreciation rates applied) and of provisions, subject to deferred deductibility for tax purposes. These deferred tax assets have been recognised as they are likely to be recoverable against expected future taxable income, as reflected in management's most recent forecasts.

Cash and cash equivalents

Set out below are details of item at 31st March, 2018 together with comparative prior year end amounts:

(Amount in EUR)

Description	31st March, 2018	31st March, 2017	Change	Change%
Bank and postal deposits	51,079,273	26,306,075	24,773,198	94%
Cash on hand	3,543	5,619	(2,076)	(37%)
Total	**51,082,816**	**26,311,694**	**24,771,122**	**94%**

This item principally comprises the balance on bank current accounts at 31st March, 2018. The increase in the caption recorded during the year is due to the collection in the second half of the year of some of the loans contracted by the Group (and described in more detail below), and mainly to the positive trend of operating cash flows, as well as to the prudent treasury management aimed at maintaining a high level of liquidity, taking advantage of the favourable funding conditions in financial markets characterised by high uncertainties on future interest rate trends and about the continuation of expansionary monetary policies.

Please refer to the statement of consolidated cash flows for more complete details of the operating and financial cash flows that have funded the Group's investment activities.

Prepaid expenses and accrued income

Prepaid expenses and accrued income total Euro 755 thousand at 31st March, 2018 (compared with Euro 873 thousand in the prior year) and mainly relate to prepaid insurance, INAIL premiums, maintenance charges and other costs pertaining to future periods, as well as the yearly portion of the coupons accruing on the financial bills subscribed during the year.

Capitalised financial charges

All interest expense and other financial charges have been expensed during the year. In compliance with paragraph 1.8 of art. 2427 of the Italian Civil Code, we can confirm that no financial charges have been capitalised.

Explanatory notes – Quotaholders' equity and consolidated liabilities

The most significant changes in liabilities and Quotaholders' equity are analysed in the following schedules.

Quotaholders' equity

The components are stated at their carrying value in accordance with accounting standard OIC 28.

The following tables covering the past two years present the changes in Quotaholders' equity and details of the other reserves reported in the balance sheet.

(Amount in EUR)

Description	Balance at 1st April, 2016	Allocation of the prior year result	Dividends distributed	Other changes	Result for the year	Balance at 31st March, 2017
Quota capital	16,105,263	-	-	-	-	16,105,263
Share premium reserve	304,737	-	-	-	-	304,737
Legal reserve	173,568	125,732	-	-	-	299,300
Extraordinary reserve	2,681,395	-	-	-	-	2,681,395
Loss coverage reserve	2,882,602	-	-	-	-	2,882,602
Other reserves	186,181	-	-	-	-	186,181
Retained earnings/(accumulated losses)	467,788	5,251,934	-	(2)	-	5,719,720
Net income (loss) for the year	5,377,666	(5,377,666)	-	-	8,030,946	8,030,946
Total equity attributable to the Group	**28,179,200**	**-**	**-**	**(2)**	**8,030,946**	**36,210,144**
Equity attributable to minority interests	**-**	**-**	**-**	**-**	**-**	**-**
Total equity	**28,179,200**	**-**	**-**	**(2)**	**8,030,946**	**36,210,144**

(Amount in EUR)

Description	Balance at 1st April, 2017	Allocation of the prior year result	Dividends distributed	Other changes	Result for the year	Balance at 31st March, 2018
Quota capital	16,105,263	-	-	-	-	16,105,263
Share premium reserve	304,737	-	-	-	-	304,737
Legal reserve	299,300	10,677	-	-	-	309,977
Extraordinary reserve	2,681,395	-	-	-	-	2,681,395
Loss coverage reserve	2,882,602	-	-	-	-	2,882,602
Other reserves	186,181	-	-	-	-	186,181
Retained earnings (accumulated losses)	5,719,720	8,020,269	-	(2)	-	13,739,987
Net income (loss) for the year	8,030,946	(8,030,946)	-	-	10,082,241	10,082,241
Total equity attributable to the Group	**36,210,144**	**-**	**-**	**(2)**	**10,082,241**	**46,292,383**
Equity attributable to minority interests	**-**	**-**	**-**	**-**	**-**	**-**
Total equity	**36,210,144**	**-**	**-**	**(2)**	**10,082,241**	**46,292,383**

Th following table gives a reconciliation between parent company's equity and result and the Group's equity and result:

(Amount in EUR)

Description	Equity current year	Result current year	Equity prior year	Result prior year
Equity and results reported in the f/s of the Parent Company	**28,305,436**	**3,513,221**	**24,792,215**	**213,538**
Contribution from consolidated companies	51,889,977	11,972,272	43,917,705	8,980,296
Elimination of carrying value of equity investments	(36,054,358)	-	(36,054,358)	-
Consolidation adjustments:				
Recognition of Difference on consolidation	2,397,610	(1,418,079)	3,815,689	(1,422,285)
Distribution of dividends	-	(4,000,000)	-	-
Effect of accounting for leases under IAS 17	46,253	(349,352)	377,495	367,187
Elimination of intercompany profits	(847,739)	66,746	(914,485)	(325,623)
Accounting of intercompany leasehold improvements	555,208	297,433	257,775	220,243
Other minor adjustments	(3)	-	18,109	(2,410)
TOTAL	**17,986,947**	**6,569,020**	**11,417,929**	**7,817,408**
Equity and net income (loss) attributable to the Group	**46,292,383**	**10,082,241**	**36,210,144**	**8,030,946**
Equity and net income (loss) attributable to minority interest	**-**	**-**	**-**	**-**
Equity and result as reported in the consolidated f/s	**46,292,383**	**10,082,241**	**36,210,144**	**8,030,946**

Provisions for risks and charges

The changes during the year are analysed in the following table:

(Amount in EUR)

Description	31st March, 2017	Increases	Decreases	31st March, 2018	Change	Change%
Provision for current and deferred taxation	2,318,844	270,134	(463,243)	2,125,735	(193,109)	(8%)
Financial derivative instruments	6,965	79,283	(2,067)	84,181	77,216	1109%
Other provisions for risks and charges	330,950	300,000	(181,092)	449,858	118,908	36%
Total	**2,656,759**	**649,417**	**(646,402)**	**2,659,774**	**3,015**	**0%**

The Provisions for risks and charges at 31st March, 2018 include:

- Deferred tax liabilities (Euro 2,126 thousand as at 31st March, 2018, with a Euro 193 thousand reduction as compared to prior year amount): this caption principally includes the deferred taxes recorded, in accordance with Italian GAAP, on the allocation of the consolidation difference to various assets (Group properties, in particular) based on a financial situation prepared on a fair value basis. This resulted in the recognition of deferred tax liabilities totaling Euro 2,535 thousand in prior years. The additional value identified on consolidation is not relevant for tax purposes; accordingly, this provision is being used to neutralise the additional taxes recorded in the current and future years, due to the non-deductibility of the depreciation charged on the higher asset values. The change during the year principally relates to the reversal linked to the depreciation of these revalued assets, as well as to the tax effect of other significant consolidation entries (in particular, the accounting for of leasing contracts using finance lease methodology);

- Financial derivative instruments (Euro 84 thousand as at 31st March, 2018, as compared to Euro 7 thousand in the previous year): this item includes, based on accounting principle OIC 32's requirements, the negative fair value of some of the financial derivatives instruments used by the Group to manage the interest rate fluctuation risk on medium/long-term loans (in particular Interest Rate Swaps and Interest Rate CAPs). With reference to the accounting method applied on such instruments, please refer to the paragraph concerning financial fixed assets;

- Other provisions for risks and charges (Euro 450 thousand as at 31st March, 2018, with an increase as compared to Euro 331 thousand in the prior year): the caption includes the residual balance of provisions recorded in prior years (in particular related to commercial risks) and the current year provisions to cover liabilities of various natures, based on the Group's best estimate with reference to the available information.

Provision for employee termination indemnity

The employee termination indemnity ("Trattamento di fine rapport" or "TFR") is stated net of advances and amounts paid on the termination of employment during the course of the financial year and represents the actual liability due to employees at the balance sheet date.

(Amount in EUR)

Description	31st March, 2017	Accrual	Utilisations	Other changes	31st March, 2018
Provision for employee termination indemnity (TFR)	1,904,716	269,468	(149,094)	(6,605)	2,018,485
Total	**1,904,716**	**269,468**	**(149,094)**	**(6,605)**	**2,018,485**

This provision is stated net of the amounts paid to supplementary pension funds, if specified by the employees concerned, and includes the amounts that some employees have decided to leave with their specific employer. The amounts retained by the Group, including the historical provisions not transferred to the INPS Treasury Fund, Previndai, Fondo Cometa or other supplementary pension funds, are revalued for the effects of inflation in accordance with legal requirements.

Payables

Set out below are details of payables at 31st March, 2018, together with prior year end comparatives:

(Amount in EUR)

Description	31st March, 2018 due within one year	31st March, 2018 due beyond one year	31st March, 2018 Total	31st March, 2017	Change	Change %
Due to banks	18,144,145	39,588,563	57,732,708	46,264,083	11,468,625	25%
Due to other financial institutions	5,896,785	3,451,869	9,348,654	11,526,750	(2,178,096)	(19%)
Trade payables	58,036,461		58,036,461	51,845,499	6,190,962	12%
Due to companies under common control	6,557,672	-	6,557,672	7,288,301	(730,629)	(10%)
Taxation payable	816,406	-	816,406	1,652,007	(835,601)	(51%)
Due to pension and social security inst.	1,702,684	-	1,702,684	1,700,182	2,502	0%
Other payables	14,504,859	-	14,504,859	15,109,928	(605,069)	(4%)
Total	**105,659,012**	**43,040,432**	**148,699,444**	**135,386,750**	**13,312,694**	**10%**

Amounts due to banks comprise the current portion (Euro 18,144 thousand) and the portion due beyond 12 months (Euro 39,589 thousand) of the liability to leading banks for commercial advances and for outstanding loans.

The increase registered during the year (Euro 11,468 thousand) is due to the combined effect of the increase in the balance of medium-term loans, which recorded repayments for a nominal value of Euro 16,873 thousand (of which Euro 2,222 thousand repaid in advance) and increases, related to the disbursement of new loans, for a total of Euro 32,890 thousand (nominal value), aimed at supporting investment initiatives in progress.

New loan agreements contracted during the year included:

- Unsecured loan contract signed (by Endurance Overseas S.r.l.) in July, 2017 with Unicredit Banca, amounting to Euro 10,000 thousand, with 5 years duration;

- Unsecured loan contract signed (by Endurance Overseas S.r.l.) in July, 2017 with UBI Banca, amounting to Euro 3,000 thousand, with 5 years duration;
- Unsecured loan contract signed (by Endurance Overseas S.r.l.) in October, 2017 with BNL, amounting to Euro 5,000 thousand, with 5 years duration;
- Unsecured loan contract signed (by Endurance Fondalmec S.p.A.) in November, 2017 with Banca BPM, amounting to Euro 10,000 thousand, with 5 years duration;
- Unsecured loan contract signed (by Endurance FOA S.p.A.) in January, 2018 with Banca Intesa San Paolo, amounting to Euro 2,890 thousand, with 2 years duration;
- Unsecured loan contract signed (by Endurance Engineering S.r.l.) in January, 2018 with UBI Banca, amounting to Euro 2,000 thousand, with 5 years duration;

The following is a breakdown of medium-term loans outstanding at 31st March, 2018:

(Amount in EUR)

Bank	Initial amount paid	Arrangement date and duration in years	Residual balance at 31st March, 2018	Within one year	Beyond one year
Banca Regionale Europea	3,000,000	18/07/2013 - 5	288,965	288,965	-
CREDEM (*)	3,000,000	19/12/2014 - 5	1,069,660	608,907	460,753
Gruppo Banco Popolare	3,000,000	07/01/2015 - 4	812,784	812,784	-
Unicredit (*)	5,000,000	14/07/2015 - 4	1,875,000	1,250,000	625,000
Cariparma	2,000,000	21/10/2015 - 5	1,110,488	401,017	709,471
MPS	3,000,000	27/11/2015 - 5	1,650,000	600,000	1,050,000
Intesa Sanpaolo - Mediocredito (**)	10,000,000	18/12/2015 - 5	5,925,926	2,222,222	3,703,704
BNL (***)	3,500,000	13/07/2016 - 5	2,450,000	700,000	1,750,000
Banca del Mezzogiorno (***)	4,000,000	14/07/2016 - 5	2,633,930	796,832	1,837,098
UBI (***)	3,000,000	27/03/2017 - 5	2,410,441	594,734	1,815,707
Gruppo Banco Popolare (***)	10,000,000	30/11/2017 - 5	9,503,222	1,990,193	7,513,029
Intesa Sanpaolo	1,400,000	19/09/2013 – 4	73,682	73,682	-
Unicredit	1,000,000	24/12/2014 – 4	193,013	193,013	-
Intesa Sanpaolo	3,000,000	11/05/2015 - 4	1,071,429	857,143	214,286
Banca Popolare di Milano	2,000,000	22/12/2015 - 3	506,995	506,995	-
UBI (***)	2,000,000	14/07/2016 - 3	1,007,524	670,001	337,523
Intesa Sanpaolo (***)	2,890,000	30/01/2018 - 2	2,890,000	1,445,000	1,445,000
UBI	500,000	28/01/2015 - 4	128,352	128,352	0
UBI (***)	2,000,000	29/01/2018 - 5	1,934,461	394,503	1,539,958
Intesa Sanpaolo - Mediocredito (**)	3,000,000	26/04/2011 - 10	923,077	307,692	615,385
UBI (***)	2,500,000	27/03/2017 - 5	2,008,701	495,612	1,513,089
Unicredit (***)	10,000,000	04/07/2017 - 5	10,000,000	1,250,000	8,750,000
UBI (***)	3,000,000	19/07/2017 - 5	2,606,452	593,995	2,012,457
BNL (***)	5,000,000	27/10/2017 - 5	4,750,000	1,000,000	3,750,000
Total nominal value	**87,790,000**		**57,824,102**	**18,181,642**	**39,642,460**
Amortized cost method effect	-	-	(91,394)	(37,497)	(53,897)
Totale	**87,790,000**		**57,732,708**	**18,144,145**	**39,588,563**

(*) These loans are assisted by guarantees in favour of Group companies released by SACE S.p.A.

(**) These loans are secured by mortgages on properties owned by the Group

(***) Financial liabilities accounted for based on the application of amortized cost method

Contracts bear interest at Euribor (3 months or 6 months rates) plus a spread of between 0.6% for more recent contracts and 2.25% for less recent ones, depending on market conditions at the time of arrangement and the duration of the loan. As at 31st March, 2018 there are no debts with duration over 5 years.

The amount due to other financial institutions includes the liability to leasing companies (Euro 9,349 thousand, with a Euro 2,178 thousand reduction as compared to prior year). The contractually-scheduled instalments were paid during the year and redemptions were paid, in some cases with early repayment. No new lease contracts were signed during the financial year 2017/2018. The outstanding liability at 31st March, 2018 includes:

- Euro 5,896 thousand due within 12 months;
- Euro 3,432 thousand due within 5 years; and
- Euro 19 thousand due beyond 5 years.

It should also be noted that, with reference to leasing contracts, the Group has proceeded, after 31st March, 2018, with the early redemption of two contracts relating to properties located in Chivasso and in Lombardore, where the Group carries out its activities. This operation resulted in a total outflow of Euro 4,525 thousand, representing the redemption value of the assets, which have been already paid to the leasing company as of the date of the preparation of the consolidated financial statements. The breakdown of payables by maturity takes into account of the operations described above.

Trade payables at 31st March, 2018 (Euro 58,036 thousand, with a Euro 6,191 thousand increase over the year), include the liability (about Euro 4,140 thousand) for the investment in fixed assets and, in particular, those relating to the last portion of the financial year.

Payables to companies under common control (Euro 6,558 thousand as at 31st March, 2018) refer to relationships in place with the foreign affiliate Endurance Amann GmbH and specifically – for Euro 3,506 thousand - to centralized cash management (cash pooling agreement) and – for Euro 3,000 thousand - to a loan granted during the prior year by the German affiliate to the Group and - for Euro 52 thousands – to commercial transactions.

Other payables due within one year (Euro 14,505 thousand) mainly comprise payables to employees for current and accrued wages and salaries (Euro 8,608 thousand) and the short-term portion (Euro 4,900 thousand) of the payable relating to the 2 residual instalments of debt towards the Bonotto family deriving from the Haminoea S.r.l. acquisition transaction. The entire amount (whose contractual expiry was expected, for Euro 2,450 thousand, in 2019/2020 financial year) was classified under short-term payables in consideration of the early repayment, which occurred on 4th April, 2018.

Debt secured by collateral

Pursuant to art. 2427, para. 1 no. 6 of the Italian Civil Code, we declare that amounts due to banks include the following loans secured by collateral:

1) loan from Intesa Sanpaolo (residual balance Euro 923 thousand), acquired by Endurance Overseas S.r.l. in the context of the Haminoea S.r.l. merge operation, secured by a mortgage on a portion of the Lombardore site property, owned by the Parent Company;

2) loan from Intesa Sanpaolo (residual balance Euro 5,926 thousand), arranged in prior years, is secured by a mortgage on a portion of the Lombardore site property, owned by the Parent Company.

Overall, debt secured by collateral totals Euro 6,849 thousand as at 31st March, 2018 (including Euro 2,530 thousand due within one year and Euro 4,319 thousand due between 2 and 5 years).

Accrued expenses and deferred income

Accrued expenses and deferred income amount to Euro 2,177 thousand as at 31st March, 2018 (with a reduction as compared to prior year, Euro 3,160 thousand) and include, among other things, accruals relating to the allocation of income from commercial sales and the deferred income (Euro 1,127 thousand, of which Euro 804 thousand due beyond one year) relating to capital grants pursuant to funds made available under the so-called Competitiveness Decree (art. 18, Decree 91/2014, or "Tremonti quarter"), for incremental investment in the period 2014-2015 with respect to the average for the 5 previous years. Related income have been reversed in connection to the amortization of the facilitated assets.

Capitalised interest cost

All interest expense and other financial charges have been expensed during the year. In compliance with paragraph 1.8 of art. 2427 of the Italian Civil Code, we can confirm that no financial charges have been capitalised.

Explanatory notes - Consolidated income Statement

Breakdown of Value of Production

The value of production during the financial year 2017/2018 is analysed below on a comparative basis:

(Amount in EUR)

Description	FY 2017/2018	FY 2016/2017	Change	Change%
Revenues from sales of goods and services	208,809,736	193,593,865	15,215,871	8%
Changes in inventories of WIP, semi-finished and finished products	907,637	1,704,001	(796,364)	(47%)
Increases in non-current assets from in-house production	304,507	1,231,892	(927,385)	(75%)
Other revenues	5,063,149	5,048,613	14,536	0%
Total	**215,085,029**	**201,578,371**	**13,506,658**	**7%**

Revenues from sales for the year (which also include the proceeds from the sale to customers of specified equipment used in production, based on applicable contractual agreements) increased by 8% compared to the previous year and confirmed the growing trend in the Group's business volume, which recorded results even higher than the, still positive, trends of the reference market.

This performance was driven, in particular, by the growth recorded in the Italian market (+11% as compared to prior year) and, for what foreign markets are concerned, mainly for the German one, which recorded a 25% increase (off-setting the reduction recorded in other EU countries, also in connection of the re-location of their production sites made by the main OEM), confirming the development of the diversification policies of the Group's customer portfolio.

The increase in non-current assets from in-house production mainly refers to the capitalization of costs related to the assembly and set-up of industrial tooling (Euro 305 thousand) performed through the utilization of internal productive factors (materials and personnel costs).

Other income includes, inter alia, income from recovery of packing costs from customers, various charges and sales, as well as the Parent Company's income for services provided to Endurance Amann Gmbh, controlled by the parent companies, under the existing Service Agreement and for the reimbursement of costs for staff seconded to the same German company, as well as the portion pertaining to the 2017/2018 financial year (Euro 744 thousand) of the contributions obtained during the financial year in connection to the commitment of photovoltaic plants and those, in the form of tax credits, relating to investments in plants and machinery ("Tremonti quater") and for the research and development expenses previously described.

The following table provides details of revenues from sales and services by geographical area:

(Amount in EUR)

Geographical area	FY 2017/2018	Weight %	FY 2016/2017	Weight %	Change	Change%
ITALY	139,862,995	67%	126,204,038	65%	13,658,957	11%
GERMANY	43,945,607	21%	35,023,414	18%	8,922,193	25%
FRANCE	845,016	0%	410,090	0%	434,926	106%
POLAND	16,565,480	8%	18,051,815	9%	(1,486,335)	(8%)
OTHER EU COUNTRIES	5,418,054	3%	11,484,958	6%	(6,066,904)	(53%)
OTHER NON EU COUNTRIES	2,172,584	1%	2,419,550	1%	(246,966)	(10%)
Total	**208,809,736**	**100%**	**193,593,865**	**100%**	**15,215,871**	**8%**

For what the revenues breakdown by business category is concerned, the consolidated revenues from sales of goods and services refer entirely to the Group's core business, represented by the supply of powertrain components (for engines and transmissions), suspensions and bodywork destined to the automotive industry and its related activities, and those revenues are addressed to the OEM (Original Equipment Manufacturer) market, the Group operating mainly as a Tier 1 supplier to serve main European car manufacturers.

Details of operating costs

Set out below are details of the trend in operating costs together with prior year comparatives:

(Amount in EUR)

Description	FY 2017/2018	FY 2016/2017	Change	Change%
Raw materials, ancillary materials and goods for resale	110,855,952	103,827,933	7,028,019	7%
Services	31,689,483	29,127,811	2,561,672	9%
Lease and rental charges	1,581,989	1,139,689	442,300	39%
Payroll costs				
Wages and salaries	27,880,843	25,851,297	2,029,546	8%
Social contributions	5,625,086	5,416,337	208,749	4%
Employee termination indemnity and pension costs	1,191,413	1,142,277	49,136	4%
Other payroll costs	210,299	126,216	84,083	67%
Depreciation, amortisation and write-downs				
Amortisation of intangible fixed assets	2,829,757	2,827,526	2,231	0%
Depreciation of tangible fixed assets	15,662,987	13,990,181	1,672,806	12%
Other write-downs of fixed assets	-	-	-	-
Current receivables and cash equivalents write-downs	87,975	22,613	65,362	289%
Change in inventories of raw materials	(1,960,362)	1,641,564	(3,601,926)	(219%)
Provisions for risks	300,000	-	300,000	-
Other operating expenses	1,850,883	1,703,052	147,831	9%
Total	**197,806,305**	**186,816,496**	**10,989,809**	**6%**

Operating costs have risen overall by 6% compared with the prior year, with a trend consistent with volumes of the Group, as confirmed by Value of production figures (overall 8% increase as compared to prior year).

Cost of raw and ancillary materials, consumables and goods for resale and Cost of services

The changes recorded in the year (approx. 7.2% increase) are strictly related to the growth in volume, as discussed in relation to the Value of production. Benefits in terms of margins have been however identified, in relation to a lower increase of costs, given the mix of purchase costs for raw materials and services compared to the trend in revenues, as a result of the efficiency plans put in place by the Group's operating companies.

Payroll costs

This item (which has gone up by 7.3% approximately, compared with the previous year) represents the entire cost of employees, including merit increases, changes in labour category, paid holidays and accruals required by law and by collective labour agreements, as well as the charges deriving from the management retention plan, which depends on the economic-financial results achieved by the Group in Europe and on the continued employment of personnel involved for a minimum pre-determined period. This item also includes the cost of temporary workers, except for the cost of interim employment agencies that has been charged to the income statement line B7).

The increase registered in the current year has been influenced by the Group's operating structures strengthening policies, consistent with the growing trends in volumes of operations.

The R&D payroll costs not capitalised as part of the "Future Manufacturing Endurance" project, discussed earlier, totalled about Euro 1,463 thousand.

Lease and rental charges

This item (increased by Euro 442 thousand, as compared to prior year) mainly includes rental costs charged by third parties for operating facilities used by Group companies, as well as other rental costs.

Depreciation and amortisation

Depreciation is calculated over the useful life of the asset, depending on how it is used in production. An increase in the tangible fixed assets (Euro 1,673 thousand, + 12% as compared to prior year) has been recorded, which is related to the growing trend in recent fixed asset investment initiatives, for supporting new production projects.

Financial income and charges

Financial income and charges recorded in the year ended 31st March, 2018 are analysed on a comparative basis in the following table:

(Amount in EUR)

Description	FY 2017/2018	FY 2016/2017	Change	Change%
Financial income	54,216	8,001	46,215	578%
Financial charges	(1,146,282)	(1,403,500)	257,218	(18%)
Exchange gains and losses	40,717	(11,869)	52,586	(443%)
Total	**(1,051,349)**	**(1,407,368)**	**356,019**	**(25%)**

Financial income includes the interest earned on bank current account balances.

Financial charges (Euro 1,1146 thousand, down by 18% as compared to prior year) mainly include the interest incurred on medium-term loans and on short-term financing operations (e.g. advances against invoices and cash flows, factoring and overdraft facilities). The reduction recorded in the year was impacted by both the interest rate fluctuations of the period and by the reduction of short-term debt instruments for working capital management carried out during the year by the Group's company.

Exchange gains and losses (net income of Euro 41 thousand) reflect the net effect of exchange-rate fluctuations on the realisation of assets and liabilities not denominated in euro (in this specific case, all the transactions were denominated in USD), as well as the effect of aligning foreign currency receivables and payables using the exchange rates applied on the reporting date.

Adjustments to financial assets and liabilities

This item (net charges amounting to Euro 85 thousand) includes the economic effects of the fair value adjustment of the derivative financial instruments used by the Group, made in order to align them to the respective market value.

Current and deferred taxation

The Group has accrued for taxation for the year based on the application of tax legislation in force.

The tax charge for the 2017/2018 financial year amount to Euro 6,060 thousand (increasing from prior year's amount, Euro 5,338 thousand) and includes:

- current taxation, represented by a net charges of Euro 6,642 thousand (including a Euro 78 thousand charge related to prior year taxes), with an increase as compared to prior year impact, amounting to a net value of Euro 5,963 thousand; and
- the change in deferred taxation (net income amounting to Euro 402 thousand, compared with a Euro 624 thousand income in the prior year), relating to components of recorded income and expense that will be taxable/deductible in future tax years.

The table reported below summarizes the described effects:

(Amount in EUR)

Description	FY 2017/2018	FY 2016/2017
Current and Deferred taxation	**6,060,040**	**5,338,428**
Current taxes		
IRES Tax	5,125,901	5,140,126
IRAP Tax	1,258,120	1,066,151
(Income)/charges for prior year taxes	77,798	(243,663)
Deferred taxes (income)/charges	(401,779)	(624,186)

Deferred tax assets and liabilities have been calculated using the rates, which are expected to be in force during the years when temporary differences are expected to be reversed (respectively 24% for IRES tax and 3.9% for IRAP tax). Deferred tax assets have been accounted for as there is reasonable certainty that, in the financial years in which the temporary differences will reverse, taxable income will not be less than the amount of the differences that will be reversed.

Adhesion to the tax consolidation regime

As required by the interpretative document on accounting standard OIC 25, information is provided below on the Group's adhesion to the tax consolidation regime.

In compliance with current legislation, the Group renewed in the prior year (with validity updated until the tax year ending on 31st March, 2020) the tax consolidation regime, by the signature of an agreement governing the tax relationships between Endurance Overseas S.r.l. – as the consolidating company – and both Endurance Fondalmec S.p.A. and Endurance Engineering S.r.l. and Endurance FOA S.p.A. (included in the scope of consolidation for tax purposes as from the financial year 2017/2018).

The relationship between the parties concerns, in particular, the immediate payment of the consolidation differences arising from group taxation and the deduction of the excess non-deductible interest expense on a consolidated basis (if the conditions under paragraph 7 of article 96 of the Consolidated Income Tax Act are met).

Other information

Average employee numbers

The following table sets out average employee numbers by labour category computed on the basis of the year averages:

Employees	FY 2017/2018	FY 2016/2017
Managers	15	16
White collar	102	93
Blue collar	374	374
Total	**491**	**483**

Group companies employ 493 people at 31st March, 2018.

Fees payable to Directors and to the Board of Statutory Auditors

The fees earned during the year by the directors of Group companies totalled Euro 144 thousand, while the fees of the Boards of Statutory Auditors of the Group's companies amounted to Euro 122 thousand in the 2017/2018 financial year.

Fees payable to independent auditors

During the year, the following amounts (including fees and expenses) were paid to the independent auditors (Deloitte & Touche S.p.A.):

- Euro 78 thousand for the legal audit of the accounts (performed on the basis of Legislative Decree 39/2010), regarding statutory financial statements of the Group's companies and the consolidated financial statement of the Group, for the subscription of tax declaration, as well as well as for the audit activities performed on the consolidated Group Reporting Package, prepared and submitted for the preparation of consolidated financial statements of the Endurance Technologies Group;

- Euro 11 thousand for services provided by other members of Deloitte & Touche S.p.A's network.

Relations with related parties

With regard to the provisions of art. 2428, para. 3, point 2) of the Italian Civil Code, reference is made to the information on related-party transactions provided in the Consolidated report on operations.

Off balance sheet agreements

No off-balance sheet agreements were entered into during the year.

Information relating to the fair value of financial instruments

In compliance with the provisions of Art. 2427-bis of the Italian Civil Code, in order to present a true and fair view of the company's commitments, details of the fair value, extent and nature of holdings of financial derivatives are set out below (amounts in thousands of Euro):

(Amount in EUR'000)

Type of contract	Number of contracts	Original notional value	Notional value at 31st March, 2018	Fair value at 31st March, 2018
Interest rate Swap	4	28.126	17.200	(83)
Interest rate CAP	5	12.614	5.797	0
TOTAL				**(83)**

Information on significant subsequent events

Recalling previously mentioned points, the significant events occurred after the end of the financial year (which did not affect the figures reported in these consolidated financial statements, with the exception of the classification of the due date of payables to other lenders) concern

- the purchase for early redemption (occurred in April, 2018) of two industrial properties located in Chivasso and Lombardore, subject to a finance lease contract with Unicredit Leasing S.p.A., with a total cash outflow of Euro 4,525 thousand); and

- the early repayment of the residual payable due to the Bonotto family relating to the acquisition of Haminoea S.r.l. (Euro 4,900 thousand, repaid, in the first part of April, 2018).

For further information, please refer to the information given on the previous pages.

Companies that prepare consolidated financial statements for the larger/smaller group of companies to which the Group belongs as a subsidiary

The following information is provided about the companies that prepare consolidated financial statements for the larger/smaller group of companies to which the Company belongs as a subsidiary:

	Larger group corresponding to Smaller Group
Company name	Endurance Technologies Limited
Town (if in Italy) or foreign State	Aurangabad (India)
Tax code (Italian companies)	-
Place where the consolidated financial statements are filed	Registered office: Aurangabad (India) India Stock Exchange: NSE and BSE (*)

(*) Endurance Technologies Limited, the parent company, is listed on the National Stock Exchange of India Ltd. (NSE) and the BSE Ltd. (BSE).

Summary financial statements of the company which exercises management and coordination activities

The Group is subject to management and coordination by its indirect parent company, Endurance Technologies Limited, with registered offices at E-92, MIDC Industrial Area, Waluj, Aurangabad, Maharashtra, India, which wholly owns the Group through the investment in Endurance Overseas S.r.l.

The following amounts taken from the latest approved statutory financial statements of Endurance Technologies Limited are stated in millions of Indian Rupees. The latter financial statements are prepared in accordance with Ind-AS accounting standards, ruling on 31st March, 2017. For the sake of clarity, the Rupee/€ exchange rate at 31st March, 2017 (source www.rbi.org.in) was 69.2476 (75.0955 at 31st March, 2016):

(₹ in million)

Balance sheet	Financial statements for the year ended 31st March, 2017	Financial statements for the year ended 31st March, 2016
Non-current assets		
Fixed assets, net	8,799.10	8,168.96
Investments and other non-current assets	5,442.53	5,580.90
Current assets	**8,245.55**	**6,246.54**
Total Assets	**22,487.18**	**19,996.40**
Liabilities and shareholder's equity		
Shareholder's equity	**15,630.64**	**13,496.99**
Non-current liabilities		
Non-current financial liabilities	198.52	780.81
Other non-current liabilities	185.41	181.77
Current liabilities		
Current financial liabilities	1,877.08	1,662.98
Other current liabilities	4,595.53	3,873.85
Total liabilities and shareholders' equity	**22,487.18**	**19,996.40**

(₹ in million)

Income Statement	Financial statements for the year ended 31st March, 2017	Financial statements for the year ended 31st March, 2016
Revenues	**42,947.19**	**40,683.61**
Operating costs	38,111.24	36,085.09
Depreciation and amortisation	1,668.57	1,475.00
Financial charges	178.57	329.74
Income before tax	**2,988.81**	**2,793.78**
Taxation for the year (current and deferred)	773.84	707.33
Income (loss) for the year	**2,214.97**	**2,086.45**
OCI - Other comprehensive income	(17.83)	0.75
Total statement of comprehensive income	**2,197.14**	**2,087.20**

The following section describes relations with the company that provides management control and coordination services and with the other affiliates, as well as the effect of those activities on the operations of the Group and its consolidated results.

Dear Quotaholders, We confirm that these consolidated financial statements, which comprise the consolidated balance sheet, consolidated income statement and explanatory notes, give a true and fair view of the financial position and Group's results for the year and agree with the books of account.

Lombardore, 11th May, 2018

For the Board of Directors

Chief Executive Officer

Signed by Massimo Venuti

Independent auditor's report

PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF 27th January, 2010

To the Quotaholders of Endurance Overseas S.r.l.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Endurance Overseas S.r.l. and its subsidiaries (the "Endurance Overseas Group" or the "Group"), which comprise the consolidated balance sheet as at 31st March, 2018, the consolidated statement of income and statement of cash flows for the year then ended and the explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Endurance Overseas Group as at 31st March, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Italian law governing financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Endurance Overseas S.r.l. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

Pursuant to art. 2497-bis, first paragraph, of the Italian Civil Code, Endurance Overseas S.r.l. has disclosed that it is subject to management and coordination of its activities by Endurance Technologies Limited (India) and, therefore, has indicated in the notes to the consolidated financial statements the key financial data from the most recent financial statements of such company. Our opinion on the consolidated financial statements of Endurance Overseas Group does not extend to such data.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism 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 management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transaction and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2(e) of Legislative Decree 39/10

The Directors of Endurance Overseas S.r.l. are responsible for the preparation of the report on operations of the Endurance Overseas Group as at 31st March, 2018, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standards (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of the Group as at 31st March, 2018 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the consolidated financial statements of Endurance Overseas Group as at 31st March, 2018 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2(e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Giorgio Barbieri
Partner

Turin, Italy
25th May, 2018

Endurance Fondalmec S.p.A.

LOMBARDORE (Turin), Italy

Report on Operations and Financial Statements
for the year ended 31st March, 2018

ENDURANCE FONDALMEC S.p.A.

Head office: VIA DEL BOSCHETTO 2/43 – LOMBARDORE (Turin)

Tax Code and Turin Companies Register no. 01729340016

Turin Chamber of Commerce registration no. 518776

Share capital: Euro 2,700,000.00 subscribed and fully paid

VAT Number: 01729340016

Sole Shareholder Company

Management control and coordination: ENDURANCE TECHNOLOGIES LIMITED

Report on Operations

Financial statements for the year ended 31st March, 2018

Dear Shareholder,

The explanatory notes provide disclosures on the financial statements for the year ended 31st March, 2018. This document, in compliance with art. 2428 of the Italian Civil Code, provides information on the Company's situation and performance. The report, prepared with amounts shown in Euros, is presented as an accompaniment to the financial statements and provides information on the Company's earnings, financial position and operations, together, where possible, with historical facts and an indication of the future outlook.

Information on the Company

Matters concerning the economy in general and the results of operations:

In 2017, the world economy achieved significant growth, one of the longest periods of expansion in history. According to International Monetary Fund data, in fact, World GDP grew by 3.8%, accelerating compared to 3.2% the previous year.

The largest contribution to growth came from emerging economies, which grew by 4.8%, with China (+6.9%) and India (+6.7%) standing out in particular. After years of crisis, Brazil and Russia have also got over the recession, turning in growth of 1% and 1.5% respectively.

Advanced bursars grew by 2.3% with similar results for the USA (+2.3%) and the Euro area (+2.3%), while the UK (+1.8%) and Japan (+1.7%) were below average. In the Euro area, overall growth of 2.3% was the result of positive growth in Germany (+2.5%) and less brilliant trends recorded in France (+1.8%) and Italy (+1.5%).

The world economy is therefore healthy, even if the results have been largely conditioned by the expansive monetary policies that have fuelled the use of credit at low rates, far from the conditions historically applied.

Even though Italy achieved one of the lowest growth rates on the international scene, this was still the best performance of the last seven years.

In 2017, the automotive sector was again one of the driving sectors of the economy. During the period registrations in the European Union grew by 3.4% to 15.1 million vehicles compared to 14.6 million in the previous year. The major European markets all showed significant growth (Germany +2.7%, France +4.7%, Italy +7.9% and Spain +7.7%) with the sole exception of the United Kingdom, which recorded a 5.7% reduction. It should be noted that the performance for the year was strongly affected by the exceptional sales performance in the first quarter of 2017 (+8.4%), while the following quarters recorded more moderate growth rates (+1.1%, +1.5% and +2.4% respectively).

Registrations in the European Union for the period corresponding to the Endurance Group financial year (April, 2017 - March, 2018) grew by a modest 1.4% overall.

The registration performance for the year 2017 by manufacturer shows positive trends for all the main groups (VW +2.3%, Renault +6.7%, PSA +4.8% without the newly acquired Opel/Vauxhall, FCA +4.9%, Daimler +4.8%) with the exception of Opel (-5.1%, on a like-for-like basis) and Ford (-0.2%).

The Volkswagen Group maintained its leadership in Europe, with 3,580,655 cars sold, an increase of 2.3% on 2016 and a share of 23.7% compared to 23.9% the previous year.

For the Renault Group, both registrations (1,600,893 cars, +6.7%) and market share (from 10.2% to 10.6%) increased. Excluding the newly acquired Opel brand, the PSA Group reported an increase in sales (1,514,685 vehicles, +4.8%) and market share (from 9.9% to 10%).

FCA recorded higher market growth in Europe (+4.9%) and, with 1,025,575 vehicles registered, it increased its market share to 6.8% compared to 6.7% the previous year.

The Daimler Group registered a total of 953,614 vehicles (+4.8%) sold, increasing its market share from 6.2% to 6.3%. The BMW Group's share fell from 6.8% to 6.6%, with 997,551 units registered (+0.9% as compared to prior year). Opel, on the old perimeter basis, sold 926,978 cars (-5.1%), losing market share (from 6.5% to 6.0%).

In the period corresponding to the Endurance Group financial year (from April, 2017 to March, 2018) positive trends were confirmed for VW (+2.3%), Renault (+4.7%), PSA (+5.6%, without the newly acquired Opel), Daimler (+2.5%). FCA, remained substantially unchanged, while BMW (-1.1%) and Opel (-8.5% on a pre-acquisition perimeter base) showed negative results.

Among the particular phenomena that can be deduced from the trend in European registrations for the year 2017, it is worth mentioning the reduction in diesel vehicle registrations and the increase in petrol and alternative power vehicles (LPG/CNG, hybrid and electric cars). The latter still represent a marginal share of total registrations in the EU (5.8% in 2017). All-electric cars represented 1.5%, hybrids 2.9% and other alternative engines 1.4%.

In this moderately favourable market environment, the Company recorded a 9% growth in terms of value of production, far higher than the market, reaching an amount of Euro 153.7 million in absolute terms. EBITDA in 2017/2018 was Euro 18 million, equal to 11.7% of the value of production and increased by over 10% on the previous year. The net result amounted to Euro 6.3 million, equal to 4.1% of the value of production and increased by 20.5% on the prior year. The positive economic results contributed to a net improvement in the net financial position, despite major capital investment, and further strengthened the Company's financial solidity.

Key events

During the first part of the year the R&D project called "Future Manufacturing Endurance" was successfully completed, as better described in the specific section dedicated to Research and Development. This allowed the preparation and completion of the first part of the innovative line for the construction of the new upper cylinder heads for VW Group, brought to full capacity after a long and challenging start-up period that involved most of the Company's technical department.

The validity of the technical solutions that we have developed has allowed us to obtain from the VW Group an increase in production (an additional volume of 460,000 items/year) of the current complete upper cylinder head for the EA211 petrol engine, which will result in a considerable increase in turnover.

In January, 2018 we were also assigned the new version of this part (called ACT+ or with low CO2 emissions) which will allow us to continue to produce 960,000 complete upper cylinder heads for several years, starting in 2021. This product has a particular strategic value because, in addition to the standard application on the 1.5 litre petrol engine, it will also be used in the hybrid cars of the entire VW's medium segment.

During the period, investments in tangible fixed assets, also considering the change in advances and construction in progress, amounted to more than Euro 16 million, largely for the new VW part. Funding activities involved the arrangement of medium-term loans totaling Euro 10 million, while related repayments amounted to Euro 9.6 million.

Secondary locations

As required by art. 2428 of the Italian Civil Code, we can confirm that the Company has following secondary locations at 31st March, 2018:

Address	Location
VIA DEL BOSCHETTO 2/39	LOMBARDORE
VIA REGIONE POZZO 26	CHIVASSO

Management control and coordination activities

Pursuant to para. 5 of art. 2497-bis of the Italian Civil Code, we can confirm that the Company belongs to the ENDURANCE Group (India) and is subject to management control and coordination by ENDURANCE TECHNOLOGIES LIMITED (India), whose shares have been listed on the National Stock Exchange of India Ltd. (NSE) and the BSE Ltd. (BSE) since October, 2016.

These management controls and coordination activities did not have any particular impact on the Company's activities and results. We can also confirm that no decisions were made that were influenced by the Company that performs management controls and coordination activities and for which there is a need to justify the reasons for them and the interests that impacted on them.

Financial position

To facilitate a better understanding of the Company's financial position, a reclassified balance sheet is set out below.

Balance Sheet - Assets

(Amount in EUR)

Item	FY 2017/2018	%	FY 2016/2017	%	Change	Change %
WORKING CAPITAL	**67,922,529**	**62.11 %**	**59,729,793**	**61.44 %**	**8,192,736**	**13.72 %**
Immediate liquidity	**22,533,280**	**20.60 %**	**16,257,062**	**16.72 %**	**6,276,218**	**38.61 %**
Cash and cash equivalents	22,533,280	20.60 %	16,257,062	16.72 %	6,276,218	38.61 %
Deferred liquidity	**31,242,059**	**28.57 %**	**30,360,545**	**31.23 %**	**881,514**	**2.90 %**
Current receivables included in working capital	21,584,393	19.74 %	24,649,624	25.36 %	(3,065,231)	(12.44) %
Current portion of non-current receivables	5,000,000	4.57 %	3,300,000	3.39 %	1,700,000	51.52 %
Financial assets	4,251,753	3.89 %	1,967,018	2.02 %	2,284,735	116.15 %
Prepaid expenses and accrued income	405,913	0.37 %	443,903	0.46 %	(37,990)	(8.56) %
Inventories	**14,147,190**	**12.94 %**	**13,112,186**	**13.49 %**	**1,035,004**	**7.89 %**
FIXED ASSETS	**41,444,553**	**37.89 %**	**37,488,133**	**38.56 %**	**3,956,420**	**10.55 %**
Intangible assets	2,341,157	2.14 %	2,820,952	2.90 %	(479,795)	(17.01) %
Tangible fixed assets	38,091,709	34.83 %	33,635,000	34.60 %	4,456,709	13.25 %
Financial fixed assets	812	-	8,697	0.01 %	(7,885)	(90.66) %
Non-current portion of receivables included in working capital	1,010,875	0.92 %	1,023,484	1.05 %	(12,609)	(1.23) %
CAPITAL EMPLOYED	**109,367,082**	**100.00 %**	**97,217,926**	**100.00 %**	**12,149,156**	**12.50 %**

Note that the "Current portion of non-current receivables" includes the outstanding loan due to the parent company Endurance Overseas S.r.l. and the financial bills of exchange subscribed by the Company as part of its policy of using available liquidity, as these instruments will mature during the financial year 2018/2019.

With reference to the changes occurred during the year, a reduction in current receivables was noted, related to the evolution of the company's customer portfolio, which moved to customers with shorter collection timing, offset by the increase in the value of tangible fixed assets, linked to the investments made during the year to support the increase in production volumes.

Changes in inventories refer to the Company's procurement policy in relation to the trend of production flows expected for the coming months.

As regards the changes in cash and current financial assets (which include the positive balance of the centralised treasury account held with the parent company Endurance Overseas S.r.l.), reference should be made to the notes to the cash flow statement.

Balance Sheet - Liabilities and Shareholder's Equity

(Amount in EUR)

Item	FY 2017/2018	%	FY 2016/2017	%	Change	Change%
CAPITAL ATTRIBUTABLE TO MINORITY INTEREST	**77,876,582**	**71.21 %**	**70,046,280**	**72.05 %**	**7,830,302**	**11.18 %**
Current liabilities	57,772,780	52.82 %	49,471,651	50.89 %	8,301,129	16.78 %
Current payables	55,702,035	50.93 %	46,405,391	47.73 %	9,296,644	20.03 %
Accrued expenses and deferred income	2,070,745	1.89 %	3,066,260	3.15 %	(995,515)	(32.47) %
Non-current liabilities	**20,103,802**	**18.38 %**	**20,574,629**	**21.16 %**	**(470,827)**	**(2.29) %**
Non-current payables	19,447,914	17.78 %	20,214,207	20.79 %	(766,293)	(3.79) %
Provisions for risks and charges	313,258	0.29 %	15,325	0.02 %	297,933	1,944.10 %
Employee termination indemnity	342,630	0.31 %	345,097	0.35 %	(2,467)	(0.71) %
EQUITY	**31,490,500**	**28.79 %**	**27,171,646**	**27.95 %**	**4,318,854**	**15.89 %**
Share capital	2,700,000	2.47 %	2,700,000	2.78 %	-	-
Reserves	4,377,991	4.00 %	4,377,991	4.50 %	-	-
Retained earnings (accumulated losses)	18,093,655	16.54 %	14,851,152	15.28 %	3,242,503	21.83 %
Net income (loss) for the year	6,318,854	5.78 %	5,242,503	5.39 %	1,076,351	20.53 %
FINANCING SOURCES	**109,367,082**	**100.00 %**	**97,217,926**	**100.00 %**	**12,149,156**	**12.50 %**

During the year, increases were recorded both with reference to current liabilities - in particular with reference to the trend of payables, linked to investments made in the last part of the year and to the increase in the company's turnover - and with reference to equity, following the increase in shareholders' equity, due to the recording of a positive economic result for the year, net of dividends (Euro 2 million) paid during the year to the sole shareholder.

Key indicators of financial position

On the basis of the above reclassification, indicators of financial position are set out below:

RATIO	FY 2017/2018	FY 2016/2017	% Change
Fixed asset coverage	69.31 %	68.33 %	1.43 %
Amounts payable to banks to working capital	46.76 %	51.37 %	(8.97) %
Debt ratio	2.47	2.58	(4.26) %
Financial debt ratio	1.24	1.25	(0.80) %
Equity to capital employed	28.79 %	27.95 %	3.01 %
Financial charges to turnover	0.34 %	0.55 %	(38.18) %
Current ratio	117.57 %	120.74 %	(2.63) %
Fixed asset to equity capital margin (in EUR)	(8,943,178.00)	(9,293,003.00)	(3.76) %
Primary coverage ratio	0.78	0.75	4.00 %
Fixed asset to equity capital and medium-long term debt margin (in EUR)	11,160,624.00	11,281,626.00	(1.07) %
Secondary coverage ratio	1.28	1.31	(2.29) %
Net working capital (in EUR)	10,149,749.00	10,258,142.00	(1.06) %
Acid test margin (in EUR)	(3,997,441.00)	(2,854,044.00)	40.06 %
Acid test ratio	93.08 %	94.23 %	(1.22) %

Statement of cash flows

(Amount in EUR)

Item	FY 2017/2018	FY 2016/2017	Change	Change %
Cash and cash equivalents at beginning of period	**16,257,062**	**9,548,981**	**6,708,081**	**70.25%**
a. Cash flows from operating activities	25,288,446	12,192,486	13,095,960	107.41%
b. Cash flows from investing activities	(15,143,920)	(2,418,990)	(12,724,930)	526.04%
c. Cash flows from financing activities	(3,868,308)	(3,065,415)	(802,893)	26.19%
Increase/(decrease) in cash and cash equivalents (a ± b ± c)	**6,276,218**	**6,708,081**	**(431,863)**	**-6.44%**
Cash and cash equivalents at end of period	**22,533,280**	**16,257,062**	**6,276,218**	**38.61%**

The net cash flow generated during the year by the Company amounted to Euro 6.3 thousand. The cash flow from operating activities (Euro 25.3 million, up from Euro 12.2 million in the prior year, due to the changes in working capital) offset the cash absorbed by investing activities (Euro 15.1 million) and allowed a significant reduction in net borrowing (by Euro 3.9 million). This resulted in a positive balance on the cash pooling accounts of Euro 2.3 million and a reduction in medium/long-term loans of Euro 9.6 million, offset by new bank borrowing agreements subscribed, for Euro 10.0 million.

Economic Results

A reclassified income statement is provided below to facilitate a better understanding of the Company's results.

Income Statement

(Amount in EUR)

Item	FY 2017/2018	%	FY 2016/2017	%	Change	Change%
VALUE OF PRODUCTION	**153,719,654**	**100.00%**	**141,013,362**	**100.00%**	**12,706,292**	**9.01%**
- Consumption of raw materials	105,530,211	68.65%	96,632,400	68.53%	8,897,811	9.21%
- General expenses	16,075,293	10.46%	15,144,759	10.74%	930,534	6.14%
ADDED VALUE	**32,114,150**	**20.89%**	**29,236,204**	**20.73%**	**2,877,946**	**9.84%**
- Payroll costs	12,677,996	8.25%	12,138,079	8.61%	539,917	4.45%
- Provisions	300,000	0.01%	-	-	300,000	-
GROSS OPERATING MARGIN	**19,136,154**	**12.45%**	**17,098,124**	**12.13%**	**2,038,030**	**11.92%**
- Depreciation, amortisation and writedowns	9,474,891	6.16%	8,057,579	5.71%	1,417,312	17.59%
- Other operating expenses	1,090,747	0.71%	741,312	0.53%	349,435	47.14%
INCOME BEFORE FINANCIAL ITEMS	**8,570,516**	**5.58%**	**8,299,233**	**5.89%**	**271,283**	**3.27%**
+ Financial items	(381,844)	-0.25%	(635,192)	-0.45%	253,348	(39.89%)
INCOME BEFORE TAX	**8,188,672**	**5.33%**	**7,664,042**	**5.43%**	**524,630**	**6.85%**
- Taxation	1,869,818	1.22%	2,421,538	1.72%	(551,720)	(22.78%)
NET INCOME	**6,318,854**	**4.11%**	**5,242,503**	**3.72%**	**1,076,351**	**20.53%**

The income statement for the period shows a growth in the value of production (+9%), significantly higher than the trend in the registration of new cars on the EU market, which grew by 1.4% in the same period. The increase in the value of production is due to the good performance of sales towards the FCA, VW and BMW groups in the first half of the year and to the significant growth in sales towards VW customers in the second half of the year (a jump of more than 70% compared to the same period of the previous year, due to the gradual ramp-up of the new upper cylinder heads supply) and BMW ones, while GM Group registered a contraction.

Production costs increased less than proportionally, resulting in an increase in the Gross Operating Margin of almost 14%.

Amortization and depreciation and other operating costs rose significantly due to the higher charges deriving from the use and start-up of the new production lines. The tax burden has decreased due to the benefits connected to the greater deductibility of amortization (so-called "super-depreciation" allowed by applicable tax rules) deriving from the considerable investments recently made.

The net result increased by more than 20% compared to the previous year, reaching Euro 6.3 million.

Key indicators of results

On the basis of the above reclassification, indicators of financial position are set out below:

RATIO	FY 2017/2018	FY 2016/2017	Change %
R.O.E.	20.07%	19.29%	4.00%
R.O.I.	24.91%	21.71%	14.75%
R.O.S.	5.58%	5.84%	-4.35%
R.O.A.	8.91%	8.63%	3.27%

Information required by art. 2428 of the Civil Code

The following is the detailed information specifically required by art. 2428 of the Italian Civil Code.

Main risks and uncertainties that the Company is exposed to

As required by the first paragraph of art. 2428 of the Italian Civil Code, set out below is a description of the main risks and uncertainties to which the Company is exposed.

RISKS RELATED TO THE GENERAL STATE OF THE ECONOMY: the Company's results are influenced by trends in the national and international and macro-economic framework. Developments regarding GDP, the cost of raw materials, the unemployment rate, interest rates and the level of confidence shown by consumers and businesses can condition the sales performance of end customers and, thus, the company's sales performance.

RISKS RELATED TO THE SECTOR IN WHICH THE COMPANY OPERATES: the metal alloys and metal parts machining sector, in which the Company operates, is characterised by heated competition that is partly attributable to the sales trends in the automotive market. As much as the Company has taken action deemed necessary to improve its level of flexibility, a significant fall in end customers' needs and consequent further pressure on prices caused by heated competition could adversely impact the Company's results and financial position.

RISKS RELATED TO THE ABILITY TO CREATE INNOVATIVE PRODUCTS: the automotive components sector is characterised by continuous product development needed to satisfy the product performance required by car manufacturers and by environmental legislation (governing emissions). Future investment by the Company will seek to develop the portfolio of products and diversify the types of production, thereby increasing the ability to meet the needs of customers. The failure to develop products and to meet needs in terms of price, quality and functionality imposed by end customers could adversely impact the Company's prospects for its operations.

FINANCIAL RISKS: The Company is exposed to the following financial risks in the conduct of its operations:

- credit risks in relation to normal commercial transactions with customers;
- liquidity risks, with particular reference to the availability of financial resources and access to the market for credit and financial instruments in general;

- market risks, mainly relating to changes in interest rates and, to a lesser extent, exchange rates.

The Company constantly monitors the financial risks that it is exposed to, in order to evaluate in advance any potential negative effects and to take appropriate action to mitigate them.

Credit Risks

Given the nature of its industrial activities - the production of engine and gearbox components for car makers - the Company's receivables are structurally concentrated since customers comprise a limited number of industrial groups. The integration of the company within the Endurance Group makes possible the indirect diversification of customers, by supplying other group companies with unfinished components for the manufacture of products that are then supplied to multiple end customers.

The Company monitors receivables constantly and regularly adjusts the related allowances for collection risks.

Liquidity risks

The two main factors that determine the Company's liquidity position are, on one hand, the resources generated or absorbed by operations and by investments and, on the other hand, the timing of the repayment and renewal of debt and of the liquidity of financial investments.

The Company seeks the most appropriate sources of finance bearing in mind the current and prospective financial position. Any difficulties encountered in obtaining financing needed to meet the needs of current operations and needs relating to investments could negatively impact the Company's results and financial position.

Management believes that funds currently available, the keeping of suitable contacts for access to credit, as well as funds generated from operating activities, will allow the Company to meet the needs of investing activities, of working capital management and of the repayment of debt as it falls due.

Market risks

In the conduct of its activities, the Company is exposed to various market risks, particularly the risk of fluctuations in interest rates and, to a lesser extent, exchange rates.

Risks relating to changes in interest rates

The Company utilises financial resources provided mainly in the form of bank debt and employs the funds to finance operations and investment and development initiatives. Furthermore, the Company may factor its trade receivables. Changes in market interest rates impact the cost of various forms of financing and of factoring and thus affect the level of the Company's financial charges.

To face up to these risks, the Company strives to maintain a suitable relationship between the financing structure and the structure of capital employed, compatible with opportunities offered and actual market conditions.

With this aim, the Company has structured its financing with floating rates and with repayment due in the medium/long term at favourable conditions (with the objective of managing current unfavourable conditions and high volatility of interest rates).

Lastly, where considered appropriate, the Company makes use of rate derivatives (Interest rate swaps and caps) with the aim of hedging the risks described.

Risks relating to changes in exchange rates

The functional currency used by the Company for the majority of its transactions (Euro) does not currently appear to be subject to significant risks relating to exchange rate fluctuations.

Key non financial indicators

Pursuant to art. 2428 of the Civil Code, we can confirm that, due to the specific activities performed, it is not deemed relevant for an understanding of the Company's results and financial position to present non financial indicators.

Information on the environment and safety at work

The Company, in the context of the specific policies in place at Endurance group level, operates with particular care in order to ensure that production and operating activities are carried out in compliance with all applicable regulations and international agreements, with the aim of introducing and maintaining a culture of continuous improvement of environmental performance and safety of the Group's processes and products and to protect the safety of persons and plants.

During the financial year ended 31st March, 2018, activities continued on the control and maintenance of adequate standards for environmental protection in compliance with the provisions of the BS OHSAS 18001:2007 scheme in relation to the environmental management system, as well as preparatory activities for the transition to application of the new ISO 14001:2015 reference standard were carried out.

Employee training covered general and specific skills, safety matters, specific training for managers on monitoring compliance by their collaborators with the law on occupational health and safety, updates for forklift truck drivers, training in the use of lifting equipment and updates for worker safety representatives and training for new recruits. Overall, more than 2,100 hours were spent on training activities.

Works performed on the plants in relation to their safety guarantee included the following principal actions:

- Construction of a new compressor cabin with installation of energy-saving machines to replace those in the individual departments.

- Installation of a power factor correction group in workshop no. 6.2 (VW)

- Construction of a centralised system for the preparation and distribution of cooling lubricant in workshop no. 2 with water savings and lower use of dangerous substances.

- Installation of a chemical storage container equipped with an appropriate containment basin.

- Installation of air extractors on the roof of workshop no. 3.5 to improve the microclimate.

- Improvement of horizontal and vertical signals in the production departments and external areas.

In addition, with reference to fire-fighting activities, the planned evacuation drills for the departments were carried out, covering all the work shifts.

With regard to health surveillance and accident monitoring, the Risk Assessment Document was updated and accident monitoring and analysis continued with the S EWO and Safety Reports for the definition of causes and countermeasures.

Information on personnel management

The workforce amounted to 220 employees at the end of 2017-2018 financial period. There were no significant increases in the number of employees compared with the previous period.

The main training activities during 2017/2018 focused on Manufacturing, Engineering and Quality, with a view to upgrading general and specific skills also in relation to the variables linked to the continuous improvement of production and corporate processes. Special attention and targeted interventions were envisaged for the certification of the "Process Auditor" under the IATF standard, as a prerequisite for companies in the sector in which the Company operates.

In particular, in addition to the matters indicated in the section above on environmental and safety disclosures, training covered the following topics:

- In the Production area, the Company continued the skills development plan, the start-up of new processing lines, the management of system procedures, and specific training with the suppliers of mechanical processing plants and automation lines, in particular:
    - Operational management of the automation and mechanical processing lines with external and on-the-job training to develop the specific skill of the specialised and operational staff and to train up people in new dedicated roles;
    - Self-maintenance of the processing plants and approaches to the management of the tools used in Lean Manufacturing, with particular attention to the 5S method;
    - On-the-job activities related to the improvement of production processes and verification of compliance of processed products;
    - Times and methods: external training activities focused on the literature on the subject and application checks on internal processes;
- In the Quality & Engineering area:
    - Internal quality: improvement in internal management processes of the conformity variables of processed products, of the various control methods and of the quality system documentation through on-the-job training;
    - Metrological area: Internal/external training on the use of Zeiss - Accura measuring machines, part-programme creation and modification, plant management
    - Planning of training for the development of technical skills, particularly:
        - SPC - statistical process control
        - MSA - measurement system analysis
        - Problem solving & FMEA
        - Process audit of standard VDA 6.3
        - PSB - Product safety Representative
        - Preparation of plant manuals and how they work
        - Lean Manufacturing & Six Sigma
- For the development of transversal skills and special projects:
    - In-depth courses in English and German languages;
    - Soft skills training - Team management leadership;
    - Development of apprenticeship projects as part of the “ICARO” project (see the section on “research and development”).

The courses held for employees came to a total of around 8,250 hours, with training held internally, externally and on the job.

Research and development activities

During the first part of 2017-18, we completed the activities relating to the "Future Manufacturing Endurance" project, a strategic initiative of the Endurance Group started in 2015/2016 with the aim of responding to new trends in the automotive sector, increasingly directed towards orders featuring high volumes and increasing needs in terms of price competitiveness, technical features and product complexity and quality standards tending towards zero defect objectives.

This strategic R&D project was developed to support the process of technological, productive and qualitative growth and to provide the Company with an advanced production system; in other words, innovative, efficient production processes capable of guaranteeing high productivity and flexibility, at the same time ensuring total management of the quality of the finished product. These objectives have been achieved through the study, design, experimentation and development of a new pilot production line, whose procedural solutions are currently being implemented in mass production.

The project, which the Turin Polytechnic and the University of Padua (Department of Technology and Management of Industrial Systems) also took part in, has allowed the development of a complex process for the use in mass production of advanced solutions able to operate at high performance regimes with optimised cycles and times and through high precision machines, automation of handling and feeding of work centres with the development of software applications and mechanical systems for the overall management of line movement, automated quality control, re-working, monitoring and its re-configurability. Analytical methods were also implemented in order to predict the conformity of components by developing correlations between process simulations and their behaviour under test conditions. A number of additional objectives are also being validated at increasing rates of production: energy saving, reduction in production noise and the more efficient recoverable of consumables.

With regard to the activities carried out in previous years and in the year under review, costs were capitalised for a total of Euro 2,677 thousand and amortisation began on 1st October, 2016 at the time of recording of the first revenues from the implementation of the pilot line. After that date, the additional costs incurred to finalise the technological solutions introduced and to verify the complete industrialisation of the processes involved (mainly the cost of internal personnel), up to the first quarter of the year 2017/2018, were charged to the income statement (with the exception of Euro 27 thousand costs, relating to the completion of a specific activity by the Turin Polytechnic, which were capitalised in line with the residual useful life of the project).

This initiative was included in a programme to support technological research by the Ministry of Economic Development, for which the approval process was completed during the current year, by issuing the related Concession Decree; recognition of the expected support (in the form of a grant towards incurred expenses and a subsidised loan) will be recognized, subject to verification that the proposed innovation targets have been achieved, as a result of the audit activities by the ministerial bodies, expected to occur in the second quarter of year 2018/2019.

With reference to the additional special projects that involved the Company, it should be noted in particular that, with reference to the industrial research and experimental development project for the industrialisation of innovative products in aluminium alloy (*"ICARO"*) as part of the Regional Operational Programme ERDF 2014/2020 - Action I.1b.1.1- "IR2" Industrialisation of Research Results, the approval process of the co-financing (by means of a sinking-front grant) was completed during the year by the competent bodies (Regione Piemonte and Finpiemonte S.p.A.).

This project, in which the Company is a member of a temporary special-purpose association consisting of 4 players in the automotive sector on the regional territory, coordinated by the common-controlled company Endurance FOA S.p.A., which foresees a pre-production investment time horizon of approximately 36 months (until the end of 2020), involved Endurance Fondalmec S.p.A. operationally from April, 2017 and in January, 2018, the periodic reporting procedures were started with the entities concerned, for which official approvals are currently being awaited.

Among the objectives of the project, which concern verification of the application of innovative procedural and production solutions to die-casting technology and related mechanical processing, there is also the establishment and implementation of a die-cast R&D centre - at the service of the mechanical engineering supply chain, in particular - which will be set up at the Endurance Group's facilities in Chivasso. As part of the project and in connection to the objectives of the ban, during the year a researcher was hired on a high-level training apprenticeship contract to carry out R&D in collaboration with the Turin

Polytechnic, with which we also collaborate on other aspects of the project.

In addition to the main projects described above, the various corporate departments have also progressed other product and process development activities, which have pursued the following main directions:

- The reorganisation of the technical department was completed with the introduction of a product development platform, also with the inclusion of a process engineer and a high-level training programme in collaboration with Turin Polytechnic (as part of the ICARO project described above).

With reference to the design activities in the process and product area, we highlight:

- The completion of the process for putting into service the new solution for the certified placement of bushings on new generation BMW components (Deckel).
- Completion of the set-up of the mechanical processing line for increased capacity at Lagherrhamen (Thyssen/VW)
- Full production of the first step of the VW-ZSB Zylinderkopfhaube EA211 EVO upper cylinder heads line, as well as the design and installation of the module for the implementation of the next step 2.
- Design and start of production of the mechanical and assembly line of the VW - VR6 tappet cover.
- Update of the Wandergehäuse Daimler production line with configuration adjustments related to the alignment of the PFMEA and the Control Plan.
- Continued industrialisation of 15 new products for all the Company's main customers.

Pursuant to paragraph 3.1 of art. 2428 of the Italian Civil Code, we can confirm that regarding the above research and development activities applied to products and production process, R&D costs totaled around Euro 1,040 thousand, of which Euro 27 thousand were capitalised, relating to payroll costs for the employees involved, equipment and other plant and machinery (for the portion related to yearly depreciation costs) used in testing activities.

With regard to the various R&D activities mentioned here, the Company has benefited from the tax credit envisaged by the Decree of 27th May, 2015, issued by the Minister of the Economy and Finance together with the Minister of Economic Development, as per article 3 of Decree-Law 145 of 23rd December, 2013 (the so-called "Destination Italy Decree"), as amended by article 1, paragraph 35 of Law 190 of 23rd December, 2014 (the "2015 Stability Law"). During the year, the Company recorded grant incomes for Euro 367 thousand.

Transactions with related parties

With regard to the provisions of paragraph 3.2 of art. 2428 of the Italian Civil Code, we can confirm that the Company does not have any controlling equity investments and, accordingly, has not entered into any transactions with subsidiaries.

As required by OIC 12.130 and art. 2427, para. 1, point 22-bis c.c., we can confirm that relations with related parties comprise transactions with the parent company and its subsidiaries (together referred to as "affiliates"), as summarised below:

Receivables from affiliates classified as fixed assets

(Amount in EUR)

Description	31st March, 2018	31st March, 2017	Change
from parent companies	3,000,000	3,300,000	(300,000)
Total	**3,000,000**	**3,300,000**	**(300,000)**

The receivables from parent companies at 31st March 2018, classified as financial fixed assets, include the loan of Euro 3,000,000 granted to Endurance Overseas S.r.l. in order to optimise the financial structure of the group, which was partially repaid during the year.

Receivables from affiliates classified as current assets

(Amount in EUR)

Description	31st March, 2018	31st March, 2017	Change
from controlling companies	1,519,735	330,539	1,189,196
to entities under common control	1,218,483	1,750,507	(532,024)
Total	**2,738,218**	**2,081,046**	**657,172**

The amounts due from Endurance Overseas S.r.l. at 31st March, 2017 include Euro 1,232,475 arising from participation in the Group tax consolidation agreement and, specifically, referring to the higher IRES tax paid during the year with respect to the amount due, Euro 214,500 (expiring beyond 12 months) for guarantee deposits paid to the latter for outstanding rent contracts and, Euro 72,760 deriving from commercial transactions.

The amount receivable from entities under common control (Euro 1,218,483 at 31st March, 2018) relates to the trade receivables due from Endurance FOA S.p.A. (Euro 637,962) and Endurance Amman GmbH (Euro 580,521).

(Amount in EUR)

Description	31st March, 2018	31st March, 2017	Change
from controlling companies – treasury management (cash pooling) assets	4,251,753	1,967,018	2,284,735
Total	**4,251,753**	**1,967,018**	**2,284,735**

This balance represents the amounts due from Endurance Overseas S.r.l. under the agreed cash pooling arrangements managed by it.

Payables due to and loans from related parties

(Amount in EUR)

Description	31st March, 2018	31st March, 2017	Change
payables due to controlling companies	1,083,604	853,090	230,514
payables due to companies under common control	8,053,667	3,698,600	4,355,067
Total	**9,137,271**	**4,551,690**	**4,585,581**

Payables due to controlling companies, totaling Euro 1,083,604, entirely refer to administrative, financial and support services provided by the parent company Endurance Overseas S.r.l. to Group companies (these services are provided based on specific service agreements), regulated on an arm's length basis.

The payables to companies under common control include the trade payables due to Endurance FOA S.p.A. (Euro 7,421,745) and Endurance Engineering S.r.l. (Euro 804,066), which are both subsidiaries of Endurance Overseas S.r.l.. Payables also comprise trade amounts due to Endurance Amann GmbH (Euro 40,205), a subsidiary of Endurance Technologies Limited.

There are no credit and debit relationships and no economic transactions were carried out during the year with Endurance Technologies Limited, the company that exercises management control and coordination.

Treasury shares

Pursuant to Arts. 2435bis and 2428 of the Italian Civil Code, we can confirm that the Company did not hold any treasury shares at the year end.

Shares/quotas in the parent company

In accordance with paragraphs 3.3 and 3.4 of Art. 2428 and Art. 2435-bis of the Italian Civil Code, we can confirm that the Company did not hold any shares or quotas in the parent company during the year.

Business outlook

According to estimates made by the International Monetary Fund, the growth prospects of the world economy remain positive (+3.9% in 2018 and +3.9% in 2019) due to the expansionary fiscal policies recently launched in the USA (with expected growth of +2.9% in 2018 and +2.7% in 2019) and the persistence of the monetary impulse conditions that have been going on for several years, particularly in the EU (where growth is expected to be +2.4% in 2018 and +2.0% in 2019) and Japan (where growth is expected to be +1.2% in 2018 and +0.9% in 2019).

These incentives should continue to support domestic consumption, in addition to the benefits of the favourable outlook for foreign demand.

Italy is expected to confirm lower-than-average growth rates (+1.5% in 2018 and +1.1% in 2019), due to austerity policies in public accounts that will limit the implementation of expansionary manoeuvres.

Emerging economies should continue to grow at a sustained pace due to the better prospects expected in the commodity market (Brazil +2.3% and +2.5% and Russia +1.7% and +1.5% respectively in 2018 and 2019). China, on the other hand, is expected to slow down moderately (+6.6% in 2018 and +6.4% in 2019) as a result of the rebalancing of the economy due to the transition from an investment-driven growth to a consumption-based one. On the contrary, India is expected to accelerate (+7.4% in 2018 and +7.8% in 2019) due to the robust growth expected in private consumption, favoured also by the end of the transitory effects deriving from the implementation of the tax on goods and services.

After years of sustained growth that have allowed, at European level, a return to volumes of registration and production not seen since 2007, the automotive sector growth is expected to slow down. The European Automobile Manufacturers' Association (ACEA) forecasts a growth in registrations of around 1% in 2018.

This forecast is supported by the trend in registrations in the first part of 2018 (from January to March), which showed average growth rates in Europe of +0.7% (compared to +8.4% in the same period of the previous year), with positive figures for some markets (Germany +4.0%, France +2.9% and Spain +10.5%) and less comforting situations for others (UK -12.4%), including Italy (-1.5%). During this quarter, VW increased its sales targets by 5.4%, PSA (without the newly acquired Opel) by 6.6%, while BMW fell by 1.6%, FCA by 4.3% and Opel (old scope) by 9.6%. Daimler is substantially unchanged.

The market scenario will also be affected by the trend in the import/export balance of vehicles with non-EU countries.

The overall outlook therefore remains favourable, even if less dynamic, thus consolidating the positive results of the recent past. Positive results are therefore also expected for the new year. However, it is necessary to recall those risk factors which are still unresolved and which may have an impact on the overall macroeconomic situation. Situations of geopolitical and protectionist conflict, contrasts and imbalances in the European context, a return to expansionary monetary policies and financial markets tensions due to the high level of indebtedness of the public and private sectors, could determine adverse market conditions.

Among the factors that will continue to condition future prospects, it is necessary to remember also the evolution of the regulations applicable to the automotive sector. This will force manufacturers to change the design of their vehicles, engines and exhaust systems, increasingly moving towards alternative vehicles (electric, hybrid and gas) whose prospects are also favoured by public incentives, now introduced in many countries (such as exemption from circulation taxes for many years, incentives for the purchase and scrapping of old combustion vehicles, in particular for diesel ones). Although some manufacturers have already announced the termination of diesel engines production in the medium term, the development of combustion engines has not been definitively abandoned, as shown by recent announcements regarding systems and devices that should also allow criticized diesel engines to operate within the emission limits of the most stringent regulations to be applied.

The gradual approach to extreme technical solutions requires the ability to differentiate one's own production abilities, adapting them to the changing needs of the market. The applied research and process development projects undertaken by the Company, together with the subsidiaries and the various technical partners, are aimed precisely at acquiring the new skills that we envisage will represent a determining factor in the future evolution of the market.

Use of financial instruments material to the evaluation of results and financial position

Pursuant and consequent to paragraph 3.6-bis of art. 2428 of the Italian Civil Code, we can confirm that the Company has a policy in place to hedge the interest-rate risks relating to medium-term loans by arranging two IRS contracts and two CAP contracts in relation to some of these loans. The fair value of these hedging instruments is disclosed in the explanatory notes.

Conclusion

In light of the above considerations and the information given in the notes, we invite you:

- to approve the financial statements for the year ended 31st March, 2018, together with the explanatory notes and this report on operations that accompany them;
- to allocate the net income of Euro 6,318,854 to "Retained earnings" caption.

Lombardore, 11th May, 2018

For the Board of Directors

The Managing Director

Signed by Massimo Venuti

General information on the company

Company data

Name:	ENDURANCE FONDALMEC SPA
Registered office:	VIA DEL BOSCHETTO 2/43 – LOMBARDORE (TURIN)
Share capital:	2,700,000.00
Share capital fully paid in:	Yes
Chamber of Commerce:	TO
VAT Number:	01729340016
Tax code:	01729340016
REA Number:	518776
Legal form:	CORPORATION
Core business (ATECO):	256200
Company in liquidation:	No
Company with sole shareholder:	Yes
Company subject to management control and coordination activities:	Yes
Name of the company or entity that exercises management control and coordination activities:	ENDURANCE TECHNOLOGIES LIMITED
Belonging to a Group:	Yes
Name of the parent company:	ENDURANCE OVERSEAS SRL
Country of the parent company:	ITALY
Cooperatives register number:	-

Financial Statements

for the year ended 31st March, 2018

Balance sheet

(Amount in EUR)

	31st March, 2018	31st March, 2017
Assets		
B) Fixed assets		
I Intangible fixed assets	**-**	**-**
1) Start-up and expansion costs	-	-
2) Development costs	1,873,695	2,384,737
3) Industrial patent rights and intellectual property rights	55,020	20,931
4) Concessions, licenses, trademarks and similar rights	-	-
5) Goodwill	-	-
6) Assets in process of formation and advance payments	-	-
7) Other	412,442	415,284
Total intangible fixed assets	**2,341,157**	**2,820,952**
II Tangible fixed assets	**-**	**-**
1) Land and buildings	-	-
2) Plant and machinery	30,654,692	30,517,845
3) Industrial and commercial equipment	1,808,730	1,217,712
4) Other assets	172,544	279,975
5) Assets under construction and advance payments	5,455,743	1,619,468
Total tangible fixed assets	**38,091,709**	**33,635,000**
III Financial fixed assets	**-**	**-**
1) Equity investments in	-	-
a) controlled companies	-	-
b) associated companies	-	-
c) parent/controlling companies	-	-
d) companies under common control	-	-
d-bis) other companies	129	129
Total equity investments	**129**	**129**
2) Receivables	-	-
a) from controlled companies	-	-
b) from associated companies	-	-
c) from parent/controlling companies	3,000,000	3,300,000
due within one year	3,000,000	3,300,000
d) from companies under common control	-	-
d-bis) from others	2,000,000	-
due within one year	2,000,000	-
Total receivables	**5,000,000**	**3,300,000**
2) Financial non current receivables	-	-
3) Other securities	-	-
4) Derivative financial instruments	683	8,568
Total financial fixed assets	**5,000,812**	**3,308,697**
Total fixed assets (B)	**45,433,678**	**39,764,649**
C) Current assets		
I Inventories	**-**	**-**
1) Raw materials, ancillary materials and consumables	3,832,274	2,563,251
2) Work in process and semi-finished products	6,754,512	6,108,223
3) Contract work in progress	-	-
4) Finished products and goods	3,560,404	4,440,712
5) Advances	-	-
Total inventories	**14,147,190**	**13,112,186**

(Amount in EUR)

	31st March, 2018	31st March, 2017
II Receivables	**-**	**-**
1) From customers	16,347,071	19,114,922
due within one year	16,347,071	19,114,922
2) from controlled companies	-	-
3) from associated companies	-	-
4) from parent/controlling companies	1,519,735	330,539
due within one year	1,305,235	116,039
due beyond one year	214,500	214,500
5) from companies under common control	1,218,483	1,750,507
due within one year	1,218,483	1,750,507
5-bis) Tax receivables	2,558,076	3,813,846
due within one year	2,558,076	3,529,827
due beyond one year	-	284,019
5-ter) Deferred tax assets	796,117	524,707
5-quater) due from others	155,786	138,587
due within one year	155,528	138,329
due beyond one year	258	258
Total receivables	**22,595,268**	**25,673,108**
III Current financial assets	**-**	**-**
1) investments in controlled companies	-	-
2) investments in associated companies	-	-
3) investments in parent/controlling companies	-	-
3-bis) investments companies under common control	-	-
4) investments in other companies	-	-
5) derivative instruments	-	-
6) other securities	-	-
7) financial assets for centralized cash management (cash pooling)	4,251,753	1,967,018
Total current financial assets	**4,251,753**	**1,967,018**
IV Cash and cash equivalents	**-**	**-**
1) Bank and postal deposits	22,531,125	16,253,596
2) Cheques	-	-
3) Cash on hand	2,155	3,466
Total cash and cash equivalents	**22,533,280**	**16,257,062**
Total current assets (C)	**63,527,491**	**57,009,374**
D) Prepaid expenses and accrued income	**405,913**	**443,903**
Total assets	**109,367,082**	**97,217,926**

Shareholder's equity and liabilities		
A) Shareholder's equity	**31,490,500**	**27,171,646**
I Share capital	2,700,000	2,700,000
II Share premium reserve	-	-
III Revaluation reserves	1,551,755	1,551,755
IV Legal reserve	600,000	600,000
V Statutory reserves	86,636	86,636
VI Other distinctly indicated reserves	-	-
Extraordinary reserve	2,113,454	2,113,454
Paid in for future capital increase	26,146	26,146
Total other reserves	**2,139,600**	**2,139,600**

(Amount in EUR)

	31st March, 2018	31st March, 2017
VII Cash flow hedge reserve	-	-
VIII Retained earnings (accumulated losses)	18,093,655	14,851,152
IX Net income (loss) for the year	6,318,854	5,242,503
Total shareholder's equity	**31,490,500**	**27,171,646**
B) Provision for risks and charges		
1) provisions for pensions and similar obligations	-	-
2) for current and deferred taxation	497	497
3) derivative financial instruments	4,898	6,965
4) other provisions	307,863	7,863
Total provisions for risks and charges	**313,258**	**15,325**
C) Employee termination indemnities	**342,630**	**345,097**
D) Payables		
1) Bonds	-	-
2) Convertible bonds	-	-
3) Due to quotaholders for loans	-	-
4) Due to banks	29,702,568	29,286,141
due within one year	10,254,654	9,071,934
due beyond one year	19,447,914	20,214,207
5) Due to other financial institutions	-	-
6) Advances	-	-
7) Trade payables	32,156,846	29,218,577
due within one year	32,156,846	29,218,577
8) Credit notes-represented payables	-	-
9) Due to controlled companies	-	-
10) Due to associated companies	-	-
11) Due to parent/controlling companies	1,083,604	853,090
due within one year	1,083,604	853,090
11-bis) Due to fellow subsidiaries	8,266,167	3,698,600
due within one year	8,266,167	3,698,600
12) Tax payable	242,540	273,426
due within one year	242,540	273,426
13) Due to pension and social security institutions	947,044	835,612
due within one year	947,044	835,612
14) Other payables	2,751,180	2,454,152
due within one year	2,751,180	2,454,152
Total payables	**75,149,949**	**66,619,598**
E) Accrued expenses and deferred income	**2,070,745**	**3,066,260**
Total liabilities and shareholder's equity	**109,367,082**	**97,217,926**

Income statement

(Amount in EUR)

	FY 2017/2018	FY 2016/2017
A) Value of production		
1) Revenues from sales of goods and services	151,171,849	136,205,006
2) Change in inventories of work in progress, semi-finished and finished products	(234,019)	1,145,348
3) Change in contract work in progress	-	-
4) Increases in non-current assets from in-house production	304,507	1,231,892
5) Other income and revenues	-	-
Grants	631,820	320,230
Other	1,845,497	2,110,886
Total other income and revenues	**2,477,317**	**2,431,116**
Total value of production	**153,719,654**	**141,013,362**
B) Cost of production		
6) Raw and ancillary materials, consumables and goods for resale	106,799,234	95,708,863
7) Services	13,542,201	12,181,632
8) Lease and rental charges	2,533,092	2,963,127
9) Payroll	-	-
a) Wages and salaries	10,009,613	9,655,224
b) Social contributions	2,085,779	1,944,367
c) Termination indemnity	502,590	497,589
d) Pension and similar commitments	-	-
e) Other costs	80,014	40,900
Total payroll costs	**12,677,996**	**12,138,080**
10) Depreciation, amortisation and writedowns	**-**	**-**
a) Amortisation of intangible fixed assets	755,047	449,505
b) Depreciation of tangible fixed assets	8,719,844	7,608,073
c) Writedowns of tangible and intangible fixed assets	-	-
d) Writedowns of current receivables and cash and cash equivalents	-	-
Total depreciation, amortisation and writedowns	**9,474,891**	**8,057,578**
11) Change in inventory of raw and ancillary materials, consumables and goods	(1,269,023)	923,536
12) Provision for risks and charges	300,000	-
13) Other provisions	-	-
14) Other operating expenses	1,090,747	741,313
Total cost of production	**145,149,138**	**132,714,129**
Difference between production value and cost (A - B)	**8,570,516**	**8,299,233**
C) Financial income and charges		
15) Financial income from investments	-	-
16) Other financial income	-	-
a) from financial non-current assets	-	-
b) from other non current securities	-	-
c) from other current securities	-	-
d) Income other than the above	-	-
from parent/controlling companies	67,827	115,127
Other	22,938	1,706
Total income other than the above	**90,765**	**116,833**
Total other financial income	**90,765**	**116,833**
17) Interest and other financial charges	**-**	**-**
from other	507,508	755,024
Total interest and other financial charges	**507,508**	**755,024**

(Amount in EUR)

	FY 2017/2018	FY 2016/2017
17 bis) Foreign exchange gains and losses	40,717	(11,869)
Total financial income and charges (15+16-17+-17-bis)	**(376,026)**	**(650,060)**
D) Adjustments to financial assets and liabilities	**-**	**-**
18) revaluation	-	-
a) of investments	-	-
b) of financial fixed assets other than equity investments	-	-
c) of securities included in current assets	-	-
d) of derivative financial instruments	-	14,868
e) of financial assets for centralized cash management (cash pooling)	-	-
Total revaluation	**-**	**14,868**
19) writedowns	-	-
a) of investments	-	-
b) of financial fixed assets other than equity investments	-	-
c) of securities included in current assets	-	-
d) of derivative financial instruments	5,818	-
e) of financial assets for centralized cash management (cash pooling)	-	-
Total writedowns	**5,818**	**-**
Total adjustments to financial assets and liabilities (18-19)	**(5,818)**	**14,868**
Result before taxes (A-B+-C+-D+-E)	**8,188,672**	**7,664,041**
20) Income taxes for the year, current and deferred		
Current taxation	2,141,228	2,457,761
Deferred taxes	(271,410)	(36,223)
Total income taxes for the year, current and deferred	**1,869,818**	**2,421,538**
21) Net income (loss) for the year	**6,318,854**	**5,242,503**

Statement of cash flow – Indirect method

(Amount in EUR)

	FY 2017/2018	FY 2016/2017
A) Cash flows from operating activities (indirect method)		
Net income (loss) for the year	6,318,854	5,242,503
Taxation	1,869,818	2,421,538
Interest expense/(interest income)	376,026	650,060
1) Income (loss) for the year before income taxes, interest, dividends and gains/losses from disposals	**8,564,698**	**8,314,101**
Adjustments for non-cash items that had no counterpart in net working capital		
Provisions	802,590	-
Depreciation and amortisation of fixed assets	9,474,891	8,057,579
Total adjustments for non-cash items that had no counterpart in net working capital	**10,277,481**	**8,057,579**
2) Cash flow before changes in net working capital	**18,842,179**	**16,371,680**
Change in net working capital		
Decrease/(Increase) in inventory	(1,035,003)	(221,812)
Decrease/(Increase) in trade receivables	2,110,679	(446,734)
Increase/(Decrease) in trade payables	7,742,224	(1,018,599)
Decrease/(Increase) in prepaid expenses and accrued income	37,990	39,479
Increase/(Decrease) in accrued expenses and deferred income	(995,515)	1,681,657
Other decreases/(Other Increases) in net working capital	2,965,865	(619,209)
Total changes in net working capital	**10,826,240**	**(585,218)**
3) Cash flow after changes in net working capital	**29,668,419**	**15,786,462**
Other adjustments	-	-
Interest collected/(paid)	(376,025)	(650,060)
(Income taxes paid)	(3,496,824)	(2,934,291)
(Use of provisions)	(507,124)	(9,625)
Total other adjustments	(4,379,973)	(3,593,976)
Cash flow from operating activities (A)	**25,288,446**	**12,192,486**
B) Cash flows from investing activities		
Tangible fixed assets	-	-
(Investments)	(15,313,976)	(4,407,881)
Disposals	2,137,423	2,997,401
Intangible assets	-	-
(Investments)	(275,252)	(1,599,942)
Financial fixed assets	-	-
(Investments)	(1,692,115)	(8,568)
Disposals	-	600,000
Current financial assets	-	-
(Investments)	(2,284,735)	-
Disposals	-	317,473
Cash flow from investing activities (B)	**(17,428,655)**	**(2,101,517)**
C) Cash flows from financing activities		
Third-party funds	-	-
Increase (Decrease) in current bank loans	-	(8,200,000)
New loans	9,980,000	13,200,000
(Repayment of loans)	(9,563,573)	(8,382,888)

(Amount in EUR)

	FY 2017/2018	FY 2016/2017
Own funds		
(Dividends and interim dividends paid)	(2,000,000)	-
Cash flow from financing activities (C)	**(1,583,573)**	**(3,382,888)**
Increase (decrease) in cash and cash equivalents (A ± B ± C)	**6,276,218**	**6,708,081**
Cash and cash equivalents at the beginning of the year		
Bank and postal deposits	16,253,596	9,544,093
Cash on hand	3,466	4,888
Total cash and cash equivalents at the beginning of the year	**16,257,062**	**9,548,981**
Cash and cash equivalents at the end of the year	**-**	**-**
Bank and postal deposits	22,531,125	16,253,596
Cash on hand	2,155	3,466
Total cash and cash equivalents at the end of the year	**22,533,280**	**16,257,062**

Information on the statement of cash flows

The statement of cash flows during the year is presented on a comparative basis in accordance with OIC 10. This statement was prepared using the indirect method, in order to identify the sources and applications of funds deriving from operating, financing and investing activities.

Note that the item “Increase (Decrease) in current bank loans” includes the change in the positive balance of the cash pooling accounts managed by Endurance Overseas S.r.l. (with a total increase of € 2,284,735 during the year).

Explanatory notes, first part

To the Shareholder, these explanatory notes are an integral part of the financial statements for the year ended 31st March, 2018.

The financial statements submitted for your approval report net income of € 6,318,854, after taxes of € 1,869,818 and depreciation and amortisation of € 9,474,891.

Form and content of the financial statements

The financial statements for the year ended 31st March, 2018 have been prepared in compliance with the Italian Civil Code, as interpreted and supplemented by the accounting standards issued by the OIC (Italian Accounting Board) and, if these are unavailable and to the extent not in conflict with Italian Accounting Standards, by those issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a going concern basis, as there are no significant uncertainties in this regard.

The financial statements comprise the balance sheet, the income statement, the statement of cash flows (prepared in conformity with the respective requirements of arts. 2424 and 2424 bis of the Italian Civil Code (c.c.), arts. 2425 and 2425 bis c.c. and art. 2425 ter c.c.) and these explanatory notes.

The balance sheet, the income statement, the statement of cash flows and the accounting disclosures contained in these explanatory notes agree with the books of account, from which they have been directly prepared. The items preceded by Arabic numerals in the balance sheet and income statement have not been grouped together, which is optional under art. 2423 ter of the civil code.

The measurement criteria adopted for the various items comply with those specified in art. 2426 c.c. and the relevant accounting standards. These criteria are consistent with those applied for the preparation of the financial statements of the prior year, having regard for the changes in the relevant regulatory framework described below.

The financial statement items are stated in accordance with the prudence concept and on a going concern basis. Pursuant to art. 2423-bis, para. 1, point 1-bis c.c., items are recognised and presented having regard for the substance of the operations or contracts concerned.

Pursuant to Art. 2424 of the Civil Code, we can confirm that no balance sheet items have been allocated to more than one balance sheet line.

In the preparation of the financial statements, income and expenses are recorded on an accruals basis, regardless of the timing of collection and expenditure. Contingencies and losses relating to the year are recognised, even if they become known after the reporting date.

The purpose of the explanatory notes is to describe, analyse and, in some cases, supplement the data reported on the face of the financial statements. They contain the information required by arts. 2427 and 2427 bis c.c., other provisions of the civil code and other legislation. In addition, they provide all the complementary information deemed necessary in order to present the most transparent and complete view possible, even if such information is not required by specific legislation.

No significant events have taken place subsequent to the reporting date that would have had an effect on the financial statements for the year ended 31st March, 2018.

Amounts are stated in whole Euro (€), unless specified otherwise.

The financial statements comply with the requirements of article 2423 et seq. of the Italian Civil Code and with the Italian accounting standards issued by the OIC (Italian Accounting Board); they have therefore been prepared clearly and give a true and fair view of the Company’s financial position and results of operations.

Accounting policies for the preparation of the financial statements

The information contained in this document is presented in the order in which the related components are indicated in the balance sheet and income statement.

With reference to the matter indicated in the introduction to the explanatory notes, we can confirm that, pursuant to paragraph 3 of art. 2423 of the Civil Code, where the information required by legislative provisions is not sufficient to give a true and fair view of the company's situation, supplementary information is provided for this purpose.

No exceptional cases have arisen that have made it necessary to seek exemptions under paragraphs 4 and 5 of art. 2423 and paragraph 2 of art. 2423-bis of the Civil Code.

Accounting policies

The accounting principles applied for the preparation of these financial statements, described below, take account of the amendments, additions and new provisions included in the civil code by Decree 139/2015, which transposed Directive 34/2013/EU into Italian law. In particular, the domestic accounting standards were reformulated by the OIC in the latest version issued on 22nd December, 2016 inclusive of the amendments published on 29th December, 2017.

The accounting policies applied for the measurement of financial statement items and for their adjustment comply with the provisions of the Italian Civil Code and with the indications included in the Italian accounting standards reformulated by the Italian Accounting Board. Pursuant to art. 2427 paragraph 1 no. 1 of the Italian Civil Code, we explain the more significant accounting policies applied in compliance with the provisions of art. 2427 of the Italian Civil Code, particularly for those items for which the legislator permits the use of options for measurement and adjustments or for which no specific accounting policy exists.

Intangible assets

When the established criteria are met, these are recorded at purchase or production cost, inclusive of direct costs and related charges, and amortised systematically each year on a straight-line basis. Intangible assets are recognised with the consent of the Board of Statutory Auditors where prescribed by law.

Their book value is stated net of accumulated amortisation and writedowns.

Amortisation is applied as indicated below, in order to allocate the cost incurred over the useful life of the assets:

Intangible asset item	Amortisation period
Development costs	5 years on a straight-line basis
Industrial patent rights and intellectual property rights	3 years on a straight-line basis
Other intangible assets	5 years on a straight-line basis

In exceptional cases in which the useful lives of development costs cannot be estimated reliably, they are in all cases amortised over a period that does not exceed five years. Until these assets are fully amortised, dividends cannot be distributed unless the remaining available reserves are sufficient to cover the unamortised balance.

Advertising and research costs are expensed in full in the accounting period in which they are incurred.

Leasehold improvements are capitalised and classified as "other intangible assets" if they cannot be separated from the assets concerned (in which case they are recognised in the relevant category of "tangible fixed assets"). They are amortised systematically over the period they are expected to benefit (prudently determined to be 5 years) or, if shorter, over the residual duration of the lease after taking account of any renewal period available at the discretion of the Company.

If permanent impairment is identified regardless of the amortisation already recorded, the asset is written down accordingly;

should the reasons for write-downs cease to apply in subsequent years, the original amounts are reinstated without exceeding the carrying amounts that the assets would have had in the absence of the write-downs. This reinstatement does not apply to goodwill or the deferred charges referred to in point 5 of art. 2426 c.c.

Pursuant to art. 10 of Law 72 of 19th March, 1983 and subsequent laws on the revaluation of assets, we confirm that the intangible assets recorded in the books have never been revalued.

Tangible fixed assets

These are recorded at purchase or internal construction cost and stated net of the depreciation charged in the current and prior years. Costs comprise related charges and the direct and indirect expenses that can reasonably be allocated to assets during the construction period and until they become available for use. They also include any borrowing costs incurred to finance the construction work (whether internal or carried out by third parties) until the asset become available for use, without however exceeding its recoverable value. Tangible fixed assets are only revalued if this is required or allowed by special laws.

Assets purchased in foreign currencies are recorded at cost using the exchange rate in force on the transaction date, or using the lower rate applying on the reporting date if the reduction is deemed to be permanent.

Tangible fixed assets are depreciated systematically each year on a straight-line basis using the following rates:

Tangible fixed assets	Depreciation rate
Temporary constructions	10.00%
General plant	7.50%
Automatic machines	15.50%
Sundry and minor equipment	25.00%
Mechanical equipment	40.00%
Foundry equipment	40.00%
Electronic office machines	20.00%
Ordinary office machines and furniture and furnishings	12.00%
Motor cars	25.00%
Internal transport and trucks	20.00%
Assets costing less than € 516.46	100.00%

When fixed assets enter into service during the year, their depreciation, calculated on a time-apportioned basis (pro-rata temporis), commences from the month after which the assets become available and ready for use.

Depreciation is also charged on fixed assets that are temporarily out of use. Land is not depreciated, as its useful life is not finite.

If applicable, buildings held as a financial investment are not depreciated if their residual value is greater than or equal to their net carrying amount.

If permanent impairment is identified regardless of the depreciation already recorded, the asset is written down accordingly; should the reasons for write-downs cease to apply in subsequent years, the original amounts are reinstated without exceeding the carrying amounts that the assets would have had in the absence of the earlier write-downs.

Routine maintenance and repair costs are charged in full to the income statement. Improvement costs are allocated to the fixed assets concerned and depreciated over their residual useful lives.

Costs incurred to expand, modernise or improve the structural elements of a tangible fixed asset are capitalised if they significantly and measurably increase its productive capacity, safety or useful life. If the costs concerned do not have the above effect, they are treated as routine maintenance and charged to the income statement.

Grants are recognised when it becomes reasonably certain that the conditions for their collection will be satisfied and the grants will be paid. They are deducted from cost indirectly, as they are credited to income statement caption A5 "other income and revenues" and then deferred for recognition on an accrual basis via classification as "deferred income".

Impairment (intangible assets and tangible fixed assets)

At each reporting date, the Company determines if there is any evidence that the value of its tangible and intangible fixed assets might be impaired. If such evidence is found, the Company estimates the recoverable value of each asset concerned and records an impairment writedown if it is lower than the corresponding net carrying amount.

Recoverable value is not determined if there is no evidence of possible impairment.

The recoverable value of tangible and intangible fixed assets is deemed to be their value in use (calculated by discounting their future cash flows) or, if greater, their fair value (being the amount obtainable at the reporting date, based on the best available information, from their sale in an arm's-length transaction between knowledgeable and willing parties, net of the related selling costs).

With regard to the above, the Company has looked for evidence that the value of its tangible and intangible fixed assets might be impaired, but did not find any and, accordingly, has not determined the recoverable value of the above assets.

Equity investments and securities (classified as financial fixed assets)

The equity investments and debt securities classified as fixed assets will be held by the Company over the long term. Equity investments are measured at cost, as adjusted for any impairment. Debt securities are measured using the amortised cost method.

The cost recorded in the financial statements is determined with reference to purchase or subscription price, inclusive of related expenses. If lasting impairment is identified, the carrying amount of equity investments is reduced to their recoverable value, which is determined with reference to the future benefits that are expected to accrue to the Company. Should the Company be obliged or intend to cover the (non-permanent) losses incurred by an equity investment, a suitable provision is recorded to cover the liability to which the Company is exposed. If in future years the reasons for the writedown cease to apply, the equity investment is written back to its original carrying amount.

The amortised cost of a security is its original carrying amount, net of any redemptions of principal, as increased or decreased by the accumulated amortisation, calculated using the effective interest method, of any difference between its initial and maturity values after deducting any impairment (recognised directly or by a provision) following a loss in value. The original carrying amount is represented by purchase or subscription cost, net of any commissions.

Intercompany loans

Intercompany loans with a duration of more than 12 months are usually governed by contracts arranged on market terms and conditions; interest-free intercompany loans and those arranged at significantly below market rates are recognised initially at the value of the related future cash flows, as discounted using the market rate (being the average funding rate of the Company or the Group). The difference with respect to the liquidity collected by the parent company is credited to shareholder's equity.

Inventories

Inventories are stated at the lower of purchase and/or production cost, determined using the weighted average cost method, or the realisable value inferred from market prices.

In particular, the specific criteria used to measure the various categories of inventory (unchanged with respect to the prior year) are summarised below:

- Raw materials: annual weighted average cost (including components purchased from third parties and alloys);

- Work in process (semi-finished products): manufacturing cost based on the stage of completion of the production process, being the cost of production;
- Finished products: manufacturing cost;
- Dies for resale: purchase cost;
- Consumables: purchase cost, inclusive of spare parts.

Purchase cost includes any directly attributable ancillary charges, with the exclusion of borrowing costs. Production cost includes the indirect costs that are reasonably attributable to each asset during the production period until it becomes available for use.

The realisable value of goods, finished products, semi-finished products and work in process inferred from market conditions is deemed to be their net realisable value. Raw and ancillary materials held for the production of finished products are not written down if the finished products in which they will be used are realisable for an amount that is greater than or equal to their production cost.

Inventories are written down when their realisable value estimated with reference to market conditions is lower than their carrying amount. Obsolete and slow-moving inventories are written down with reference to their possible uses or realisable value. If in future years the reasons for any writedown cease to apply, the related inventories are written back to not more than their original cost.

Receivables

Receivables are stated at amortised cost, having regard for the time factor and their estimated realisable value. The amortised cost method is not applied when its effects are insignificant, being when the transaction costs, the commissions paid between the parties and all other difference between initial value and maturity value are immaterial or when the receivables are recoverable in the short term (within 12 months).

Trade receivables due beyond 12 months at the time of initial recognition, without the payment of interest or with interest that differs significantly from market rates, and the related revenues are recognised initially at the value of their future cash flows discounted using the market rate (being that applied by two independent parties when negotiating a loan transaction with similar terms and conditions). The difference between the amount of the receivable recognised initially and its maturity value is recognised as financial income in the income statement over the duration of the receivable, using the effective interest method.

The amount of receivables, as determined above, is adjusted when necessary by a specific allowance for doubtful accounts, which is deducted directly from their gross amount in order to report them at their estimated realisable value. The provision (which takes account of collection losses, returns and invoicing adjustments, discounts and allowances, interest not yet earned and other reasons for reduced recoverability) is charged to the income statement.

Receivables assigned to factors are only derecognised if they are sold without recourse and essentially all the related risks are transferred (the difference between the consideration received on the assignment and the carrying amount of the receivable is recognised in income statement caption C17). If the assignment does not involve derecognition (for example, assignment with recourse), since not all the related risks are transferred, the receivable continues to be reported in the balance sheet and is measured in the manner described above. If advance consideration is received from the assignee, the amount is recognised as a financial payable.

Receivables taking the form of bank receipts that have not been assigned, remain classified as receivables until final collection of the amounts concerned.

Receivables deriving from centralised treasury management activities are classified separately within current assets, if recoverable in the short term. If this is not the case, they are classified as financial fixed assets.

Current financial assets

This caption comprises the equity investments and debt securities that will not be held over the long term by the Company. They are recorded at specific cost or, if lower, at their market value that, for listed investments, is determined with reference to their market price on the reporting date, being 31st March, 2018.

These equity investments are written down to their realisable value case by case, rather than on an overall basis. If the reasons for any adjustments cease to apply, in whole or in part, the adjustments are reversed with exceeding original cost.

Cash and cash equivalents

Cash and cash equivalents at the reporting date are measured at their nominal value. Amounts denominated in foreign currencies are measured using the closing exchange rates.

Prepaid/deferred expenses and accrued/deferred income

Prepaid/deferred expenses and accrued/deferred income include costs and revenues relating to the year that will be formally recorded in future years, and costs and revenues recorded by the reporting date that relate to future years. The related amounts are determined on a time-apportioned basis.

Provisions for risks and charges

The provisions for risks and charges cover known or likely losses or liabilities, the timing or extent of which cannot be determined at the reporting date. These provisions, including those for deferred tax liabilities, which are classified in this caption, reflect the best possible estimates based on the information available. Risk that only might give rise to a liability are described in the notes on the provisions, without actually recording a provision. As required by OIC 31, new provisions for risks and charges are, where possible, classified in the relevant income statement classes (B, C or D). Whenever it is not possible to correlate a new provision with a caption in one of the above classes, it is classified in income statement caption B12 or B13.

Employee termination indemnities

Employee termination indemnities represent the total amount that would have been payable to all employees had they terminated their employment on the reporting date. The charge for the year, comprising the new provision and the revaluation of the accumulated provision (based on the change in the relevant ISTAT index), is determined in accordance with current regulations, having regard for the specific employment contracts and the professional categories concerned. Employee termination indemnities are classified in liability caption C, while the provision for the year is classified in income statement caption B9.

The changes made to the regulations governing termination indemnities by Law 296 dated 27th December, 2006 (2007 Finance Law) and subsequent decrees and enabling regulations, amended the accounting for the indemnities earned by 31st December, 2006 and those earned from 1st January, 2007. In particular, following creation of the INPS Treasury Fund to manage the termination indemnities of private sector employees, employers with more than 50 employees are obliged to pay the new provisions relating to them into the Treasury Fund, unless the persons concerned have specifically opted for their indemnities to be paid to a supplementary pension fund. The employee termination indemnities reported in the balance sheet are therefore stated net of the amounts paid to the above INPS Treasury Fund.

Payables

Payables are stated at amortised cost, as defined in art. 2426, para. 2 c.c., having regard for the time factor envisaged in art. 2426, para. 1, point 8 c.c.. Payables are however stated at their nominal amount if application of the amortisation cost and/or discounting methods would not be significant for the purpose of providing a true and fair view of the financial position and results of operations. This situation arises in the case of payables due within twelve months or, with regard to the amortised cost method, if the transaction costs, commissions and all other differences between the initial value and the maturity value are insignificant or, again, with regard to the discounting method, if the interest rate inherent in the contractual conditions is not significantly different to the market rate of interest.

The amounts due to employees for untaken holidays and deferred payroll, including the related social security contributions, are accrued with reference to the amount that would have been payable had their employment ceased on the reporting date.

Finance leases

Finance leases are recognised using the payments method, by charging the instalments paid to the income statement on an accruals basis. A specific section of these explanatory notes contains the supplementary information required by the law on the effect of recognising these contracts using finance lease methodology.

Derivative financial instruments

Derivative financial instruments consist of financial assets and liabilities measured at fair value.

They are only classified as hedging instruments when, at the time of arrangement, there is a strict, documented correlation between the characteristics of the hedged item and those of the hedging instrument, and that hedging relationship is both formally documented and, based on periodic checks, highly effective.

When derivatives hedge the risk of changes in the fair value of the hedged instruments (fair value hedges), they are measured at fair value through profit or loss; for consistency, the carrying amounts of the hedged items are adjusted to reflect the changes in fair value associated with the hedged risk.

When derivatives hedge the risk of changes in the future cash flows generated by the hedged instruments (cash flow hedges), the effective portion of the profit or loss on the derivative is deferred to shareholder's equity. The ineffective portion of the profits and losses associated with a hedge is recognised in the income statement. On completion of the transaction, the accumulated profits and losses, previously deferred to shareholder's equity, are released to the income statement (to adjust the income statement items affected by the hedged cash flows).

When hedge accounting is used, the changes in the related fair value of the hedging derivatives are recognised:

- in income statement captions D18 or D19, in the case of a fair value hedge of a reported asset or liability, together with the changes in the fair value of the hedged items (if the change in the fair value of the hedged item is greater in absolute terms than the change in the fair value of the hedging instrument, the difference is recognised in the income statement caption affected by the hedged item);

- in a specific equity reserve (caption AVII "Reserve for cash flow hedges") in a manner that offset the effects of the hedged flows (the ineffective portion, like the change in the time value of options and forwards, is classified in captions D18 and D19).

The changes in the fair value of financial instruments that are classified as trading derivatives, either because they do not qualify for treatment as hedging derivatives or because they were not designated as hedges, even though they were arranged operationally to hedge the risk of changes in interest rates and/or exchange rates and/or commodity prices, are recorded in the balance sheet and recognised in income statement captions D18 or D19.

Any derivatives embedded in other financial instruments must also be measured at fair value. In particular, embedded instruments are only separated from the primary contract and recognised as derivative financial instruments if, and only if:

- the economic characteristics and risks of the embedded derivative are not closely correlated with the economic characteristics and risks of the primary contract. Close correlation exists if hybrid contracts are arranged in accordance with market practice;

- all the elements included in the definition of a derivative financial instrument specified in OIC 32.11 are satisfied.

Revenues

Revenues from the sale of goods are recognised when ownership passes in substance, rather than in formal terms, being when the related risks and benefits are transferred (which in practice coincides with the time of delivery or shipment of the goods).

Revenues from the sale of products and goods or the provision of services relating to core operations (including income from the sale of production machinery and equipment, if envisaged under contractual agreements with customers) are recognised net of returns, discounts, allowances and rebates, as well as the taxes directly associated with the sale of products and the provision of services.

Revenues from services are recognised upon completion and/or when earned.

Transactions with related parties take place on normal market terms and conditions.

Costs

Costs stated net of returns, discounts, allowances and rebates are recognised on an accruals basis in accordance with the matching principle, regardless of the date of collection or payment. Compliance with the matching principle requires an estimate to be made of the invoices to be received.

Dividends

Dividends are recognised in the year in which they are declared by the shareholders' meeting. Dividends are recognised as financial income, regardless of the nature of the reserves that are distributed.

Financial income and charges

Financial income and charges are recognised on an accruals basis. Costs relating to the disposal of receivables for whatever reason are charged to the income statement on an accruals basis.

Taxation

Income taxes are recognised with reference to an estimate of taxable income in compliance with current regulations, having regard for any applicable exemptions and tax credits.

Deferred tax assets and liabilities are calculated on the temporary differences between the reported carrying amount of assets and liabilities and their corresponding values for tax purposes. Their measurement takes account of the tax rates expected to be in force in the year in which such differences contribute to the formation of taxable income, being the rates in force or already communicated at the reporting date (24% for IRES and 3.9% for IRAP). They are classified respectively among the current assets as "deferred tax assets" and among the provisions for risks and charges as "deferred tax liabilities".

In accordance with the concept of prudence, deferred tax assets are recognised on all deductible temporary differences if it is reasonably certain that taxable income in the years in which they reverse will not be less than the amount of the differences to be absorbed.

By contrast, deferred tax liabilities are recognised on all taxable temporary differences.

Deferred tax liabilities are not recognised in relation to reserves subject to the deferral of taxation if they are unlikely to be distributed to the shareholder.

For the year under review and for a period of three financial years (until the year ended 31st March, 2020 included), the Company is a member of the domestic tax group organised by the Endurance Group pursuant to arts. 117/129 of the Consolidated Tax Law (T.U.I.R.).

Endurance Overseas S.r.l. is the parent of this tax group and calculates just one taxable income for all member companies, with the benefit that taxable income can be offset against tax losses in a single tax declaration.

All members of the tax group transfer their taxable income (or loss) to the group parent, which records an amount receivable from them for the IRES to be paid (the consolidated companies record an amount payable to the tax group parent). Conversely, the group parent records an amount payable to the companies that transfer tax losses, representing the IRES actually offset at group level (the consolidated companies record an amount receivable from the tax group parent).

Translation of foreign currency items

Non-monetary assets and liabilities originally denominated in foreign currencies are recognised in the balance sheet using the exchange rates applying at the time of their acquisition, being their initial recognition cost.

Monetary assets and liabilities originally denominated in foreign currencies are recognised in the balance sheet using the spot exchange rates applying on the reporting date; the related exchange gains and losses are recognised in the income statement and any net unrealised gains are allocated to a non-distributable reserve until they have been realised.

Other information

Repurchase agreements

Pursuant to art. 2427 point 6-ter, the Company confirms that no repurchase agreements were arranged during the year.

Explanatory notes – Assets

The assets recorded in the balance sheet are measured in accordance with art. 2426 c.c. and Italian accounting standards. The specific measurement criteria applied are indicated in the individual notes on each item.

Fixed assets

Intangible assets

"Intangible assets" total € 2,341,157 at 31st March, 2018 (€ 2,820,952 at 31st March, 2017), after charging amortisation of € 755,047 to the income statement. They are analysed in detail below.

Development costs include the costs capitalised by the Company in relation to an R&D project that carried out between September 2015 and mid 2017. The purpose of this project was to obtain knowledge and innovations deemed essential in the current operational and market conditions, by preparing a pilot production line, the solution of which have been applied in the current production process.

Amortisation of the capitalised costs was commenced in 2016-17, when the project began to generate revenues. Even if the costs incurred subsequently relate to the completion and refinement of the innovative solutions being tested and therefore fall within the scope of research and development costs, they have been charged to the income statement (with the exception of certain costs relating to the completion of activities commissioned to the universities involved in the project, whose costs have been capitalised on the basis of a useful life consistent with the residual life of the overall project, namely 5 years).

Other intangible assets mainly include the non-separable leasehold improvements made to the production facilities at the Lombardore factory, owned by Endurance Overseas S.r.l..

No evidence was found during the year to indicate the possible impairment of intangible assets and, accordingly, no write-downs have been recorded pursuant to art. 2426, para. 1, point 3, of the Italian Civil Code and the requirements of OIC 9.

Movements in intangible assets

Intangible assets are analysed below, together with the related accumulated amortisation and information about the changes that took place during the year:

(Amount in EUR)

	Development costs	Industrial patent rights and intellectual property rights	Other intangible assets	Total intangible assets
Balance at the beginning of the year				
Cost	2,649,707	284,949	2,743,173	5,677,829
Accumulated amortisation	264,970	264,018	2,327,889	2,856,877
Carrying value	2,384,737	20,931	415,284	2,820,952
Changes during the year				
Additions	27,000	47,824	200,428	275,252
Amortisation for the year	538,042	13,735	203,270	755,047
Total changes	**(511,042)**	**34,089**	**(2,842)**	**(479,795)**
Carrying value at the end of the year				
Cost	2,676,707	332,773	2,943,601	5,953,081
Accumulated amortisation	803,012	277,753	2,531,159	3,611,924
Carrying value	**1,873,695**	**55,020**	**412,442**	**2,341,157**

The increases recorded during the year mainly refer to improvements to third-party assets in order to adapt the buildings to the production needs of the Company, and to a lesser extent to software and the residual costs (as explained above) of the research and development project.

Tangible fixed assets

This category comprises assets that will be employed over the long term, forming part of the permanent organisation of the Company. This statement reflects their intended use by the Company, rather than their intrinsic life. These assets are normally employed in the production of income in the ordinary course of business and, therefore, they are not held for sale or for transformation into the products of the Company.

Gross tangible fixed assets total € 88,305,074 (€ 77,035,115 at 31st March, 2017); The related accumulated depreciation totals € 50,213,365, including the depreciation charge for the year of € 8,719,844.

Plant and machinery (with a net carrying amount of € 30,654,692 at 31st March, 2018) and industrial equipment (€ 1,808,730 at 31st March, 2018) are the most significant categories of asset employed in the productive activities of the Company.

"Assets under construction and advance payments" (€ 5,455,743 at 31st March, 2018) comprise the advances paid to suppliers, mainly for the purchase of plant and machinery, together with the value of assets purchased but not yet approved for inclusion in the production cycle.

Certain assets included in this category were revalued in prior years pursuant to Law 72/83 and Law 342/2000.

Movements in tangible fixed assets

The following table shows the movements in tangible assets during the year:

(Amount in EUR)

	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Assets under construction and advance payments	Total tangible fixed assets
Balance at the beginning of the year					
Cost	60,056,778	14,073,127	1,285,741	1,619,468	77,035,114
Accumulated depreciation	29,538,933	12,855,415	1,005,766	-	43,400,114
Carrying value	30,517,845	1,217,712	279,975	1,619,468	33,635,000
Changes during the year					
Additions	7,217,914	1,625,284	52,004	5,275,920	14,171,122
Reclassifications (of carrying amount)	1,261,928	177,717	-	(1,439,645)	-
Disposals (at carrying value)	721,068	192,630	80,871	-	994,569
Depreciation for the year	7,621,927	1,019,353	78,564	-	8,719,844
Total changes	**136,847**	**591,018**	**(107,431)**	**3,836,275**	**4,456,709**
Carrying value at the end of the year					
Cost	66,395,644	15,312,433	1,141,252	5,455,743	88,305,072
Accumulated depreciation	35,740,952	13,503,703	968,708	-	50,213,363
Carrying value	**30,654,692**	**1,808,730**	**172,544**	**5,455,743**	**38,091,709**

Increases in plant and machinery during the year related to the installation of production islands (machines, automation equipment and control devices) mainly to complete the implementation and expansion of the high-tech production line for Volkswagen (Zylinderkphaube project), as well as to increase the capacity of the various key products for major customers (especially FCA for the Giorgio project and BMW - Deckel) with the aim to implement up-to-date technology, also in relation to the development guidelines of the automation and interconnection of production systems in the Industry 4.0 framework.

As far as industrial and commercial equipment is concerned, increases refer to the purchase of equipment for the projects described above and for other production lines (e.g. for GM parts), as well as to replace and expand the mechanical processing islands used for existing products.

With reference to assets under construction and advance payments, the amount recorded during the year relates to the advances paid to primary suppliers of production systems and set-up of mechanical processing lines with a view to further expansion of production capacity to support the industrial plans of the Company and of the Endurance Group, mainly with reference to the increase in production by our German customers (VW Group in particular).

No write-downs have been recorded pursuant to para. 1.3 of art. 2426 of the Italian Civil Code and the requirements of OIC 9, as no evidence has been found of possible impairment in the value of tangible fixed assets. It should also be noted that, given the signs of acceleration of the phase-out of certain parts reflected in the most recent estimates by customers, the Company has reviewed the useful life of certain assets (in particular, plant and machinery specifically dedicated to the production of the parts in question), reducing their residual useful life in line with the estimates based on the latest information that we have available.

Finance leases

Finance leases are recognised in accordance with the Italian tax regulations: this involves charging the lease installments for the period to the income statement (€ 253,356 in 2017/2018). The adoption of finance lease methodology, as required by the international accounting standards, would have involved expensing the interest accrued on the loan principal and the depreciation of the leased assets, as well as capitalising those assets and recognising the residual loan principal as a payable.

Had the Company adopted the above finance lease methodology, the accounting effects would have been as follows:

(Amount in EUR)

	Effects on the Balance Sheet - Assets		
a)	Outstanding contracts		
a.1)	Assets under finance leases at the end of the previous year	-	1,546,160
	- of which the gross amount	12,931,476	-
	- of which accumulated depreciation	(11,385,316)	-
a.2)	Assets purchased under finance leases during the year	-	-
a.3)	Assets under finance leases redeemed during the year	-	4,307,000
a.4)	Depreciation charge for the year	-	(639,676)
a.5)	Writedowns/writebacks on assets under finance leases	-	-
a.6)	Assets under finance leases at the end of the year	-	400,162
	- of which the gross amount	8,624,476	-
	- of which accumulated depreciation	(8,224,314)	-
a.7)	Prepaid expenses on instalment interest at the end of the year	-	(35,151)
a.8)	Curtailment of prepaid expenses under the balance sheet method	-	-
b)	Redeemed assets		
b.1)	Higher/lower total value of redeemed assets (compared with the net carrying amount at the end of the year)	-	469,525

	Effects on the Balance Sheet - Liabilities		
c)	Implicit payables		
c.1)	Implicit payables for finance leases at the end of the previous year	-	618,337
	- of which due within one year	231,244	-
	- of which due beyond one and within 5 years	387,093	-
	- of which due beyond 5 years	-	-
c.2)	Implicit payables that arose during the year	-	-
c.3)	Repayment of principal and redemptions during the year	-	231,244

(Amount in EUR)

c.4)	Implicit liabilities for finance leases at the end of the year	-	387,092
	- of which due within one year	140,372	-
	- of which due beyond one and within 5 years	246,720	-
	- of which due beyond 5 years	-	-
c.5)	Accrued expenses on instalment interest at the end of the year	-	-
c.6)	Change in trade payables	-	-
d)	**Total gross effect at the end of the year [a.6+(a.7-a.8)+b.1-c.4+(c.5-c.6)]**	**-**	**447,444**
e)	**Tax effect**	**-**	**(124,837)**
f)	**Effect on Quotaholders' Equity at the end of the year (d-e)**	**-**	**322,607**

	Effects on the Income Statement		
g)	**Effect on income before taxes (lower/higher costs) (g.1-g.2-g.3+g.4+g.5)**		**(394,037)**
g.1)	Reversal of instalments on finance lease transactions		253,356
g.2)	Recognition of financial charges on finance lease transactions		(17,330)
g.3)	Recognition of depreciation charges on outstanding contracts		(633,402)
g.4)	Recognition of depreciation charges on redeemed assets		3,338
g.5)	Recognition of adjustments/write-backs on leased assets		-
h)	**Recognition of the tax effect**		**126,557**
i)	**Net effect on the result for the year (g-h)**		**(267,841)**

The value of future lease instalments under outstanding lease contracts totals € 429,930 at 31st March, 2018 (€ 633,906 at 31st March, 2017).

Financial fixed assets

Financial fixed assets total € 5,000,812 at 31st March, 2018 and comprise equity investments (€ 129), amounts due from parent companies (€ 3,000,000), amounts due from others (€ 2,000,000) and the fair value of derivative financial instruments (€ 683).

Movements in equity investments, other securities and non-current derivative financial instruments

The equity investments reported in the balance sheet, € 129, are unchanged since 31st March, 2017 and comprise the shares held in Unionfidi Piemonte S.C. The Company also owns an investment in CONSAF (training consortium), € 258, that is fully written down in previous years.

In compliance with OIC 32, the derivative financial instruments include the positive fair value of certain derivatives arranged by the Company to hedge the risk of fluctuations in the interest rates charged on long-term loans (in particular, interest rate swaps and interest rate caps). Although the above contracts qualify as hedges (being correlated with the related loan conditions), the Company has elected not to recognise them as cash flow hedges and to recognise the changes in the fair value of the instruments held in the income statement (income totalling € 5,818 during the year ended 31st March, 2018).

Changes in and maturity of non-current receivables

Non-current financial receivables represent:

- the residual balance (€ 3,000,000, down from € 3,300,000 at 31st March, 2017) of the loan granted to Endurance Overseas S.r.l. in prior years, which earns interest at market rates. The Company does not apply the amortised cost method to measure this loan, as the contract was arranged prior to 1st April, 2016 and because the effect would be insignificant given the immateriality of the transaction costs and the application of market interest rates.

- the value of the financial bills of exchange purchased during the year by the Company as part of the programme of temporary use of available liquidity. The bills, issued by two separate issuers, are classified as fixed assets because of their nature as a financial investment, even if considered short-term on the basis of their maturity date (4th August, 2018). Each bill is backed by guarantees, in the form of an endorsement, in the individual tranches of 50% issued by Rete Fidi Liguria Società consortile Per Azioni and Confidi Sardegna respectively. The total guarantee given for the entire nominal value of the issue operates net of any reimbursements made by the issuer and each endorser is liable up to the limit of its guarantee commitment.

The following table shows the movements in financial fixed assets during the year:

(Amount in EUR)

	Balance at the beginning of the year	Changes during the year	Balance at the end of the year	Within one year
Total	-	-	-	-
Receivables due from parent companies	3,300,000	(300,000)	3,000,000	3,000,000
Other receivables	-	2,000,000	2,000,000	2,000,000
Total	**3,300,000**	**1,700,000**	**5,000,000**	**5,000,000**

Breakdown of non-current receivables by geographical area

We do not provide the analysis by geographical area, as it would not be meaningful, since these are all receivables due from Italian counterparties.

Current assets

Current assets are measured in the manner described in paragraphs 8 to 11-bis of art. 2426 of the Civil Code. The accounting policies applied are explained in the notes on the respective financial statement items.

Inventories

Inventories amount to € 14,147,190 at 31st March, 2018 (€ 13,112,186 at 31st March, 2017) and are stated net of an allowance for obsolete and slow-moving items totalling € 1,388,593, which was increased by € 155,436 during the year to take into account obsolete items.

Inventories are analysed by type in the following table:

(Amount in EUR)

	Balance at the beginning of the year	Changes during the year	Balance at the end of the year
Raw materials, ancillary materials and consumables	2,563,251	1,269,023	3,832,274
Work in process and semi-finished products	6,108,223	646,289	6,754,512
Finished products and goods	4,440,712	(880,308)	3,560,404
Total	**13,112,186**	**1,035,004**	**14,147,190**

The increase in this item is consistent with the trend in turnover for the year and takes into account the Company's procurement policies.

Current receivables

These total € 22,601,142 at 31st March, 2018 and have decreased since 31st March, 2017 (€ 25,673,108). These receivables are stated at their estimated realisable value as application of the amortisation cost and/or discounting methods would not be significant for the purpose of providing a true and fair view of the financial position and results of operations.

Changes and maturities of current receivables

The following table shows the information related to changes in current receivables and, if material, their due date.

(Amount in EUR)

	Balance at the beginning of the year	Changes during the year	Balance at the end of the year	Within one year	Beyond one year
Trade receivables	19,114,922	(2,767,851)	16,347,071	16,347,071	-
Receivables due from parent companies	330,539	1,189,196	1,519,735	1,305,235	214,500
Receivables due from companie under common control	1,750,507	(532,024)	1,218,483	1,218,483	-
Tax receivables	3,813,846	(1,255,770)	2,558,076	2,558,076	-
Deferred tax assets	524,707	271,410	796,117	-	796,117
Other receivables	138,587	17,199	155,786	155,528	258
Total	**25,673,108**	**(3,077,840)**	**22,595,268**	**21,584,393**	**1,010,875**

The reduction in receivables from customers is related to the change in the structure of the product/customer portfolio, particularly significant in the latter part of the year, which led to an overall reduction in the collection timing of trade receivables. Trade receivables are adjusted to their estimated realisable value by the allowance for doubtful accounts of € 136,831, which is unchanged since last year.

The amounts due from Endurance Overseas S.r.l. include € 1,232,475 representing the balance of the consolidated tax agreement account, and specifically the higher IRES tax advances paid during the period with respect to the amount payable, € 214,500 (due beyond one year) guarantee deposits paid to that company in relation to outstanding rental contracts and € 72,760 deriving from commercial transactions.

The amount receivable from companies under common control (€ 1,218,483 at 31st March, 2018) relates to the trade receivables due from Endurance FOA S.p.A. (€ 637,962) and Endurance Amman GmbH (€ 580,521).

Tax receivables (€ 2,558,076 at 31st March, 2018, down on last year) comprise VAT recoverable totaling € 2,228,829, IRAP tax amount - due to higher advances paid compared with the payable - of € 41,701 and a residual portion - € 287,545 – of the tax credit relating to the new investment in tangible fixed assets made pursuant to art. 18 of Decree 91 dated 24th June, 2014, whose utilisation will be completed by 2018-19, as foreseen by the Decree.

Deferred tax assets (€ 796,117 at 31st March, 2018, up by € 271,410 on the previous year) derive from the deductible temporary differences between, in particular, the reported and tax value of equipment (depending on the depreciation rates applied), as well as from those relating to provisions subject to deferred deductibility.

Breakdown of current receivables by geographical area

It has not been deemed meaningful to provide a breakdown of receivables by geographical area, on account of the nature of the customers, which are multinationals operating in the automotive industry with legal entities and plants located in various countries. As regards the geographical distribution of the Company's business, please refer to what is stated in relation to sales revenues.

Current financial assets

Movements in current financial assets

Centralised treasury management

Pursuant to art. 2423-ter, para. 3 c.c. and after ensuring recoverability in the short term, as required by OIC 14, the Company has classified separately the amount due from the company that manages the central treasury activities of the group in asset caption C.3.7) within "Current financial assets"; this caption is additional to those envisaged in art. 2424 of the Italian Civil Code.

(Amount in EUR)

Description	Balance at the beginning of the year	Changes during the year	Balance at the end of the year
Treasury management assets (cash pooling contract)	1,967,018	2,284,735	4,251,753
Total	**1,967,018**	**2,284,735**	**4,251,753**

This balance represents the amounts due from Endurance Overseas S.r.l. under the agreed cash pooling arrangements.

Cash and cash equivalents

Cash and cash equivalents at 31st March, 2018 are analysed below:

(Amount in EUR)

	Balance at the beginning of the year	Changes during the year	Balance at the end of the year
Bank and postal deposits	16,253,596	6,277,529	22,531,125
Cash on hand	3,466	(1,311)	2,155
Total	**16,257,062**	**6,276,218**	**22,533,280**

This item principally comprises the balance on bank current accounts at 31st March, 2018. The increase during the year reflects prudent treasury management designed to maintain a high level of liquidity, benefiting from the favourable conditions for funding in financial markets that are faced with considerable uncertainty about the future of interest rates and the continuation of expansionary monetary policy.

See the statement of cash flows for further analysis of the changes during the year.

Prepaid expenses and accrued income

Prepaid expenses at 31st March, 2018 are analysed in the following table together with the changes during the year:

(Amount in EUR)

	Balance at the beginning of the year	Changes during the year	Balance at the end of the year
Accrued income	-	13,154	13,154
Prepaid expenses	443,903	(51,144)	392,759
Total prepaid expenses and accrued income	**443,903**	**(37,990)**	**405,913**

Accrued income refers entirely to the portion pertaining to the year for coupons accrued on the financial bills of exchange signed during the year by the Company and described above in the paragraph relating to financial fixed assets.

Prepaid expenses mainly include the portions for future years relating to leasing fees, insurance costs and other costs.

Capitalised financial charges

All interest expense and other financial charges have been expensed during the year. In compliance with paragraph 1.8 of art. 2427 of the Italian Civil Code, we can confirm that no financial charges have been capitalised.

Explanatory notes, liabilities and shareholder's equity

Shareholders' equity and all liabilities are recorded in the balance sheet in compliance with Italian accounting standards; the specific measurement criteria applied are indicated in the individual notes on each item.

Shareholder's equity

The components are stated at their carrying amount in accordance with accounting standard OIC 28.

Changes in shareholder's equity items

With reference to the year just ended, the table below sets out changes in the components of shareholder's equity, as well as details of other reserves, if any.

The changes in shareholder's equity during the prior year are analysed below:

(Amount in EUR)

	Balance at the beginning of the year	Allocation of the prior year result - Other allocations	Result for the year	Balance at the end of the year
Share capital	2,700,000	-	-	2,700,000
Revaluation reserves	1,551,755	-	-	1,551,755
Legal reserve	600,000	-	-	600,000
Statutory reserves	86,636	-	-	86,636
Extraordinary reserve	2,113,454	-	-	2,113,454
Paid in for future capital increase	26,146	-	-	26,146
Retained earnings (accumulated losses)	10,597,295	4,253,857	-	14,851,152
Net income (loss) for the year	4,253,857	(4,253,857)	5,242,503	5,242,503
Total	**21,929,143**	**-**	**5,242,503**	**27,171,646**

The changes in shareholder's equity during the year ended 31st March, 2018 are analysed in the following table:

(Amount in EUR)

	Balance at the beginning of the year	Allocation of the prior year result - Distribution of dividends	Allocation of the prior year result - Other allocations	Result for the year	Balance at the end of the year
Share capital	2,700,000	-	-	-	2,700,000
Revaluation reserves	1,551,755	-	-	-	1,551,755
Legal reserve	600,000	-	-	-	600,000
Statutory reserves	86,636	-	-	-	86,636
Extraordinary reserve	2,113,454	-	-	-	2,113,454
Paid in for future capital increase	26,146	-	-	-	26,146
Retained earnings (accumulated losses)	14,851,152	-	3,242,503	-	18,093,655
Net income (loss) for the year	5,242,503	(2,000,000)	(3,242,503)	6,318,854	6,318,854
Total	**27,171,646**	**(2,000,000)**	**-**	**6,318,854**	**31,490,500**

As required by art. 47, para.5. of Pres. Decree 917/1986, it is confirmed that share capital at 31st March, 2018 amounts to € 2,700,000, represented by 2,700,000 shares with a nominal value of € 1.00 each. This amount comprises:

- € 185,925 from a cash contribution made by the shareholders,

- € 2,514,075 from a bonus issue, authorised at the extraordinary shareholders' meeting held on 22nd November, 2000 using € 170,471 from the revaluation reserve and € 2,343,604 from the statutory reserve.

There were no changes in share capital during the 2017/2018 financial year.

Shareholder's equity includes the following:

- Reserves or other provisions that, in the event of distribution, would form part of the Company's taxable income, regardless of when they arose, comprising the Revaluation reserve pursuant to Law 342/00, of € 1,551,755, net of the related flat tax;

- Reserves or other provisions that, in the event of distribution, would form part of the Company's taxable income, regardless of when they arose, which were used for the bonus capital increase authorised at the extraordinary shareholder's meeting held on 20th November, 2000 (using € 170,471 from the pre-existing revaluation reserve created pursuant to Law 72/83).

Availability and use of shareholder's equity

The following table provides details of the components of shareholder's equity, including their origin, their potential utilisation and whether they are distributable, as well as the utilisation thereof in the prior three years.

(Amount in EUR)

Description	Amount	Origin/ Nature	Potential utilisation	Amount available
Share capital	2,700,000	Share capital		-
Revaluation reserves	1,551,755	Share capital	A;B	-
Legal reserve	600,000	Revenue	B	-
Statutory reserves	86,636	Revenue	A;B;C	86,636
Extraordinary reserve	2,113,454	Revenue	A;B;C	2,113,454
Paid in for future capital increase	26,146	Share capital	A;B	-
Retained earnings (accumulated losses)	18,093,655	Revenue	A;B;C	18,093,655
Total	**25,171,646**			**20,293,745**
Amount not distributable				**2,669,812**
Residual amount distributable				**17,623,933**

Key: A: for increase in capital; B: to cover losses; C: for distribution to the shareholders; D: for other statutory requirements; E: other

The amount not distributable, determined in accordance with art. 2426 c.c., covers unamortised development costs totalling € 1,873,695 and deferred tax assets of € 796,117, which are also deemed to represent unrealised assets.

Provisions for risks and charges

The following table analyses the changes in provisions (€ 15,325 at 31st March, 2017):

(Amount in EUR)

	Balance at the beginning of the year	Changes during the year - Provision	Changes during the year - Utilisation	Changes during the year - Total	Balance at the end of the year
Derivative financial instruments	6,965	-	2,067	(2,067)	4,898
Provision for current and deferred taxation	497	-	-	-	497
Other provisions	7,863	300,000	-	300,000	307,863
Total	**15,325**	**300,000**	**2,067**	**297,933**	**313,258**

The provisions for risks and charges have been created to cover known or likely liabilities, the timing or extent of which cannot be determined at the reporting date.

These provisions were recognised on a prudence and accrual basis, in accordance with the instructions contained in accounting principle OIC 31. The related provisions are charged to the income statement in the year to which they refer and classified according to the nature of the costs.

Provisions were made in the year to cover various liabilities (trade, tax, employment, etc), and were based on the best estimate with reference to the information available.

Employee termination indemnity

This account (€ 345,097 at 31st March, 2017) is summarised below together with the changes during the year:

(Amount in EUR)

	Balance at the beginning of the year	Changes during the year - Provision	Changes during the year - Utilisation	Changes during the year - Other changes	Changes during the year - Total	Balance at the end of the year
Provision for employee termination benefit (TFR)	345,097	11,001	9,779	(3,689)	(2,467)	342,630

The provision shown in the table relates entirely to revaluation of the employee termination indemnities still held by the Company. The majority of the charge to the income statement (item B9 c) termination indemnities) relates to current amount earned and allocated to the INPS treasury fund, Previndai, Fondo Cometa and the supplementary pension funds chosen, where applicable, by the employees concerned. The uses recorded in the period are related to advances paid to employees.

Payables

Payables total € 75,149,949 at 31st March, 2018 (€ 66,619,598 at 31st March, 2017).

Pursuant to art. 12, para. 2 of Decree 139/2015, the Company has elected to measure payables using the amortised cost method. This election was made on a prospective basis and, therefore, only applies to the payables that have arisen subsequent to 1st April, 2016.

Changes and maturities of payables

The following table shows the changes in payables and any information on their maturities.

(Amount in EUR)

	Balance at the beginning of the year	Changes during the year	Balance at the end of the year	Within one year	Beyond one year
Due to banks	29,286,141	416,427	29,702,568	10,254,654	19,447,914
Trade payables	29,218,577	2,938,269	32,156,846	32,156,846	-
Due to parent companies	853,090	230,514	1,083,604	1,083,604	-
Due to companies under common control	3,698,600	4,567,567	8,266,167	8,266,167	-
Tax payables	273,426	(30,886)	242,540	242,540	-
Due to pension and social security institutions	835,612	111,432	947,044	947,044	-
Other payables	2,454,152	297,028	2,751,180	2,751,180	-
Total	**66,619,598**	**8,530,351**	**75,149,949**	**55,702,035**	**19,447,914**

Amounts due to banks include both the current portion (€ 10,254,654) and the portion due beyond 12 months (€ 19,447,914) of loans obtained from major banks.

Amounts due to banks recorded a slight increase compared with the previous year due to the combined effect of the repayments made on the contractual maturities during the year of € 9,576,970, new loans (for an amount, net of transaction costs, of € 9,980,000) and the adjustment of liabilities measured at amortised cost (which resulted in an increase in liabilities of € 67,272).

With reference to the new loans stipulated during the year, an unsecured loan was signed for a total nominal amount of € 10,000,000 with the Banco Popolare Group in November, 2017, for a duration of five years.

The following is a breakdown of medium-term loans outstanding at 31st March, 2018:

(Amount in EUR)

Bank	Initial amount paid	Arrangement date and duration in years	Residual debt outstanding at 31st March, 2018	Within one year	Beyond one year
Banca Regionale Europea	3,000,000	18/07/2013 - 5	288,965	288,965	-
CREDEM (*)	3,000,000	19/12/2014 - 5	1,069,660	608,907	460,753
Gruppo Banco Popolare	3,000,000	07/01/2015 - 4	812,784	812,784	-
Unicredit (*)	5,000,000	14/07/2015 - 4	1,875,000	1,250,000	625,000
Cariparma	2,000,000	21/10/2015 - 5	1,110,488	401,017	709,471
MPS	3,000,000	27/11/2015 - 5	1,650,000	600,000	1,050,000
Intesa San Paolo	10,000,000	18/12/2015 - 5	5,925,926	2,222,222	3,703,704
BNL (**)	3,500,000	13/07/2016 - 5	2,450,000	700,000	1,750,000
Banca del Mezzogiorno (**)	4,000,000	14/07/2016 - 5	2,633,930	796,832	1,837,098
UBI (**)	3,000,000	27/03/2017 - 5	2,410,441	594,734	1,815,707
Gruppo Banco Popolare (**)	10,000,000	30/11/2017 - 5	9,503,222	1,990,193	7,513,029
Amortised cost adjustment			(27,848)	(11,000)	(16,848)
Total	**39,500,000**		**29,702,568**	**10,254,654**	**19,447,914**

(*) These loans are assisted by guarantees from SACE S.p.A.

(**) Financial payables recognised using the amortised cost method.

Contracts bear interest at 3-month or 6-month Euribor plus a spread of between 0.6% for more recent contracts and 1,875% for less recent ones, depending on market conditions at the time of signing and the duration of the loan.

Trade payables have increased by € 3,156,643 compared with the previous year. This increase is largely attributable to the growth in the Company's activities, its procurement policy and the volume of investments made during the latter part of the year.

Payables due to parent companies total € 1,083,604 and relate to entirely to administrative, financial services and support provided by the parent company Endurance Overseas S.r.l. to Group companies (based on specific service agreements), which have been entered into on an arm's length basis.

Payables due to companies under common control include trade payables to Endurance FOA S.p.A. (€ 7,421,745), to Endurance Engineering S.r.l. (€ 804,066), both direct subsidiaries of Endurance Overseas S.r.l. and to Endurance Amann GmbH (€ 40,205), a subsidiary of Endurance Technologies Limited.

Tax payables total € 242,540 and comprise various payroll withholding.

Other payables totalling € 2,751,179 principally include amounts due to employees for payroll and related accruals (€ 2,586,020) and other amounts due.

Breakdown of payables by geographical area

It is not meaningful to analyse payables by geographical area, as most of them are due to domestic suppliers and counterparties.

Debt secured by collateral on company assets

Pursuant to paragraph 1.6 of art. 2427 of the Italian Civil Code, we can confirm that there is no debt secured on the assets of the Company. In this regard however, the loan arranged in 2015/2016 with Intesa Sanpaolo is guaranteed by a mortgage on certain industrial buildings, owned by Endurance Overseas S.r.l., that are leased to the Company.

Loans from shareholders

The company has not received any loans from its quotaholders.

Accrued expenses and deferred income

This caption is analysed below together with the changes during the year:

(Amount in EUR)

	Balance at the beginning of the year	Changes during the year	Carrying value at the end of the year
Deferred income	3,066,260	(995,515)	2,070,745
Total accrued expenses and deferred income	**3,066,260**	**(995,515)**	**2,070,745**

Deferred income includes various income, mainly related to commercial transactions and other income for grants relating to future years. In particular, grants relate to the assistance ("Tremonti quater") envisaged in the so-called Competitiveness Decree (art. 18, Decree 91/2014) for capital investment in 2014-2015 in excess of the average for the previous 5 years, and to grants related to R&D activities eligible for the tax credit available pursuant to art. 1, para. 35, of Law 190 dated 23rd December, 2014.

Explanatory notes, income statement

The income statement reports the results for the year.

This statement presents the results of operations by summarising the positive and negative components of income that contributed to them. These positive and negative components of income, recognised pursuant to art. 2425-bis c.c., are analysed into the following categories: core business, ancillary and financial activities.

Core business activities include the components of income that were generated from continuing operations in the principal sector, and which identify and distinguish the economic activities carried out by the Company in the pursuit of its corporate objectives.

Financial activities comprise those operations that generate financial income and expense.

Ancillary activities comprise those residual operations that generate income in the ordinary course of business that cannot be classified as financial or core business activities.

Value of production

The value of production during 2017/2018 is analysed below on a comparative basis:

(Amount in EUR)

Description	FY 2017/2018	FY 2016/2017	Change
Revenues from sales of goods and services	151,171,849	136,205,006	14,966,843
Changes in inventories of work in progress, semi-finished and finished products	(234,019)	1,145,348	(1,379,367)
Increases in non-current assets from in-house production	304,507	1,231,892	(927,385)
Other revenues	2,477,318	2,431,116	46,202
Total	**153,719,655**	**141,013,362**	**12,706,293**

Revenues from sales (including income from the contractual sale to customers of specific production equipment) were 11% higher than in the prior year, confirming the growth in the volume of business in line with the positive market trends. This performance benefited in particular from the growth of Italian markets (18%) and in the German one (24%), in particular German customers (Volkswagen and BMW, as well as Italian ones, such as FCA and CNHI). The effect of this growth more than offset the reductions recorded in minor European markets (the GM customer in particular).

The increase in non-current assets from in-house production mainly reflects the capitalisation of industrial equipment costs (€ 304,507) carried out with the use of Company's materials and workforce.

Other revenues include income deriving from the recovery of packaging costs from customers, recharges and miscellaneous sales, as well as the current portion of grants obtained during the year for the use of photovoltaic installations and tax credits for investments in plant and machinery ("Tremonti ter") and the R&D costs mentioned above (€ 631,820).

Analysis of revenues from sales and services by category of activity

Revenues from sales and services relate entirely (€ 151,171,849) to income from the Company's core business, represented by the engineering and production of components for the automotive market and related activities.

Analysis of revenues from sales and services by geographical area

The following table provides a breakdown of revenue from sales of goods and services by geographical area.

(Amount in EUR)

Countries	FY 2017/2018	Weight %	FY 2016/2017	Weight %
ITALY	85,270,003	56%	72,199,376	53%
GERMANY	43,347,306	29%	35,023,414	26%
FRANCE	128,017	0%	410,090	0%
POLAND	15,686,058	10%	18,051,815	13%
OTHER EUROPEAN COUNTRIES	4,617,443	3%	8,142,585	6%
OTHER NON-EU COUNTRIES	2,123,022	1%	2,377,722	2%
TOTAL	**151,171,849**	**100%**	**136,205,006**	**100%**

Cost of production

The following table provides a breakdown of production cost with comparative figures from the previous year:

(Amount in EUR)

Description	FY 2017/2018	FY 2016/2017	Change
Cost of raw and ancillary materials, consumables and goods for resale	106,799,234	95,708,863	11,090,371
Cost of services	13,542,201	12,181,632	1,360,569
Lease and rental charges	2,533,092	2,963,127	(430,035)
Payroll costs			
Wages and salaries	10,009,613	9,655,224	354,389
Social contributions	2,085,779	1,944,367	141,412
Employee termination indemnity	502,590	497,589	5,001
Other costs	80,014	40,900	39,114
Amortisation of intangible fixed assets	755,047	449,505	305,542
Depreciation of tangible fixed assets	8,719,844	7,608,073	1,111,771
Changes in inventory of raw and ancillary materials and consumables	(1,269,023)	923,536	(2,192,559)
Provisions for risks	300,000	-	300,000
Other operating expenses	1,090,747	741,313	349,434
Total	**145,149,138**	**132,714,129**	**12,435,009**

Cost of raw and ancillary materials, consumables and goods for resale and Cost of services

The 12% increase recorded in the year is strictly related to the rising trend in volumes, as previously indicated under Value of production, especially in connection to sales revenues.

Payroll costs

This item (which has gone up by 4% approximately, compared with the previous year) comprises the entire cost of employees, inclusive of merit increases, changes in labour category, holiday pay and accruals required by law and by collective labour agreements. This item also includes the cost of temporary workers, except for the cost of interim employment agencies that has been charged to the income statement line B7.

Lease and rental charges

This item (which has gone up by 14.5% approximately compared with the previous year) mainly includes the rental of operating facilities used by the Company from Endurance Overseas S.r.l., as well as finance lease charges relating to plant and machinery employed in the production process. The reduction in the period is attributable to the termination of some significant financial leasing contracts.

Depreciation and amortisation

Depreciation is provided over the technical useful lives of assets, considering how they are used in production. There was an increase in tangible and intangible assets compared with the previous year, as a direct effect of the significant investments made in previous years to support new production initiatives and of the changes in the estimated useful life of certain assets based on updated information on the phase-out of some specific products.

Financial income and charges

Financial income and charges are recorded on an accruals basis.

Financial income from the parent company (€ 67,827) comprises the interest recognised by Endurance Overseas S.r.l. in relation to the outstanding loan (€ 3,000,000 at 31st March, 2018) and the credit balances on the cash pooling account.

Financial charges (€ 507,508) principally include the interest charged on the various loans obtained from third-party lenders.

Exchange gains and losses (net gains of € 40,717) reflect the net effect of exchange-rate fluctuations on the realisation of assets and liabilities not denominated in €, as well as the effect of aligning foreign currency receivables and payables using the exchange rates applying on the reporting date.

Adjustments to financial assets and liabilities refer entirely to changes in the fair value of the derivatives used by the Company and were carried out in order to bring them into line with their market value.

A comparison with the prior year is presented in the following table:

(Amount in EUR)

Description	FY 2017/2018	FY 2016/2017	Change
Revaluation of derivative contracts	-	14,868	(14,868)
Writedown of derivative contracts	5,818	-	5,818

Amount and nature of revenues/costs of individual significance

Pursuant to art. 2427, para. 1, point 13, of the Italian Civil Code it is confirmed that no revenues/costs of individual significance were recognised during the year.

Income taxes for the year, current and deferred

The company has accrued for taxation for the year based on the application of tax legislation in force. The tax charge for the year consists of current taxation, as resulting from the tax returns, of deferred taxation relating to positive or negative components of income, taxable or deductible, respectively, in fiscal years that differ from the year in which the item is accounted for statutory reporting purposes.

The composition of taxation for the year split between current taxation and the deferred tax asset item is provided in the following table:

(Amount in EUR)

	IRES TAX	IRAP TAX
Income taxes	1,869,818	2,421,538
Current taxation		
of which: IRES for the year (current)	1,540,764	2,224,442
of which: IRAP for the year (current)	442,582	462,755
of which: Taxation relating to prior years	157,882	(229,436)
Deferred taxation	(271,410)	(36,223)

The principal temporary differences giving rise to the recognition of deferred taxation are presented in the following table together with their related effects. These were determined using the tax rates expected to be applicable in the years in which the temporary differences reverse (24% for IRES tax and 3.9% for IRAP tax).

Recognition of deferred tax assets and liabilities and their impact

(Amount in EUR)

	IRES TAX	IRAP TAX
A) Temporary differences		
Total deductible temporary differences	202,197	192,171
Total taxable temporary differences	1,174,955	1,165,187
Net temporary differences	972,758	973,016
B) Tax effects		
Provision for deferred tax liability (assets) at the beginning of the year	(451,212)	(72,998)
Deferred tax liability (assets) of the year	(233,959)	(37,948)
Provision for deferred tax liability (assets) at the end of the year	(685,171)	(110,946)

The provision for deferred tax assets recorded during the year refers to the combined effect of production costs with deferred deductibility that have become definitive and to the movement of items subject to a temporary misalignment of statutory and tax values (including certain tangible assets and provisions for risks and write-downs with deferred deductibility).

Explanatory notes, other information

The additional disclosures required by the Italian Civil Code are presented below.

Employment data

The average number of employees is analysed by category below.

	Executives	Middle managers / White collar	Blue collar	Total employees
FY ended 31st March, 2018	3	45	172	220
FY ended 31st March, 2017	5	41	172	214

The workforce at 31st March, 2018 comprises 222 people.

Fees, advances and loans granted to directors and statutory auditors and commitments accepted on their behalf

The following schedule provides the information required by art. 2427, point 16 c.c., with the clarification that no advances or loans have been granted and no commitments, in the form of guarantees of any kind, have been accepted on behalf of the members of the Board of Directors:

	Directors	Statutory Auditors
Fees (in EUR)	-	36,400

Fees of the legal auditor or auditing firm

As required by art. 2427 c.c., the following table analyses the total fees earned by the legal auditor (or firm of legal auditors) for the legal audit of the annual financial statements, the total fees earned for other auditing services, the total fees earned for tax advisory services and the total fees earned for other non-audit services:

	Legal audit of the annual financial statements	Other audit services	Total fees earned by the legal auditor or auditing firm
Amount (including expenses) (in EUR)	14,700	1,050	15,750

Deloitte & Touche S.p.A. has been engaged to perform the independent statutory audit. The costs for auditing the annual accounts also include the fees for checking that the books of account have been kept regularly, while the other services performed refer to activities required prior to signing the tax return.

Securities issued by the company

The Company has not issued any securities that fall under the provisions of art. 2427, para. 18 of the Italian Civil Code.

Details on other financial instruments issued by the Company

The Company has not issued any other financial instruments pursuant to art. 2346, para. 6, of the Italian Civil Code.

Commitments, guarantees and contingent liabilities not reported in the balance sheet

There are no commitments, guarantees or contingent liabilities that have not been reported in the balance sheet.

Information about capital and loans allocated to a specific business project

Allocation of capital to a specific business project

We can confirm that, at the balance sheet date, there has been no allocation of capital to a specific business project as per no. 20 of art. 2427 of the Italian Civil Code.

Loans for a specific business project

We can confirm that, at the balance sheet date, there are no loans provided for a specific business project as per no. 21 of art. 2427 of the Italian Civil Code.

Information about off-balance sheet agreements

No off-balance sheet agreements were entered into during the year.

Information about significant events arising subsequent to the reporting date

Pursuant to point 22-quater of art. 2427 c.c., it is confirmed that no events with a significant effect on the economic and financial position have occurred subsequent to the reporting date.

Companies that prepare consolidated financial statements for the larger/smaller group of companies to which the Company belongs as a subsidiary

The following information is provided about the companies that prepare consolidated financial statements for the larger/smaller group of companies to which the Company belongs as a subsidiary:

	Larger group	Smaller group
Company name	Endurance Technologies Limited (*)	Endurance Overseas S.r.l.
Town (if in Italy) or foreign State	Aurangabad (India)	Lombardore (Turin)
Tax code (Italian companies)	-	05754620960
Place where the consolidated financial statements are filed	Registered office: Aurangabad (India) India Stock Exchange: NSE and BSE	Registered office: Lombardore (Turin) Turin Chamber of commerce

(*) Endurance Technologies Limited, the parent company, is listed on the National Stock Exchange of India Ltd. (NSE) and the BSE Ltd. (BSE).

Information about derivative financial instruments pursuant to art. 2427-bis of the Italian Civil Code

Pursuant to art. 2427-bis of the Italian Civil Code and in order to present a true and fair view of the Company's commitments, appropriate details are provided below about the fair value, extent and nature of the derivative financial instruments held by the Company (amounts in €), grouped by counterparty:

(Amount in EUR)

Type of contract	Number of contracts	Original notional value	Notional value at 31.03.2018	Fair value at 31.03.2018
Interest rate swap	2	13,126,630	2,450,000	(4,332)
Interest rate cap	2	7,000,000	2,985,488	117
TOTAL			**5,435,488**	**(4,215)**

Summary financial statements of the company which exercises management control and coordination activities

The Company is subject to management control and coordination by its indirect parent company, Endurance Technologies Limited, with Registered Office at E-92, MIDC Industrial Area, Waluj, Aurangabad, Maharashtra, India, which wholly owns the Company via Endurance Overseas S.r.l..

The following amounts taken from the latest approved statutory financial statements of Endurance Technologies Limited are stated in millions of Indian Rupees. The latter financial statements are prepared in accordance with Ind-AS accounting standards, ruling on 31st March, 2017. For the sake of clarity, the Rupee/€ exchange rate at 31st March, 2017 (source www.rbi.org.in) was 69.2476 (75.0955 at 31st March, 2016):

(₹ in million)

Balance sheet	Financial statements for the year ended 31st March, 2017	Financial statements for the year ended 31st March, 2016
Non-current assets		
Fixed assets, net	8,799.10	8,168.96
Investments and other non-current assets	5,442.53	5,580.90
Current assets	**8,245.55**	**6,246.54**
Total Assets	**22,487.18**	**19,996.40**
Liabilities and shareholder's equity		
Shareholder's equity	**15,630.64**	**13,496.99**
Non-current liabilities		
Non-current financial liabilities	198.52	780.81
Other non-current liabilities	185.41	181.77
Current liabilities		
Current financial liabilities	1,877.08	1,662.98
Other current liabilities	4,595.53	3,873.85
Total liabilities and shareholders' equity	**22,487.18**	**19,996.40**

(₹ in million)

Income Statement	Financial statements for the year ended 31st March, 2017	Financial statements for the year ended 31st March, 2016
Revenues	**42,947.19**	**40,683.61**
Operating costs	38,111.24	36,085.09
Depreciation	1,668.57	1,475.00
Financial charges	178.57	329.74
Income before tax	**2,988.81**	**2,793.78**
Taxation for the year (current and deferred)	773.84	707.33
Income (loss) for the year	**2,214.97**	**2,086.45**
OCI - Other comprehensive income	(17.83)	0.75
Total statement of comprehensive income	**2,197.14**	**2,087.20**

The following section describes relations with the company that provides management control and coordination services and with the other affiliates, as well as the effect of those activities on the operations of the Company and its results.

Relations with related parties

With regard to the provisions of art. 2428, para. 3, point 2) of the Italian Civil Code, reference is made to the information on related-party transactions provided in the Report on operations.

Proposed allocation of profits or coverage of losses

Shareholders, In light of the matters explained above, the Board of Directors proposes to allocate the net income for the year of € 6,318,854 to "retained earnings".

Explanatory notes, closing section

Dear shareholders, we confirm that these financial statements, which comprise the balance sheet, income statement, statement of cash flow and explanatory notes, give a true and fair view of the financial position and results for the year and agree with the books of account. We therefore invite you to approve the draft financial statements for the year ended 31st March, 2018, together with the proposed allocation of the net income for the year, as submitted by the Board of Directors.

The financial statements are true and real and agree with the books of account.

Lombardore, 11th May, 2018

For the Board of Directors

The Managing Director

Signed by Massimo Venuti

Report of the Board of Statutory Auditors

Statutory financial statements for the year ended 31st March, 2018

Report to the Shareholders' Meeting pursuant to art. 2429, paragraph 2 of the Italian Civil Code. - Administrative supervision

During the financial year ended 31st March, 2018, our activities were performed in compliance with applicable legislation and the principles of conduct for the Board of Statutory Auditors issued by the Italian Accounting Profession (as represented by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili).

Activities carried out by the Board of Statutory Auditors during the year ended 31st March, 2018

We supervised compliance with the law, with the articles of association and with principles of proper administration.

We attended shareholders' meetings and Board meetings, in respect of which, based on information made available, no matters came to our attention to indicate that there had been any infringements of the law or of the articles of association, nor transactions which were clearly imprudent, risky, likely to give rise to a conflict of interest or such as to compromise the integrity of the company's assets.

We acquired information from the directors on the status of capital transactions, with respect to which we have no particular observations to make.

We obtained information from the directors on the company's performance and the likely outlook, as well as on the most significant transactions, in terms of size or characteristics, entered into by the company and by its subsidiaries and, based on the information obtained, we have no particular findings to report.

We met with the independent auditors and from their information no significant issues arose that require disclosure in this report.

We gained knowledge on and supervised, within the scope of our duties, the adequacy of and the operations of the company's organisational structure by obtaining information from function heads, with respect to which we have no particular findings to report.

We gained knowledge on and supervised, within the scope of our duties, the adequacy of and the operations of the company's administrative-accounting system, as well as on the reliability of the latter in correctly presenting the results of operations, by obtaining information from function heads, from the independent auditors and from an examination of corporate documents, and, with respect thereto, we have no particular findings to report.

No complaints were presented to us as per Art. 2408 of the Italian Civil Code.

During the financial year, no opinions were issued by the Board of Statutory Auditors as required by law.

During our supervisory activities, as described above, no other significant matters arose that are worthy of inclusion in this report.

This report therefore summarises our activity with regard to the requirements of art. 2429, para. 2 of the Italian Civil Code, namely information on:

- the results for the year;
- the work performed in fulfillment of our legal duties; the observations and proposals regarding the financial statements, with particular regard to any use made by the administrative body of the exception permitted by art. 2423, para. 5 of the Italian Civil Code;
- any complaints received from the shareholders as per art. 2408 of the Italian Civil Code.

In any case, we are at your complete disposal to examine any other aspects during the Shareholders' Meeting.

The work performed by us covered the entire financial year and regular meetings were held during the year pursuant to art. 2404 of the Italian Civil Code.

During our periodic checks, we gained knowledge on how the Company's activities were evolving, paying particular attention to contingent problems in order to identify the economic and financial impact on the result for the year and on the balance sheet, as well as any risks.

Minutes were drawn up of these meetings and duly signed for unanimous approval.

Information on the financial statements

The draft financial statements for the year ended 31st March, 2018, provided to us for our examination by the Board of Directors pursuant to art. 2429 of the Italian Civil Code, have been prepared in accordance with the requirements of Legislative Decree no. 127/91 and consist of:

- Balance sheet
- Income statement
- Statement of cash flows
- Explanatory notes

Balance Sheet

(Amount in EUR)

Description	FY 2018	FY 2017	Difference
FIXED ASSETS	45,433,678	39,764,649	5,669,029
CURRENT ASSETS	63,527,491	57,009,374	6,518,117
PREPAID EXPENSES AND ACCRUED INCOME	405,913	443,903	37,990-
TOTAL ASSETS	**109,367,082**	**97,217,926**	**12,149,156**

Description	FY 2018	FY 2017	Difference
SHAREHOLDERS' EQUITY	31,490,500	27,171,646	4,318,854
PROVISION FOR RISKS AND CHARGES	313,258	15,325	297,933
PROVISION FOR EMPLOYEE TERMINATION INDEMNITY	342,630	345,097	2,467-
PAYABLES	75,149,949	66,619,598	8,530,351
ACCRUED EXPENSES AND DEFERRED INCOME	2,070,745	3,066,260	995,515-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**109,367,082**	**97,217,926**	**12,149,156**

Income Statement

(Amount in EUR)

Description	FY 2018	FY 2017	Difference
VALUE OF PRODUCTION	153,719,654	141,013,362	12,706,292
REVENUES FROM SALES OF GOODS AND SERVICES	151,171,849	136,205,006	14,966,843
PRODUCTION COSTS	145,149,138	132,714,129	12,435,009
DIFFERENCE BETWEEN PRODUCTION VALUE AND COST	8,570,516	8,299,233	271,283
RESULT BEFORE TAXES	8,188,672	7,664,041	524,631
INCOME TAXES FOR THE YEAR, CURRENT AND DEFERRED	1,869,818	2,421,538	551,720-
PROFIT (LOSS) FOR THE YEAR	**6,318,854**	**5,242,503**	**1,076,351**

We have examined the draft financial statements for the year ended 31st March, 2018, including the Report on Operations, in relation to which we point out the following.

Due to the fact that we were not appointed as independent auditors of the financial statements, we have limited our monitoring activity to the overall approach to their preparation and their general compliance with the law as regards their format and structure and we do not have any particular observations to make in this regard.

More precisely, we note that:

- the accounting policies used in preparing the financial statements at 31st March, 2018 comply with the Italian Civil Code as amended by Decree Law 139/2015;
- the Directors have provided information on the Company's performance and on the outlook for operations;
- the balance sheet and income statement formats adopted by the Company comply with articles 2424, 2424-bis, 2425 and 2425-bis of the Italian Civil Code;
- pursuant to art. 2426 para. 5, of the Italian Civil Code, development costs for a net carrying value of € 1,873.695 as at 31st March, 2018 have been recorded with our approval, having verified the requisites.
- pursuant to art. 2426 para. 6 of the Italian Civil Code, it should be noted that no goodwill was recorded under intangible assets in the year ended 31st March, 2018.

We have verified compliance with the law regarding the structure of the directors' report on operations and we do not have any particular observations to make thereon.

As far as we are aware, in the preparation of the financial statements, there was no failure by the directors to comply with the law pursuant to paragraph 5 of Art. 2423 of the Italian Civil Code.

Result for the year

The net result ascertained by the Directors for the year ended 31st March, 2018, as shown in the financial statements, is positive for € 6,318,854.

We do not have any observations to make on the allocation of the net result for the year proposed by the Directors.

Conclusion

Also considering the results of the work performed by the independent auditors, as explained in their audit report, issued without exceptions or remarks on 14th May, 2018, we unanimously believe that there are no reasons why the Shareholders' Meeting should not approve the draft annual financial statements for the year ended 31st March, 2018, as drafted and proposed by the Directors.

Milano, 14th May, 2018

The Board of Statutory Auditors

Signed by Fulvio Mastrangelo

Signed by Fabio Greco

Signed by Massimo Carera

Independent Auditor's Report

PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF 27th January, 2010

To the Sole Shareholder of Endurance Fondalmec S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Endurance Fondalmec S.p.A. (the "Company"), which comprise the balance sheet as at 1st March, 2018, the statement of income and statement of cash flows for the year then ended and the explanatory notes.

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

Basis for Opinion

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

Other matters

Pursuant to art. 2497-bis, first paragraph, of the Italian Civil Code, Endurance Fondalmec S.p.A. has disclosed that it is subject to management and coordination of its activities by Endurance Technologies Limited (India) and, therefore, has indicated in the notes to the financial statements the key financial data from the most recent financial statements of such company. Our opinion on the financial statements of Endurance Fondalmec S.p.A. does not extend to such data.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

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

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company'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 management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transaction and events in a manner that achieves fair presentation.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2(e) of Legislative Decree 39/10

The Directors of Endurance Fondalmec S.p.A. are responsible for the preparation of the report on operations of the Company as at 31st March, 2018, including its consistency with the related financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standards (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of the Company as at 31st March, 2018 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the financial statements of Endurance Fondalmec S.p.A. as at 31st March, 2018 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2(e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Giorgio Barbieri
Partner

Turin, Italy
14th May, 2018

Endurance FOA S.p.A.

CHIVASSO (TURIN), Italy

Report on Operations and Financial Statements
for the year ended 31st March, 2018

ENDURANCE FOA S.p.A.

Head office: VIA REGIONE POZZO 26 CHIVASSO (TURIN)

Tax Code and Turin Companies Register No. 01782370017

Turin Chamber of Commerce registration no. 518048

Share capital: Euro 382,200.00 subscribed and fully paid

VAT Number: 01782370017

Sole shareholder company

Management and coordination: ENDURANCE TECHNOLOGIES LIMITED

Report on Operations

Financial statements for the year ended 31st March, 2018

Dear Shareholder,

The explanatory notes provide disclosures on the financial statements for the year ended 31st March, 2018. This document, in compliance with art. 2428 of the Italian Civil Code, provides information on the Company's situation and performance. This report, prepared with amounts shown in Euros, is presented as an accompaniment to the financial statements and provides information on the Company's earnings, financial position and operations, together, where possible, with historical facts and an indication of the future outlook.

Information on the Company

Matters concerning the economy in general and the results of operations:

In 2017, the world economy achieved significant growth, one of the longest periods of expansion in history. According to International Monetary Fund data, in fact, World GDP grew by 3.8%, accelerating compared to 3.2% the previous year.

The largest contribution to growth came from emerging economies, which grew by 4.8%, with China (+6.9%) and India (+6.7%) standing out in particular. After years of crisis, Brazil and Russia have also got over the recession, turning in growth of 1% and 1.5% respectively.

Advanced bursars grew by 2.3% with similar results for the USA (+2.3%) and the Euro area (+2.3%), while the UK (+1.8%) and Japan (+1.7%) were below average. In the Euro area, overall growth of 2.3% was the result of positive growth in Germany (+2.5%) and less brilliant trends recorded in France (+1.8%) and Italy (+1.5%).

The world economy is therefore healthy, even if the results have been largely conditioned by the expansive monetary policies that have fueled the use of credit at low rates, far from the conditions historically applied.

Even though Italy achieved one of the lowest growth rates on the international scene, this was still the best performance of the last seven years.

In 2017, the automotive sector was again one of the driving sectors of the economy. During the period registrations in the European Union grew by 3.4% to 15.1 million vehicles compared to 14.6 million in the previous year. The major European markets all showed significant growth (Germany +2.7%, France +4.7%, Italy +7.9% and Spain +7.7%) with the sole exception of the United Kingdom, which recorded a 5.7% reduction. It should be noted that the performance for the year was strongly affected by the exceptional sales performance in the first quarter of 2017 (+8.4%), while the following quarters recorded more moderate growth rates (+1.1%, +1.5% and +2.4% respectively).

Registrations in the European Union for the period corresponding to the Endurance Group financial year (April, 2017 - March, 2018) grew by a modest 1.4% overall.

The registration performance for the year 2017 by manufacturer shows positive trends for all the main groups (VW +2.3%, Renault +6.7%, PSA +4.8% without the newly acquired Opel/Vauxhall, FCA +4.9%, Daimler +4.8%) with the exception of Opel (-5.1%, on a like-for-like basis) and Ford (-0.2%).

The Volkswagen Group maintained its leadership in Europe, with 3,580,655 cars sold, an increase of 2.3% on 2016 and a share of 23.7% compared to 23.9% the previous year.

For the Renault Group, both registrations (1,600,893 cars, +6.7%) and market share (from 10.2% to 10.6%) increased. Excluding the newly acquired Opel brand, the PSA Group reported an increase in sales (1,514,685 vehicles, +4.8%) and market share (from 9.9% to 10%).

FCA recorded higher market growth in Europe (+4.9%) and, with 1,025,575 vehicles registered, it increased its market share to 6.8% compared to 6.7% the previous year.

The Daimler Group registered a total of 953,614 vehicles (+4.8%) sold, increasing its market share from 6.2% to 6.3%. The BMW Group's share fell from 6.8% to 6.6%, with 997,551 units registered (+0.9%as compared to prior year). Opel, on the old perimeter basis, sold 926,978 cars (-5.1%), losing market share (from 6.5% to 6.0%).

In the period corresponding to the Endurance Group financial year (from April, 2017 to March, 2018) positive trends were confirmed for VW (+2.3%), Renault (+4.7%), PSA (+5.6%, without the newly acquired Opel), Daimler (+2.5%). FCA, remained substantially unchanged, while BMW (-1.1%) and Opel (-8.5% on a pre-acquisition perimeter base) showed negative results.

Among the particular phenomena that can be deduced from the trend in European registrations for the year 2017, it is worth mentioning the reduction in diesel vehicle registrations and the increase in petrol and alternative power vehicles (LPG/CNG, hybrid and electric cars). The latter still represent a marginal share of total registrations in the EU (5.8% in 2017). All-electric cars represented 1.5%, hybrids 2.9% and other alternative engines 1.4%.

In this moderately favourable market environment, the Company turned in a +6.7% growth in terms of value of production, far higher than the market, reaching an amount of Euro 76.1 million in absolute terms. EBITDA in 2017/2018 was Euro 11.4 million equal to 15% of the value of production and increased by over 26% on the previous year. The net result was positive and amounted to Euro 4.7 million, equal to 6.2% of the value of production and increased by 46% on the prior year. The positive economic results contributed to a net improvement in the net financial position and further strengthened the Company's financial solidity.

Key events

The activities of the period were focused on the maintenance and development of particular raw materials with FCA and, above all, in guaranteeing to Endurance Fondalmec S.p.A. a continuous supply of die-cast parts for final mechanical processing, especially for the start of production of the new VW upper cylinder heads.

The "ICARO" applied research project was launched during the year as explained in the section on Research and Development.

Considering the change in construction in progress and advances, investment in tangible fixed assets during the year totaled Euro 1.9 million. The installation of a new medium-tonnage die casting stations was completed during the year, with cutters, accessories and related automation processes.

Funding activities involved the arrangement of a new medium-term loan totaling Euro 2.9 million, while repayments amounted to Euro 2.9 million.

Secondary locations

In accordance with art. 2428 of the Civil Code, details are provided below of the secondary locations used by the Company:

Address	Location
VIA F.LLI BONAUDO 11	CHIVASSO
VIA MORANDI 9	GRUGLIASCO

Management control and coordination activities

Pursuant to para. 5 of art. 2497-bis of the Italian Civil Code, it is confirmed that the Company belongs to the ENDURANCE Group (India) and is subject to management and coordination by ENDURANCE TECHNOLOGIES LIMITED (India), whose shares have been listed on the National Stock Exchange of India Ltd. (NSE) and the BSE Ltd. (BSE) since October, 2016.

This management and coordination activities did not have any particular impact on the Company's activities and its results. We can also confirm that no decisions were made under the influence of the company that performs management and coordination activities for which we need to give the reasons and the interests that had an impact on them.

Financial position

To facilitate a better understanding of the Company's financial position, a reclassified balance sheet is set out below.

Balance Sheet - Assets

(Amount in EUR)

Item	31st March, 2018	%	31st March, 2017	%	Change	Change%
WORKING CAPITAL	**36,727,626**	**71.46%**	**29,765,600**	**61.00%**	**6,962,026**	**23.39%**
Immediate liquidity	**6,270,164**	**12.20%**	**3,821,135**	**7.83%**	**2,449,029**	**64.09%**
Cash and cash equivalents	6,270,164	12.20%	3,821,135	7.83%	2,449,029	64.09%
Deferred liquidity	**18,784,725**	**36.55%**	**16,247,784**	**33.30%**	**2,536,941**	**15.61%**
Current receivables	17,643,176	34.33%	15,876,980	32.54%	1,766,196	11.12%
Financial assets	813,623	1.58%	-	-	813,623	-
Prepaid expenses and accrued income	327,926	0.64%	370,804	0.76%	(42,878)	-11.56%
Inventories	**11,672,737**	**22.71%**	**9,696,681**	**19.87%**	**1,976,056**	**20.38%**
FIXED ASSETS	**14,671,447**	**28.54%**	**19,032,430**	**39.00%**	**(4,360,983)**	**-22.91%**
Intangible assets	1,539,921	3.00%	1,869,527	3.83%	(329,606)	-17.63%
Tangible fixed assets	11,740,669	22.84%	13,453,700	27.57%	(1,713,031)	-12.73%
Financial fixed assets	163	0.00%	2,000,156	4.10%	(1,999,993)	-
Non-current portion of receivables incl. in working capital	1,060,353	2.06%	1,216,954	2.49%	(156,601)	-12.87%
Prepaid expenses and accrued income - non-current	330,341	0.64%	492,093	1.01%	(161,752)	-32.87%
CAPITAL EMPLOYED	**51,399,073**	**100.00%**	**48,798,030**	**100.00%**	**2,601,043**	**5.33%**

With reference to the changes that took place during the year in the Company's assets, note that the reduction in fixed assets is related to the depreciation of investments made in previous years, and to the repayment of the loan granted to the parent company Endurance Overseas S.r.l.

The increase in receivables included in current assets is attributable to the rise in turnover concentrated in the last part of the financial year.

The changes in inventories refer to the Company's procurement policy in relation to the production flows expected for the coming months.

With regard to changes in liquidity and current financial assets (which include the positive balance of the cash pooling account with the parent company Endurance Overseas S.r.l.), please refer to the comments on the statement of cash flows.

Balance Sheet - Liabilities and Shareholder's Equity

(Amount in EUR)

Item	31st March, 2018	%	31st March, 2017	%	Change	Change%
CAPITAL ATTRIBUTABLE TO MINORITY INTEREST	**35,240,645**	**68.56%**	**35,323,970**	**72.39%**	**(83,325)**	**-0.24%**
Current liabilities	31,745,816	61.76%	30,949,679	63.42%	796,137	2.57%
Current payables	31,713,258	61.70%	30,908,182	63.34%	805,076	2.60%
Accrued expenses and deferred income	32,558	0.06%	41,497	0.09%	(8,939)	-21.54%
Non-current liabilities	**3,494,829**	**6.80%**	**4,374,291**	**8.96%**	**(879,462)**	**-20.11%**
Non-current payables	1,995,848	3.88%	2,851,848	5.84%	(856,000)	-30.02%
Provisions for risks and charges	113,965	0.22%	295,057	0.60%	(181,092)	-61.38%
Employee termination indemnity	1,385,016	2.69%	1,227,386	2.52%	157,630	12.84%
EQUITY	**16,158,428**	**31.44%**	**13,474,060**	**27.61%**	**2,684,368**	**19.92%**
Share capital	382,200	0.74%	382,200	0.78%	-	0.00%
Reserves	6,106,199	11.88%	6,106,199	12.51%	-	0.00%
Retained earnings (accumulated losses)	4,985,660	9.70%	3,774,291	7.73%	1,211,369	32.10%
Net income (loss) for the year	4,684,369	9.11%	3,211,369	6.58%	1,473,000	45.87%
FINANCING SOURCES	**51,399,073**	**100.00%**	**48,798,030**	**100.00%**	**2,601,043**	**5.33%**

The analysis of the liabilities side of the balance sheet shows, in particular, a growth in equity thanks to the positive result for the year and to the effect of dividends (Euro 2 million) paid during the year to the sole shareholder, as well as a reduction in medium-term payables (above all bank borrowing), offset by the increase in current payables; this in relation to the Company's procurement policy for managing the increased business volume seen during the year, especially in the latter part of it.

Key indicators of financial position

On the basis of the above reclassification, indicators of financial position are set out below:

RATIO	Year 2017/2018	Year 2016/2017	Change %
Fixed asset coverage	121.67 %	77.78 %	56.43 %
Amounts payable to banks to working capital	15.32 %	31.77 %	(51.78) %
Debt ratio	2.18	2.62	(16.79) %
Financial debt ratio	0.45	0.84	(46.43) %
Equity to capital employed	31.44 %	27.61 %	13.87 %
Financial charges to turnover	0.19 %	0.34 %	(44.12) %
Current ratio	116.51 %	97.76 %	19.18 %
Primary coverage ratio	1.22	0.78	56.41 %
Secondary coverage ratio	1.48	1.03	43.69 %
Net working capital (in EUR)	5,312,151.00	(691,984.00)	(867.67) %
Acid test margin (in EUR)	(6,360,586.00)	(10,388,666.00)	(38.77) %
Acid test ratio	79.96 %	66.43 %	20.37 %

Statement of cash flows

(Amount in EUR)

Item	Year 2017/2018	Year 2016/2017	Change	Change %
Cash and cash equivalents at beginning of period	**3,821,135**	**3,922,900**	**(101,765)**	**-2.59%**
a. Cash flows from operating activities	9,151,871	8,207,824	944,047	11.50%
b. Cash flows from investing activities	97,514	(5,328,061)	5,425,575	-101.83%
c. Cash flows from financing activities	(6,800,356)	(2,981,528)	(3,818,828)	128.08%
Increase/(decrease) in cash and cash equivalents (a ± b ± c)	**2,449,029**	**(101,765)**	**2,550,794**	**-2506.55%**
Cash and cash equivalents at end of period	**6,270,164**	**3,821,135**	**2,449,029**	**64.09%**

The net cash flow absorbed during the year amounted to Euro 2.5 million. The cash flow from operating activities (Euro 9.2 million, up from Euro 8.2 million in the prior year) offset the cash absorbed by investing activities (Euro 1.9 million, related to tangible and intangible assets already offset by the reduction in financial assets by the parent company) and allowed a reduction in net borrowing (by Euro 6.8 million). This was in particular determined by the elimination of the short-term bank loan (decrease of Euro 4.8 million on the previous year) and by the reduction in medium/long-term loans totaling Euro 2.9 million, offset by new bank borrowing agreements for the same amount.

Economic Results

A reclassified income statement is provided below to facilitate a better understanding of the Company's results.

Income Statement

(Amount in EUR)

Item	FY 2017/2018	%	FY 2016/2017	%	Change	Change%
VALUE OF PRODUCTION	**76,098,695**	**100.00%**	**71,297,038**	**100.00%**	**4,801,657**	**6.73%**
- Consumption of raw materials	28,707,110	37.72%	28,907,245	40.54%	(200,135)	-0.69%
- General expenses	24,294,306	31.92%	21,707,314	30.45%	2,586,992	11.92%
VALUE-ADDED	**23,097,279**	**30.35%**	**20,682,479**	**29.01%**	**2,414,800**	**11.68%**
- Payroll costs	11,220,195	14.74%	11,078,939	15.54%	141,256	1.27%
- Provisions	-	0.00%	-	0.00%	-	0.00%
GROSS OPERATING MARGIN	**11,877,084**	**15.61%**	**9,603,541**	**13.47%**	**2,273,543**	**23.67%**
- Depreciation, amortisation and write-downs	4,054,213	5.33%	3,729,485	5.23%	324,728	8.71%
- Other operating expenses	498,566	0.66%	573,010	0.80%	(74,444)	-12.99%
INCOME BEFORE FINANCIAL ITEMS	**7,324,305**	**9.62%**	**5,301,046**	**7.44%**	**2,023,259**	**38.17%**
+ Financial items	(136,204)	-0.18%	(223,503)	-0.31%	87,299	-39.06%
INCOME BEFORE TAX	**7,188,101**	**9.45%**	**5,077,544**	**7.12%**	**2,110,557**	**41.57%**
- Taxation	2,503,732	3.29%	1,866,175	2.62%	637,557	34.16%
NET INCOME	**4,684,369**	**6.16%**	**3,211,369**	**4.50%**	**1,473,000**	**45.87%**

The income statement for the period shows an increase in the value of production (+6.7%) significantly higher than the trend of new car registrations in the EU market, which grew by 1.4% in the same period. In the initial part of the year the increase in the value of production was due to the good trend in sales to the FCA and CNHI groups and to Endurance Fondalmec S.p.A., whereas in the second part of the year, growth was essentially in sales to Endurance Fondalmec S.p.A. for the supply of increasing numbers of casted parts to be processed for VW and BMW (supplies destined to GM, on the other hand, saw a contraction).

Production costs, amortization, depreciation and other expenses increased overall less than proportionally, allowing an increase in net result of almost 46%, to reach the amount of Euro 4.7 million.

Key indicators of results

On the basis of the above reclassification, indicators of financial position are set out below:

RATIO	Year 2017/2018	Year 2016/2017	Change %
R.O.E.	28.99%	23.83%	21.64%
R.O.I.	49.45%	27.36%	80.75%
R.O.S.	9.55%	7.32%	30.48%
R.O.A.	14.25%	10.86%	31.18%

Information required by art. 2428 of the Civil Code

The following is the detailed information specifically required by art. 2428 of the Italian Civil Code.

Main risks and uncertainties that the Company is exposed to

As required by the first paragraph of art. 2428 of the Italian Civil Code, set out below is a description of the main risks and uncertainties to which the Company is exposed:

Risks related to the general state of the economy: the Company's results are influenced by trends in the national and international economy. Developments regarding GDP, the cost of raw materials, the unemployment rate, interest rates and the level of confidence shown by consumers and businesses can condition the sales performance of end customers and, thus, the company's sales performance.

Risks related to the sector in which the company operates: the metal alloys and metal parts machining sector, in which the Company operates, is characterised by heated competition that is partly attributable to the sales trends in the automotive market. As much as the Company has taken action deemed necessary to improve its level of flexibility, a significant fall in end customers' needs and consequent further pressure on prices caused by heated competition could adversely impact the Company's results and financial position.

Risks related to the ability to create innovative products: the automotive components sector is characterised by continuous product development needed to satisfy the product performance required by car manufacturers and by environmental legislation (governing emissions). Future investment by the Company will seek to develop the portfolio of products and diversify the types of production, thereby increasing the ability to meet the needs of customers. The failure to develop products and to meet needs in terms of price, quality and functionality imposed by end customers could adversely impact the Company's prospects for its operations.

Financial risks: The Company is exposed to the following financial risks in the conduct of its operations:

- credit risks in relation to normal commercial transactions with customers;
- liquidity risks, with particular reference to the availability of financial resources and access to the market for credit and financial instruments in general;
- market risks, mainly relating to changes in interest rates and, to a lesser extent, exchange rates.

The Company constantly monitors the financial risks that it is exposed to, in order to evaluate in advance any potential negative effects and to take the appropriate actions to mitigate them.

Credit Risks

Given the nature of its industrial activities - the production of engine and gearbox components for car makers - the Company's receivables are structurally concentrated since customers comprise a limited number of industrial groups. The integration of the Company within the Endurance Group makes possible the indirect diversification of customers, by supplying other group companies with unfinished components for the manufacture of products that are then supplied to multiple end customers.

The Company monitors receivables constantly and regularly adjusts the related allowances for collection risks.

Liquidity risks

The two main factors that determine the Company's liquidity position are, on one hand, the resources generated or absorbed by operations and by investments and, on the other hand, the timing of the repayment and renewal of debt and of the liquidity of financial investments.

The Company seeks the most appropriate sources of finance bearing in mind the current and prospective financial position. Any difficulties encountered in obtaining financing needed to meet the needs of current operations and needs relating to investments could negatively impact the Company's results and financial position.

Management believes that funds currently available, the keeping of suitable contacts for access to credit, as well as funds generated from operating activities, will allow the Company to meet the needs of investing activities, of working capital management and for the repayment of debt as it falls due.

Market risks

In the conduct of its activities, the Company is exposed to various market risks, particularly the risk of fluctuations in interest rates and, to a lesser extent, exchange rates.

Risks relating to changes in interest rates

The Company utilises financial resources provided mainly in the form of bank debt and employs the funds to finance operations and investment and development initiatives. Furthermore, the Company factors its trade receivables. Changes in market interest rates impact the cost of various forms of financing and of factoring and thus affect the level of the Company's financial charges.

To face up to these risks, the Company strives to maintain a suitable relationship between the financing structure and the structure of capital employed, compatible with opportunities offered and actual market conditions.

With this aim, the Company has structured its financing with floating rates and with repayment due in the medium/long term at favourable conditions (with the objective of managing current unfavourable conditions and high volatility of interest rates).

Lastly, where considered appropriate, the Company makes use of interest rate derivatives (interest rate caps) with the aim of hedging the risks described.

Risks relating to changes in exchange rates

The functional currency used by the Company for the majority of its transactions (Euro) does not currently appear to be subject to significant risks relating to exchange rate fluctuations.

Key non-financial indicators

Pursuant to art. 2428 of the Civil Code, we can confirm that, due to the specific activities performed, it is not deemed relevant for an understanding of the Company's results and financial position to present non financial indicators.

Information on the environment and safety

The Company, in the context of the specific policies in place at Endurance group level, operates with particular care in order to ensure that production and operating activities are carried out in compliance with all applicable regulations and international agreements, with the aim of introducing and maintaining a culture of continuous improvement of environmental performance and safety of the Group's processes and products and to protect the safety of persons and plants.

During the financial year ended 31st March, 2018, activities continued on the control and maintenance of adequate standards for environmental protection in compliance with the provisions of the BS OHSAS 18001:2007 scheme in relation to the environmental management system, as well as preparatory activities for the transition to application of the new ISO 14001:2015 reference standard were carried out.

Employee training sessions covered the following topics:

- General and job-specific topics in relation to safety for employees and new-hired;
- Training and refresher courses for the emergency and first-aid team;
- training and refresher courses for worker safety representatives (and training for all newly-hired employees);
- Training under the State-Regions agreement for workers using fork-lift trucks with moveable forks, and lifting platforms (PLE);
- Update from ISO 14000:2004 to ISO 14000:2015;
- Training on safety signals and correct use of Personal Protective Equipment;

Work on installations included the following principal actions:

- Grugliasco plant:
  (a) upgrade of the evacuation system with more alarm buttons in all of the departments and sirens audible everywhere on the site;
  (b) installation of a channel around the mould washing area linked to the collection tank;
  (c) complete review of the waterproofing of the temporary storage tank for waste water from the foundry;
  (d) technological upgrade of the fume-reduction plant of the melting furnaces
- Chivasso plant: – Via F.lli Bonaudo:
  (a) safety review of pedestrian crossings near the changing rooms and department offices with the installation of handrails and guard rails.
- Chivasso plant – Via Regione Pozzo:
  (a) installation of skylights on foundry roof and extraction towers in the melting furnace department to improve climatic conditions;
  (b) wider application of the modification of the discharge system for pieces on almost all the die-casting islands to improve operators' ergonomics, reducing the risk of injury and reducing the noise level in the department;
  (c) better protection in the aluminium withdrawal area for the maintenance ovens;

(d) implementation of the fall-prevention system on the electric maintenance ovens (Striko Model);

(e) complete review of the waterproofing of the temporary storage tank for waste water from the foundry;

(f) replacement of all the lighting fixtures present in the departments with LED lights (with savings estimated at around 140,000 kWh/year);

(g) installation of a vacuum evaporation system for the treatment of waste water from the foundry to reduce the total quantity of hazardous waste transferred to an authorised external landfill.

In addition, with reference to fire-fighting activities, the planned evacuation drills for the departments were carried out, covering all the work shifts.

With regard to health surveillance and accident monitoring, the Risk Assessment Document was updated and accident monitoring and analysis continued with the S EWO and Safety Reports for the definition of causes and countermeasures.

Information on personnel management

The workforce amounted to 194 employees at the end of 2017-2018 financial period, with an average number of employees amounting to 190 people. In general, the overall increase in the number of employees was about 2% compared with the prior year, which was mainly the result of indirect workers hiring for the maintenance department and a new structure for the Quality System.

The main training activities during 2017-2018 focused on manufacturing and staff functions, with a view to monitoring the continuous improvement of production and business processes. In particular, training covered the following types of activity and topics (in addition to what already described concerning Environment and Safety):

- Training on protective practices for personnel who operate machines that emit radio waves and Level 2 PND training in radioscopic methodology (RX machine functionality for image transfer and software processing);
- Procedure for loading the material in the melting furnaces;
- Training for the activation of preventive and scheduled maintenance and scheduled maintenance of the water and extraction systems;
- Software training:
    - VG Studio Max 3.0, machine tests and plant tests;
    - CASTLE simulation software
    - management of EDI Opel / GM portal;
- On-the-job training on frequency controls, use of RX machinery, VNC management, items in suspense area;
- Development of apprenticeship projects as part of the "ICARO" R&D project (see the section on "research and development").

The courses held for employees (on safety and training) came to a total of around 1,580 hours, with training held internally, externally and on the job.

Research and development activities

Pursuant to art. 2428, para. 3 point 1) of the Italian Civil Code, we can confirm that research and development activities applied to products and the production process were carried out during the year, although no R&D costs were capitalised. The related costs for the personnel, equipment and other machines (for the depreciation) used in testing, totalling Euro 1.0 million, were all expensed to profit & loss.

With reference to the guidelines implemented, initiated and pursued in Research and Development, the main activities were as follows:

- Reorganisation of the Technical Office with the introduction of an integrated product development platform together with Endurance Fondalmec S.p.A. and Endurance Amann GmbH.

- Introduction and training of 3 new resources as Process, Tooling and Quality engineers in a high-training programme in collaboration with ITS - Istituto Camerana di Torino (as part of the ICARO project described below).

- Definition and implementation of the virtual simulation codes for the company's processes: following a benchmark on cases of interest, a specific software, "PiQ2", was acquired and installed, applying its simulation method to all new products under development and to support the qualitative improvement of on-going products.

- Start of benchmarking on new dimensional control techniques (using laser scanning and structured light technologies).

With reference to design activities in the process/product area, the main projects are as follows:

- Following a positive experiment on a pilot island, the use of the new discharge method for sheared castings was extended with the aim of reducing the problem of deformation of the blanks.

- Following a positive experiment on a pilot island, the use of a lubrication head dedicated to critical products for this process was extended, optimising its use through the utilisation of specific devices.

- Step 1 production of the VW-ZSB Zylinderkopfhaube EA211 EVO upper cylinder head regulated with application of vacuum technology;

- Sampling procedures were performed on 21 new products for all of the Company's main customers and of the Endurance Group.

With reference to the additional special projects that involved the Company, it should be noted in particular that, with reference to the industrial research and experimental development project for the industrialisation of innovative products in aluminium alloy ("ICARO") as part of the Regional Operational Programme ERDF 2014/2020 - Action I.1b.1.1- "IR2" Industrialisation of Research Results, the approval process of the co-financing (by means of a sinking-front grant) was completed during the year by the competent bodies (Regione Piemonte and Finpiemonte S.p.A.).

This project, in which the Company is the leader of a temporary special-purpose association consisting of 4 players in the automotive sector on the regional territory, which foresees a pre-production investment time horizon of approximately 36 months (until the end of 2020), involved Endurance FOA S.p.A. operationally from April, 2017 and in January, 2018, the periodic reporting procedures were started with the entities concerned, for which official approvals are currently being awaited.

Among the objectives of the project, which concern verification of the application of innovative procedural and production solutions to die-casting technology and related mechanical processing, there is also the establishment and implementation of a die-cast R&D centre, which will be set up at the company's facilities. As part of the project and in connection to the objectives of the ban, during the year 3 researchers were hired on a high-level training apprenticeship contract to carry out R&D in collaboration with ITS Camerana di Torino, and collaboration has been started with universities (in particular with the Turin Polytechnic).

With regard to the various R&D activities mentioned here, the Company has benefited from the tax credit envisaged by the Decree of 27th May, 2015, issued by the Minister of the Economy and Finance together with the Minister of Economic Development, as per article 3 of Decree-Law 145 of 23rd December, 2013 (the so-called "Destination Italy Decree"), as amended by article 1, paragraph 35 of Law 190 of 23rd December, 2014 (the "2015 Stability Law"). During the year, the Company recorded grant incomes for Euro 67,438.

Transactions with related parties

With regard to the provisions of paragraph 3.2 of art. 2428 of the Italian Civil Code, we can confirm that the Company does not have any controlling equity investments and, accordingly, has not entered into any transactions with subsidiaries.

As required by OIC 12.130 and art. 2427, para. 1, point 22-bis c.c., it is confirmed that relations with related parties comprise transactions with the parent company and its subsidiaries (together referred to as "affiliates"), as summarised below:

Receivables from affiliates classified as fixed assets

(Amount in EUR)

Description	FY 2018	FY 2017	Change
from parent companies	-	2,000,000	(2,000,000)
Total	**-**	**2,000,000**	**(2,000,000)**

In the financial year under review, the loan granted in the previous financial years to the parent company Endurance Overseas S.r.l. was fully repaid.

Receivables from affiliates classified as current assets

(Amount in EUR)

Description	FY 2018	FY 2017	Change
from controlling companies	122,069	118,513	3,556
from companies under common control	7,259,446	2,824,576	4,434,870
Total	**7,381,515**	**2,943,089**	**4,438,426**

Receivables due from controlling company include Euro 112,500 for the guarantee deposits paid, while the residual difference is related to business transactions.

Receivables due from companies under common control comprise trade receivables due from Endurance Fondalmec S.p.A. for supplies of aluminium die-castings.

(Amount in EUR)

Description	FY 2018	FY 2017	Change
from controlling companies – treasury management (cash pooling) assets	813,623	-	813,623
Total	**813,623**	**-**	**813,623**

This balance represents the amounts due under the agreed cash pooling arrangements managed by Endurance Overseas S.r.l. to which the company has adhered during the year.

Payables due to and loans from affiliates

(Amount in EUR)

Description	FY 2018	FY 2017	Change
payables due to controlling companies	851,276	588,000	263,276
payables due to companies under common control	637,962	939,819	(301,857)
Total	**1,489,238**	**1,527,819**	**(38,581)**

Payables due to controlling companies total Euro 851,276 and are made up of:

- Euro 703,501 of trade payables due to Endurance Overseas S.r.l. for the rent of properties owned by the parent company and for services rendered by the latter under the current Service Agreements.

- Euro 147,775 of payables deriving from the Company's membership the Group taxation regime pursuant to arts. 117 to 129 of the Income Tax Code.

Payables due to companies under common control include trade payables totaling Euro 637,962 due to Endurance Fondalmec S.p.A.

There are no credit and debit relationships and no economic transactions were carried out during the year with Endurance Technologies Limited, the company that exercises management control and coordination.

Treasury shares

Pursuant to Arts. 2435bis and 2428 of the Italian Civil Code, we can confirm that the Company did not hold any treasury shares at the year end.

Shares/quotas in the parent company

In accordance with paragraphs 3.3 and 3.4 of Art. 2435-bis and Art. 2428 of the Civil Code, it is hereby confirmed that the Company did not hold any shares or quotas in the parent company during the year.

Business outlook

According to estimates made by the International Monetary Fund, the growth prospects of the world economy remain positive (+3.9% in 2018 and +3.9% in 2019) due to the expansionary fiscal policies recently launched in the USA (with expected growth of +2.9% in 2018 and +2.7% in 2019) and the persistence of the monetary impulse conditions that have been going on for several years, particularly in the EU (where growth is expected to be +2.4% in 2018 and +2.0% in 2019) and Japan (where growth is expected to be +1.2% in 2018 and +0.9% in 2019).

These incentives should continue to support domestic consumption, in addition to the benefits of the favourable outlook for foreign demand.

Italy is expected to confirm lower-than-average growth rates (+1.5% in 2018 and +1.1% in 2019), due to austerity policies in public accounts that will limit the implementation of expansionary manoeuvres.

Emerging economies should continue to grow at a sustained pace due to the better prospects expected in the commodity market (Brazil +2.3% and +2.5% and Russia +1.7% and +1.5% respectively in 2018 and 2019). China, on the other hand, is expected to slow down moderately (+6.6% in 2018 and +6.4% in 2019) as a result of the rebalancing of the economy due to the transition from an investment-driven growth to a consumption-based one. On the contrary, India is expected to accelerate (+7.4% in 2018 and +7.8% in 2019) due to the robust growth expected in private consumption, favoured also by the end of the transitory effects deriving from the implementation of the tax on goods and services.

After years of sustained growth that have allowed, at European level, a return to volumes of registration and production not seen since 2007, the automotive sector growth is expected to slow down. The European Automobile Manufacturers' Association (ACEA) forecasts a growth in registrations of around 1% in 2018.

This forecast is supported by the trend in registrations in the first part of 2018 (from January to March), which showed average growth rates in Europe of +0.7% (compared to +8.4% in the same period of the previous year), with positive figures for some markets (Germany +4.0%, France +2.9% and Spain +10.5%) and less comforting situations for others (UK -12.4%), including Italy (-1.5%). During this quarter, VW increased its sales targets by 5.4%, PSA (without the newly acquired Opel) by 6.6%, while BMW fell by 1.6%, FCA by 4.3% and Opel (old scope) by 9.6%. Daimler is substantially unchanged.

The market scenario will also be affected by the trend in the import/export balance of vehicles with non-EU countries.

The overall outlook therefore remains favourable, even if less dynamic, thus consolidating the positive results of the recent past. Positive results are therefore also expected for the new year. However, it is necessary to recall those risk factors which are still unresolved and which may have an impact on the overall macroeconomic situation. Situations of geopolitical and protectionist conflict, contrasts and imbalances in the European context, a return to expansionary monetary policies and financial markets tensions due to the high level of indebtedness of the public and private sectors, could determine adverse market conditions.

Among the factors that will continue to condition future prospects, it is necessary to remember also the evolution of the regulations applicable to the automotive sector. This will force manufacturers to change the design of their vehicles, engines and exhaust systems, increasingly moving towards alternative vehicles (electric, hybrid and gas) whose prospects are also favoured by public incentives, now introduced in many countries (such as exemption from circulation taxes for many years, incentives for the purchase and scrapping of old combustion vehicles, in particular for diesel ones). Although some manufacturers have already announced the termination of diesel engines production in the medium term, the development of combustion engines has not been definitively abandoned, as shown by recent announcements regarding systems and devices that should also allow criticized diesel engines to operate within the emission limits of the most stringent regulations to be applied.

The gradual approach to extreme technical solutions requires the ability to differentiate one's own production abilities, adapting them to the changing needs of the market. The applied research and process development projects undertaken by the Company, together with the subsidiaries and the various technical partners, are aimed precisely at acquiring the new skills that we envisage will represent a determining factor in the future evolution of the market.

Use of financial instruments material to the evaluation of results and financial position

Pursuant and consequent to paragraph 3.6-bis of art. 2428 of the Italian Civil Code, we can confirm that the Company has a policy in place to hedge the interest-rate risks relating to medium-term loans by arranging two cap contracts in relation to some of these loans. The fair value of these hedging instruments is disclosed in the explanatory notes.

Conclusion

In light of the above considerations and the information given in the notes, we invite you:

- to approve the financial statements for the year ended 31st March, 2018 together with the explanatory notes and this report on operations that accompany them;

- to allocate the net income of Euro 4,684,369 to "Retained earnings" caption.

Chivasso, 11th May, 2018

For the Board of Directors

The Managing Director

Signed by Massimo Venuti

General information on the company

Company data

Name:	ENDURANCE FOA SPA
Registered office:	VIA REGIONE POZZO 26 CHIVASSO (TURIN)
Share capital:	382,200.00
Share capital fully paid in:	Yes
Chamber of Commerce:	TO
VAT Number:	01782370017
Tax code:	01782370017
REA Number:	518048
Legal form:	CORPORATION
Core business (ATECO):	245300
Company in liquidation:	No
Company with sole shareholder:	Yes
Company subject to management and coordination activities:	Yes
Name of the company or entity that exercises management and coordination activities:	ENDURANCE TECHNOLOGIES LIMITED
Belonging to a Group:	Yes
Name of the parent company:	ENDURANCE OVERSEAS SRL
Country of the parent company:	ITALY
Cooperatives register number:	

Financial statements

for the year ended 31st March, 2018

Balance sheet

(Amount in EUR)

	31st March, 2018	31st March, 2017
Assets		
B) Fixed assets	**-**	**-**
I Intangible assets	**-**	**-**
1) Start-up and expansion costs	-	-
2) Development costs	-	-
3) Industrial patent rights and intellectual property rights	79,681	-
4) Concessions, licenses, trademarks and similar rights	-	7,597
5) Goodwill	-	243,971
6) Assets in process of formation and advance payments	1,460,240	1,617,959
7) Other	-	-
Total intangible assets	**1,539,921**	**1,869,527**
II Tangible fixed assets	**-**	**-**
1) Land and buildings	2,650,852	2,700,477
2) Plant and machinery	8,615,723	9,088,511
3) Industrial and commercial equipment	185,061	249,175
4) Other assets	178,681	199,144
5) assets in process of formation and advance payments	110,352	1,216,392
Total tangible fixed assets	**11,740,669**	**13,453,699**
III Financial fixed assets	**-**	**-**
1) Equity investments in	-	-
a) controlled companies	-	-
b) associated companies	-	-
c) parent/controlling companies	-	-
d) companies under common control	-	-
d-bis) other companies	155	155
Total equity investments	**155**	**155**
2) Receivables	-	-
a) from controlled companies	-	-
b) from associated companies	-	-
c) from parent/controlling companies	-	2,000,000
due within one year	-	2,000,000
d) from companies under common control	-	-
d-bis) from others	-	-
Total receivables	**-**	**2,000,000**
2) Financial non current receivables	-	-
3) Other securities	-	-
4) Derivative financial instruments	8	1
Total financial fixed assets	**163**	**2,000,156**
Total fixed assets (B)	**13,280,753**	**17,323,382**
C) Current assets		
I Inventories	**-**	**-**
1) Raw materials, ancillary materials and consumables	2,204,430	1,884,790
2) Work in process and semi-finished products	2,666,517	2,988,277
3) Contract work in progress	-	-
4) Finished products and goods	5,686,520	4,794,322
5) Advances	1,115,270	29,293
Total inventories	**11,672,737**	**9,696,682**

(Amount in EUR)

	31st March, 2018	31st March, 2017
II Receivables	**-**	**-**
1) From customers	8,992,989	10,552,952
due within one year	8,992,989	10,552,952
2) from controlled companies	-	-
3) from associated companies	-	-
4) from parent/controlling companies	122,069	118,513
due within one year	9,569	6,013
due beyond one year	112,500	112,500
5) from companies under common control	7,471,946	2,824,576
due within one year	7,471,946	2,824,576
5-bis) Tax receivables	1,040,657	2,413,300
due within one year	1,040,657	2,413,300
5-ter) Deferred tax assets	947,853	1,104,453
5-quater) from others	128,015	80,139
due within one year	128,015	80,139
Total receivables	**18,703,529**	**17,093,933**
III Current financial assets	**-**	**-**
1) investments in controlled companies	-	-
2) investments in associated companies	-	-
3) investments in parent/controlling companies	-	-
3-bis) investments companies under common control	-	-
4) investments in other companies	-	-
5) derivative instruments	-	-
6) other securities	-	-
7) financial assets for centralized cash management (cash pooling)	813,623	-
Total current financial assets	**813,623**	**-**
IV Cash and cash equivalents	**-**	**-**
1) Bank and postal deposits	6,269,598	3,820,886
2) Cheques	-	-
3) Cash on hand	566	249
Total cash and cash equivalents	**6,270,164**	**3,821,135**
Total current assets (C)	**37,460,053**	**30,611,750**
D) Prepaid expenses and accrued income	**658,267**	**862,897**
Total assets	**51,399,073**	**48,798,029**

Liabilities and shareholders' equity		
A) Shareholder's equity	**16,158,428**	**13,474,059**
I Share capital	382,200	382,200
II Share premium reserve	-	-
III Revaluation reserves	759,440	759,440
IV Legal reserve	197,920	197,920
V Statutory reserves	-	-
VI Other distinctly indicated reserves	-	-
Extraordinary reserve	4,962,658	4,962,658
Other reserves	186,181	186,181
Total other reserves	**5,148,839**	**5,148,839**
VII Cash flow hedge reserve	**-**	**-**
VIII Retained earnings (accumulated losses)	4,985,660	3,774,291
IX Net income (loss) for the year	4,684,369	3,211,369
Total shareholder's equity	**16,158,428**	**13,474,059**

(Amount in EUR)

	31st March, 2018	31st March, 2017
B) Provision for risks and charges		
1) provisions for pensions and similar obligations	-	-
2) for current and deferred taxation	-	-
3) derivative financial instruments	-	-
4) other provisions	113,965	295,057
Total provisions for risks and charges	**113,965**	**295,057**
C) Employee termination indemnities	**1,385,016**	**1,227,386**
D) Payables		
1) Bonds	-	-
2) Convertible bonds	-	-
3) Due to quotaholders for loans	-	-
4) Due to banks	5,738,120	9,724,853
due within one year	3,742,272	6,873,004
due beyond one year	1,995,848	2,851,849
5) Due to other financial institutions	-	-
6) Advances	-	-
7) Trade payables	23,098,986	19,459,256
due within one year	23,098,986	19,459,256
8) Credit notes-represented payables	-	-
9) Due to controlled companies	-	-
10) Due to associated companies	-	-
11) Due to parent/controlling companies	851,276	588,000
due within one year	851,276	588,000
11-bis) Due to companies under common control	637,962	939,819
due within one year	637,962	939,819
12) Tax payable	287,752	304,067
due within one year	287,752	304,067
13) Due to pension and social security institutions	159,941	218,625
due within one year	159,941	218,625
14) Other payables	2,935,069	2,525,410
due within one year	2,935,069	2,525,410
Total payables	**33,709,106**	**33,760,030**
E) Accrued expenses and deferred income	**32,558**	**41,497**
Total liabilities and shareholder's equity	**51,399,073**	**48,798,029**

Income statement

(Amount in EUR)

	FY 2017/2018	FY 2016/2017
A) Value of production		
1) Revenues from sales of goods and services	74,859,841	69,065,315
2) Change in inventories of work in progress, semi-finished and finished products	570,438	1,108,461
3) Change in contract work in progress	-	-
4) Increases in non-current assets from in-house production	-	-
5) Other income and revenues	-	-
Operating grants	102,771	164,270
Other	565,645	958,993
Total other income and revenues	668,416	1,123,263
Total value of production	**76,098,695**	**71,297,039**
B) Cost of production		
6) Raw and ancillary materials, consumables and goods for resale	29,026,751	28,300,815
7) Services	21,719,776	19,023,069
8) Lease and rental charges	2,574,530	2,684,245
9) Payroll	-	-
a) Wages and salaries	8,680,935	8,625,951
b) Social contributions	2,071,728	2,066,485
c) Termination indemnity	369,876	327,284
d) Pension and similar commitments	-	-
e) Other costs	97,656	59,219
Total payroll costs	**11,220,195**	**11,078,939**
10) Depreciation, amortisation and writedowns	-	-
a) Amortisation of intangible fixed assets	570,112	652,339
b) Depreciation of tangible fixed assets	3,396,126	3,057,146
c) Writedowns of tangible and intangible fixed assets	87,975	20,000
Total depreciation, amortisation and writedowns	**4,054,213**	**3,729,485**
11) Change in inventory of raw and ancillary materials, consumables and goods	(319,641)	606,430
12) Provision for risks and charges	-	-
13) Other provisions	-	-
14) Other operating expenses	498,566	573,009
Total cost of production	**68,774,390**	**65,995,992**
Difference between production value and cost (A - B)	**7,324,305**	**5,301,047**
C) Financial income and charges		
15) Financial income from investments	-	-
16) Other financial income	-	-
a) from financial non-current assets	-	-
b) from other non current securities	-	-
c) from other current securities	-	-
d) Income other than the above	-	-
from parent/controlling companies	3,128	6,013
Other	4,100	5,968
Total income other than the above	7,228	11,981
Total other financial income	**7,228**	**11,981**
17) Interest and other financial charges	-	-
from other	143,439	235,462
Total interest and other financial charges	**143,439**	**235,462**
17 bis) Foreign exchange gains and losses	-	-
Total financial income and charges (15+16-17+-17-bis)	**(136,211)**	**(223,481)**

(Amount in EUR)

	FY 2017/2018	FY 2016/2017
D) Adjustments to financial assets and liabilities		
18) revaluation	-	-
a) of investments	-	-
b) of financial fixed assets other than equity investments	-	-
c) of securities included in current assets	-	-
d) of financial derivatives	7	-
e) of financial assets for centralized cash management (cash pooling)	-	-
Total revaluation	**7**	**-**
19) writedowns	-	-
a) of investments	-	-
b) of financial fixed assets other than equity investments	-	-
c) of securities included in current assets	-	-
d) of financial derivatives	-	22
e) of financial assets for centralized cash management (cash pooling)	-	-
Total writedowns	**-**	**22**
Total adjustments to financial assets and liabilities (18-19)	**7**	**(22)**
Result before taxes (A-B+-C+-D)	**7,188,101**	**5,077,544**
20) Income taxes for the year, current and deferred		
Current taxation	2,347,132	2,044,353
Deferred taxes	156,600	(178,178)
Total income taxes for the year, current and deferred	**2,503,732**	**1,866,175**
21) Net income (loss) for the year	**4,684,369**	**3,211,369**

Statement of cash flow – Indirect method

(Amount in EUR)

	FY 2017/2018	FY 2016/2017
A) Cash flows from operating activities (indirect method)		
Net income (loss) for the year	4,684,369	3,211,369
Taxation	2,503,732	1,866,175
Interest expense/(interest income)	136,211	223,481
(Gains)/losses from disposal of assets	(24,122)	(3,851)
1) Income (loss) for the year before income taxes, interest, dividends and gains/losses from disposals	**7,300,190**	**5,297,174**
Adjustments for non-cash items that had no counterpart in net working capital		
Provisions	239,230	327,284
Depreciation and amortisation of fixed assets	3,966,238	3,709,485
Total adjustments for non-cash items that had no counterpart in net working capital	**4,205,468**	**4,036,769**
2) Cash flow before changes in net working capital	**11,505,658**	**9,333,943**
Change in net working capital		
Decrease/(Increase) in inventory	(1,976,056)	(531,323)
Decrease/(Increase) in trade receivables	(3,090,964)	2,380,712
Increase/(Decrease) in trade payables	3,601,149	1,526,031
Decrease/(Increase) in prepaid expenses and accrued income	204,630	(10,892)
Increase/(Decrease) in accrued expenses and deferred income	(8,939)	1,677
Other decreases/(Other Increases) in net working capital	1,534,120	(1,956,432)
Total changes in net working capital	263,940	1,409,773
3) Cash flow after changes in net working capital	**11,769,598**	**10,743,716**
Other adjustments		
Interest collected/(paid)	(132,111)	(223,481)
(Income taxes paid)	(2,222,924)	(1,917,257)
(Use of provisions)	(262,692)	(395,154)
Total other adjustments	(2,617,727)	(2,535,892)
Cash flow from operating activities (A)	**9,151,871**	**8,207,824**
B) Cash flows from investing activities		
Tangible fixed assets		
(Investments)	(1,857,801)	(3,671,430)
Disposals	195,828	565,955
Intangible assets		
(Investments)	(240,506)	(222,608)
Financial fixed assets		
(Investments)	-	(1,999,978)
Disposals	1,999,993	-
Cash flow from investing activities (B)	**97,514**	**(5,328,061)**
C) Cash flows from financing activities		
Third-party funds		
Increase (Decrease) in current bank loans	(4,806,257)	(3,990,415)
New loans	2,890,000	2,000,000
(Repayment of loans)	(2,884,099)	(991,113)
Own funds		
(Dividends and interim dividends paid)	(2,000,000)	-
Cash flow from financing activities (C)	**(6,800,356)**	**(2,981,528)**
Increase (decrease) in cash and cash equivalents (A ± B ± C)	**2,449,029**	**(101,765)**

(Amount in EUR)

	FY 2017/2018	FY 2016/2017
Cash and cash equivalents at the beginning of the year		
Bank and postal deposits	3,820,886	3,922,736
Cash on hand	249	164
Total cash and cash equivalents at the beginning of the year	**3,821,135**	**3,922,900**
Cash and cash equivalents at the end of the year		
Bank and postal deposits	6,269,598	3,820,886
Cash on hand	566	249
Total cash and cash equivalents at the end of the year	**6,270,164**	**3,821,135**

Information on the statement of cash flows

The statement of cash flows during the year is presented on a comparative basis in accordance with OIC 10.

This statement was prepared using the indirect method, in order to identify the sources and applications of funds deriving from operating, financing and investing activities.

Note that "Increase (decrease) in current bank loans" include the change in the treasury management (cash pooling) account managed by Endurance Overseas S.r.l. (started in the year under review and with a positive balance of € 813,623 at 31st March, 2018).

Explanatory notes, general section

Dear Shareholder, these Explanatory notes form an integral part of the financial statements for the year ended 31st March, 2018.

The financial statements submitted for your approval report net income of € 4,684,369, after taxes of € 2,503,732 and depreciation and amortisation of € 3,966,238.

Form and content of the financial statements

The financial statements for the year ended 31st March, 2018 have been prepared in compliance with the Italian Civil Code, as interpreted and supplemented by the accounting standards issued by the OIC (Italian Accounting Board) and, if these are unavailable and to the extent not in conflict with Italian Accounting Standards, by those issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a going concern basis, as there are no significant uncertainties in this regard.

The financial statements comprise the balance sheet, the income statement, the statement of cash flows (prepared in conformity with the respective requirements of arts. 2424 and 2424 bis of the Italian Civil Code (c.c.), arts. 2425 and 2425 bis c.c. and art. 2425 ter c.c.) and these explanatory notes.

The balance sheet, the income statement, the statement of cash flows and the accounting disclosures contained in these explanatory notes agree with the books of account, from which they have been directly prepared. The items preceded by Arabic numerals in the balance sheet and income statement have not been grouped together, which is optional under art. 2423 ter of the civil code.

The measurement criteria adopted for the various items comply with those specified in art. 2426 c.c. and the relevant accounting standards. These criteria are consistent with those applied for the preparation of the financial statements of the prior year, having regard for the changes in the relevant regulatory framework described below.

The financial statement items are stated in accordance with the prudence concept and on a going concern basis. Pursuant to art. 2423-bis, para. 1, point 1-bis c.c., items are recognised and presented having regard for the substance of the operations or contracts concerned.

Pursuant to Art. 2424 of the Civil Code, we can confirm that no balance sheet items have been allocated to more than one balance sheet line.

In the preparation of the financial statements, income and expenses are recorded on an accruals basis, regardless of the timing of collection and expenditure. Contingencies and losses relating to the year are recognised, even if they become known after the reporting date.

The purpose of the explanatory notes is to describe, analyse and, in some cases, supplement the data reported on the face of the financial statements. They contain the information required by arts. 2427 and 2427 bis c.c., other provisions of the civil code and other legislation. In addition, they provide all the complementary information deemed necessary in order to present the most transparent and complete view possible, even if such information is not required by specific legislation.

No significant events have taken place subsequent to the reporting date that would have had an effect on the financial statements for the year ended 31st March, 2018.

Amounts are stated in whole Euro (€), unless specified otherwise.

The financial statements comply with the requirements of article 2423 et seq. of the Italian Civil Code and with the Italian accounting standards issued by the OIC (Italian Accounting Board); they have therefore been prepared clearly and give a true and fair view of the Company's financial position and results of operations.

Accounting policies for the preparation of the financial statements

The information contained in this document is presented in the order in which the related components are indicated in the balance sheet and income statement.

With reference to the matter indicated in the introduction to the explanatory notes, we can confirm that, pursuant to paragraph 3 of art. 2423 of the Civil Code, where the information required by legislative provisions is not sufficient to give a true and fair view of the company's situation, supplementary information is provided for this purpose.

No exceptional cases have arisen that have made it necessary to seek exemptions under paragraphs 4 and 5 of art. 2423 and paragraph 2 of art. 2423-bis of the Civil Code.

Accounting policies

The accounting principles applied for the preparation of these financial statements, described below, take account of the amendments, additions and new provisions included in the civil code by Decree 139/2015, which transposed Directive 34/2013/EU into Italian law. In particular, the domestic accounting standards were reformulated by the OIC in the latest version issued on 22nd December, 2016, inclusive of the amendments published on 29th December, 2017.

The accounting policies applied for the measurement of financial statement items and for their adjustment comply with the provisions of the Italian Civil Code and with the indications included in the Italian accounting standards reformulated by the Italian Accounting Board.

Pursuant to art. 2427 paragraph 1 no. 1 of the Italian Civil Code, we explain the more significant accounting policies applied in compliance with the provisions of art. 2427 of the Italian Civil Code, particularly for those items for which the legislator permits the use of options for measurement and adjustments or for which no specific accounting policy exists.

Intangible assets

When the established criteria are met, these are recorded at purchase or production cost, inclusive of direct costs and related charges, and amortised systematically each year on a straight-line basis. Intangible assets are recognised with the consent of the Board of Statutory Auditors where prescribed by law.

Their book value is stated net of accumulated amortisation and writedowns.

Amortisation is applied as indicated below, in order to allocate the cost incurred over the useful life of the assets:

Intangible asset item	Amortisation period
Start-up and expansion costs	5 years on a straight-line basis
Concessions, licences, trademarks and similar rights	10 years on a straight line basis
Goodwill	5 years on a straight-line basis
Other intangible assets	Based on the length of the underlying contracts

Advertising and research costs are expensed in full in the accounting period in which they are incurred.

Goodwill includes amounts paid for this reason in the context of the acquisition of companies or other corporate transactions and is amortised over its useful life. If its useful life cannot be estimated, the goodwill is amortised over a period of 10 years. For the purposes of calculating the useful life of goodwill, defined as 5 years, the Company has taken into consideration the information available to estimate the period within which it is probable that the economic benefits associated with the goodwill will be manifested.

Leasehold improvements are capitalised and classified as "other intangible assets" if they cannot be separated from the assets concerned (in which case they are recognised in the relevant category of "tangible fixed assets"). They are amortised systematically over the period they are expected to benefit (prudently determined to be 5 years) or, if shorter, over the residual duration of the lease after taking account of any renewal period available at the discretion of the Company.

If permanent impairment is identified regardless of the amortisation already recorded, the asset is written down accordingly; should the reasons for write-downs cease to apply in subsequent years, the original amounts are reinstated without exceeding the carrying amounts that the assets would have had in the absence of the write-downs. This reinstatement does not apply to goodwill or the deferred charges referred to in point 5 of art. 2426 c.c.

Pursuant to art. 10 of Law 72 of 19th March, 1983 and subsequent laws on the revaluation of assets, we confirm that the intangible assets recorded in the books have never been revalued.

Tangible fixed assets

These are recorded at purchase or internal construction cost and stated net of the depreciation charged in the current and prior years. Costs comprise related charges and the direct and indirect expenses that can reasonably be allocated to assets during the construction period and until they become available for use. They also include any borrowing costs incurred to finance the construction work (whether internal or carried out by third parties) until the asset become available for use, without however exceeding its recoverable value. Tangible fixed assets are only revalued if this is required or allowed by special laws.

Assets purchased in foreign currencies are recorded at cost using the exchange rate in force on the transaction date, or using the lower rate applying on the reporting date if the reduction is deemed to be permanent.

Tangible fixed assets are depreciated systematically each year on a straight-line basis using the following rates:

Tangible fixed assets	Depreciation rate
Industrial buildings	3.00%
General plant	10.00%
Specific machinery	17.50%
Furnaces and appurtenances	15.00%
Sundry and minor equipment	25.00%
Dies and shears	20.00%
Light constructions	10.00%
Assets costing less than € 516.46	100.00%
Electronic office machines	20.00%
Ordinary office machines and furniture and furnishings	12.00%
Motor cars	25.00%
Vehicles and lifting equipment	20.00%

When fixed assets enter into service during the year, their depreciation, calculated on a time-apportioned basis (pro-rata temporis), commences from the month after which the assets become available and ready for use.

Depreciation is also charged on fixed assets that are temporarily out of use. Land is not depreciated, as its useful life is not finite.

If applicable, buildings held as a financial investment are not depreciated if their residual value is greater than or equal to their net carrying amount.

If permanent impairment is identified regardless of the depreciation already recorded, the asset is written down accordingly; should the reasons for write-downs cease to apply in subsequent years, the original amounts are reinstated without exceeding the carrying amounts that the assets would have had in the absence of the earlier write-downs.

Routine maintenance and repair costs are charged in full to the income statement. Improvement costs are allocated to the fixed assets concerned and depreciated over their residual useful lives.

Costs incurred to expand, modernise or improve the structural elements of a tangible fixed asset are capitalised if they significantly and measurably increase its productive capacity, safety or useful life. If these costs do not have the above effect, they are treated as routine maintenance and charged to the income statement.

Grants are recognised when it becomes reasonably certain that the conditions for their collection will be satisfied and the grants will be paid. They are deducted from cost indirectly, as they are credited to income statement caption A5 "other income and revenues" and then deferred for recognition on an accrual basis via classification as "deferred income".

Impairment (intangible assets and tangible fixed assets)

At each reporting date, the Company determines if there is any evidence that the value of its tangible and intangible fixed assets might be impaired. If such evidence is found, the Company estimates the recoverable value of each asset concerned and records an impairment writedown if it is lower than the corresponding net carrying amount.

Recoverable value is not determined if there is no evidence of possible impairment.

The recoverable value of tangible and intangible fixed assets is deemed to be their value in use (calculated by discounting their future cash flows) or, if greater, their fair value (being the amount obtainable at the reporting date, based on the best available information, from their sale in an arm's-length transaction between knowledgeable and willing parties, net of the related selling costs).

With regard to the above, the Company has looked for evidence that the value of its tangible and intangible fixed assets might be impaired, but did not find any and, accordingly, has not determined the recoverable value of the above assets.

Equity investments and securities (classified as financial fixed assets)

The equity investments and debt securities classified as fixed assets will be held by the Company over the long term. Equity investments are measured at cost, as adjusted for any impairment. Debt securities are measured using the amortised cost method.

The cost recorded in the financial statements is determined with reference to purchase or subscription price, inclusive of related expenses. If lasting impairment is identified, the carrying amount of equity investments is reduced to their recoverable value, which is determined with reference to the future benefits that are expected to accrue to the Company. Should the Company be obliged or intend to cover the (non-permanent) losses incurred by an equity investment, a suitable provision is recorded to cover the liability to which the Company is exposed. If in future years the reasons for the writedown cease to apply, the equity investment is written back to its original carrying amount.

The amortised cost of a security is its original carrying amount, net of any redemptions of principal, as increased or decreased by the accumulated amortisation, calculated using the effective interest method, of any difference between its initial and maturity values after deducting any impairment (recognised directly or by a provision) following a loss in value. The original carrying amount is represented by purchase or subscription cost, net of any commissions.

Intercompany loans

Intercompany loans with a duration of more than 12 months are usually governed by contracts arranged on market terms and conditions; interest-free intercompany loans and those arranged at significantly below market rates are recognised initially at the value of the related future cash flows, as discounted using the market rate (being the average funding rate of the Company or the Group). The difference with respect to the liquidity collected by the parent company is credited to shareholder's equity.

Inventories

Inventories are stated at the lower of purchase and/or production cost, determined using the weighted average cost method, or the realisable value inferred from market prices.

In particular, the specific criteria used to measure the various categories of inventory (unchanged with respect to the prior year) are summarised below:

- Raw materials: annual weighted average cost (including components purchased from third parties and alloys);
- Work in process (semi-finished products): manufacturing cost based on the stage of completion of the production process, being the cost of production;
- Finished products: manufacturing cost;
- Dies for resale: purchase cost;
- Consumables: purchase cost, inclusive of spare parts.

Purchase cost includes any directly attributable ancillary charges, with the exclusion of borrowing costs. Production cost includes the indirect costs that are reasonably attributable to each asset during the production period until it becomes available for use.

The realisable value of goods, finished products, semi-finished products and work in process inferred from market conditions is deemed to be their net realisable value. Raw and ancillary materials held for the production of finished products are not written down if the finished products in which they will be used are realisable for an amount that is greater than or equal to their production cost.

Inventories are written down when their realisable value estimated with reference to market conditions is lower than their carrying amount. Obsolete and slow-moving inventories are written down with reference to their possible uses or realisable value. If in future years the reasons for any writedown cease to apply, the related inventories are written back to not more than their original cost.

Receivables

Receivables are stated at amortised cost, having regard for the time factor and their estimated realisable value. The amortised cost method is not applied when its effects are insignificant, being when the transaction costs, the commissions paid between the parties and all other difference between initial value and maturity value are immaterial or when the receivables are recoverable in the short term (within 12 months).

Trade receivables due beyond 12 months at the time of initial recognition, without the payment of interest or with interest that differs significantly from market rates, and the related revenues are recognised initially at the value of their future cash flows discounted using the market rate (being that applied by two independent parties when negotiating a loan transaction with similar terms and conditions). The difference between the amount of the receivable recognised initially and its maturity value is recognised as financial income in the income statement over the duration of the receivable, using the effective interest method.

The amount of receivables, as determined above, is adjusted when necessary by a specific allowance for doubtful accounts, which is deducted directly from their gross amount in order to report them at their estimated realisable value. The provision (which takes account of collection losses, returns and invoicing adjustments, discounts and allowances, interest not yet earned and other reasons for reduced recoverability) is charged to the income statement.

Receivables assigned to factors, if any, are only derecognised if they are sold without recourse and essentially all the related risks are transferred (the difference between the consideration received on the assignment and the carrying amount of the receivable is recognised in income statement caption C17). If the assignment does not involve derecognition (for example, assignment with recourse), since not all the related risks are transferred, the receivable continues to be reported in the balance sheet and is measured in the manner described above. If advance consideration is received from the assignee, the amount is recognised as a financial payable.

Receivables taking the form of bank receipts that have not been assigned, remain classified as receivables until final collection of the amounts concerned.

Receivables deriving from centralised treasury management activities (within cash pooling agreement) are classified separately within current assets, if recoverable in the short term. If this is not the case, they are classified as financial fixed assets.

Cash and cash equivalents

Cash and cash equivalents at the reporting date are measured at their nominal value. Amounts denominated in foreign currencies are measured using the closing exchange rates.

Prepaid/deferred expenses and accrued/deferred income

Prepaid/deferred expenses and accrued/deferred income include costs and revenues relating to the year that will be formally recorded in future years, and costs and revenues recorded by the reporting date that relate to future years. The related amounts are determined on a time-apportioned basis.

Provisions for risks and charges

The provisions for risks and charges cover known or likely losses or liabilities, the timing or extent of which cannot be determined at the reporting date. These provisions, including those for deferred tax liabilities, which are classified in this caption, reflect the best possible estimates based on the information available. Risk that only might give rise to a liability are described in the notes on the provisions, without actually recording a provision. As required by OIC 31, new provisions for risks and charges are, where possible, classified in the relevant income statement classes (B, C or D). Whenever it is not possible to correlate a new provision with a caption in one of the above classes, it is classified in income statement caption B12 or B13.

Employee termination indemnities

Employee termination indemnities represent the total amount that would have been payable to all employees had they terminated their employment on the reporting date. The charge for the year, comprising the new provision and the revaluation of the accumulated provision (based on the change in the relevant ISTAT index), is determined in accordance with current regulations, having regard for the specific employment contracts and the professional categories concerned. Employee termination indemnities are classified in liability caption C, while the provision for the year is classified in income statement caption B9.

The changes made to the regulations governing termination indemnities by Law 296 dated 27th December, 2006 (2007 Finance Law) and subsequent decrees and enabling regulations, amended the accounting for the indemnities earned by 31st December, 2006 and those earned from 1st January, 2007. In particular, following creation of the INPS Treasury Fund to manage the termination indemnities of private sector employees, employers with more than 50 employees are obliged to pay the new provisions relating to them into the Treasury Fund, unless the persons concerned have specifically opted for their indemnities to be paid to a supplementary pension fund. The employee termination indemnities reported in the balance sheet are therefore stated net of the amounts paid to the above INPS Treasury Fund.

Payables

Payables are stated at amortised cost, as defined in art. 2426, para. 2 c.c., having regard for the time factor envisaged in art. 2426, para. 1, point 8 c.c.. Payables are however stated at their nominal amount if application of the amortisation cost and/or discounting methods would not be significant for the purpose of providing a true and fair view of the financial position and results of operations. This situation arises in the case of payables due within twelve months or, with regard to the amortised cost method, if the transaction costs, commissions and all other differences between the initial value and the maturity value are insignificant or, again, with regard to the discounting method, if the interest rate inherent in the contractual conditions is not significantly different to the market rate of interest.

The amounts due to employees for untaken holidays and deferred payroll, including the related social security contributions, are accrued with reference to the amount that would have been payable had their employment ceased on the reporting date.

Finance leases

Finance leases are recognised using the payments method, by charging the instalments paid to the income statement on an accruals basis. A specific section of these explanatory notes contains the supplementary information required by the law on the effect of recognising these contracts using finance lease methodology.

Derivative financial instruments

Derivative financial instruments consist of financial assets and liabilities measured at fair value.

They are only classified as hedging instruments when, at the time of arrangement, there is a strict, documented correlation between the characteristics of the hedged item and those of the hedging instrument, and that hedging relationship is both formally documented and, based on periodic checks, highly effective.

When derivatives hedge the risk of changes in the fair value of the hedged instruments (fair value hedges), they are measured at fair value through profit or loss; for consistency, the carrying amounts of the hedged items are adjusted to reflect the changes in fair value associated with the hedged risk.

When derivatives hedge the risk of changes in the future cash flows generated by the hedged instruments (cash flow hedges), the effective portion of the profit or loss on the derivative is deferred to shareholder's equity. The ineffective portion of the profits and losses associated with a hedge is recognised in the income statement. On completion of the transaction, the accumulated profits and losses, previously deferred to shareholder's equity, are released to the income statement (to adjust the income statement items affected by the hedged cash flows).

When hedge accounting is used, the changes in the related fair value of the hedging derivatives are recognised:

- in income statement captions D18 or D19, in the case of a fair value hedge of a reported asset or liability, together with the changes in the fair value of the hedged items (if the change in the fair value of the hedged item is greater in absolute terms than the change in the fair value of the hedging instrument, the difference is recognised in the income statement caption affected by the hedged item);

- in a specific equity reserve (caption AVII "Reserve for cash flow hedges") in a manner that offset the effects of the hedged flows (the ineffective portion, like the change in the time value of options and forwards, is classified in captions D18 and D19).

The changes in the fair value of financial instruments that are classified as trading derivatives, either because they do not qualify for treatment as hedging derivatives or because they were not designated as hedges, even though they were arranged operationally to hedge the risk of changes in interest rates and/or exchange rates and/or commodity prices, are recorded in the balance sheet and recognised in income statement captions D18 or D19.

Any derivatives embedded in other financial instruments must also be measured at fair value. In particular, embedded instruments are only separated from the primary contract and recognised as derivative financial instruments if, and only if:

- the economic characteristics and risks of the embedded derivative are not closely correlated with the economic characteristics and risks of the primary contract. Close correlation exists if hybrid contracts are arranged in accordance with market practice;

- all the elements included in the definition of a derivative financial instrument specified in OIC 32.11 are satisfied.

Revenues

Revenues from the sale of goods are recognised when ownership passes in substance, rather than in formal terms, being when the related risks and benefits are transferred (which in practice coincides with the time of delivery or shipment of the goods).

Revenues from the sale of products and goods or the provision of services relating to core operations (including income from the sale of production machinery and equipment, if envisaged under contractual agreements with customers) are recognised net of returns, discounts, allowances and rebates, as well as the taxes directly associated with the sale of products and the provision of services.

Revenues from services are recognised upon completion and/or when earned.

Transactions with related parties take place on normal market terms and conditions.

Costs

Costs stated net of returns, discounts, allowances and rebates are recognised on an accruals basis in accordance with the matching principle, regardless of the date of collection or payment. Compliance with the matching principle requires an estimate to be made of the invoices to be received.

Dividends

Dividends are recognised in the year in which they are declared by the shareholders' meeting. Dividends are recognised as financial income, regardless of the nature of the reserves that are distributed.

Financial income and charges

Financial income and charges are recognised on an accruals basis. Costs relating to the disposal of receivables for whatever reason are charged to the income statement on an accruals basis.

Taxation

Income taxes are recognised with reference to an estimate of taxable income in compliance with current regulations, having regard for any applicable exemptions and tax credits.

Deferred tax assets and liabilities are calculated on the temporary differences between the reported carrying amount of assets and liabilities and their corresponding values for tax purposes. Their measurement takes account of the tax rates expected to be in force in the year in which such differences contribute to the formation of taxable income, considering the rates in force or those already communicated at the reporting date (24% for IRES and 3.9% for IRAP). They are classified respectively among the current assets as "deferred tax assets" and among the provisions for risks and charges as "deferred tax liabilities".

In accordance with the concept of prudence, deferred tax assets are recognised on all deductible temporary differences if it is reasonably certain that taxable income in the years in which they reverse will not be less than the amount of the differences to be absorbed.

By contrast, deferred tax liabilities are recognised on all taxable temporary differences.

Deferred tax liabilities are not recognised in relation to reserves subject to the deferral of taxation if they are unlikely to be distributed to the shareholder.

For the year under review and for a period of three financial years (until the year ended 31st March, 2020 included), the Company is a member of the domestic tax group organised by the Endurance Group pursuant to arts. 117/129 of the Consolidated Tax Law (T.U.I.R.).

Endurance Overseas S.r.l. is the parent of this tax group and calculates just one taxable income for all member companies, with the benefit that taxable income can be offset against tax losses in a single tax declaration.

All members of the tax group transfer their taxable income (or loss) to the group parent, which records an amount receivable from them for the IRES to be paid (the consolidated companies record an amount payable to the tax group parent). Conversely, the group parent records an amount payable to the companies that transfer tax losses, representing the IRES actually offset at group level (the consolidated companies record an amount receivable from the tax group parent).

Translation of foreign currency items

Non-monetary assets and liabilities originally denominated in foreign currencies are recognised in the balance sheet using the exchange rates applying at the time of their acquisition, being their initial recognition cost.

Monetary assets and liabilities originally denominated in foreign currencies are recognised in the balance sheet using the spot exchange rates applying on the reporting date; the related exchange gains and losses are recognised in the income statement and any net unrealised gains are allocated to a non-distributable reserve until they have been realised.

On the reporting date, the company does not own assets and liabilities in foreign currency

Other information

Repurchase agreements

Pursuant to art. 2427 point 6-ter, the Company confirms that no repurchase agreements were arranged during the year.

Explanatory notes – Assets

The assets recorded in the balance sheet are measured in accordance with art. 2426 c.c. and Italian accounting standards. The specific measurement criteria applied are indicated in the individual notes on each item.

Fixed assets

Intangible assets

"Intangible assets" total € 1,539,921 at 31st March, 2018 (€ 1,869,527 at 31st March, 2017), after charging amortisation of € 570,112 to the income statement. They are analysed in detail below.

Industrial patent rights and intellectual property rights mainly include the residual value of software used for business activities.

Goodwill arose on the purchase of a business unit from Fondpress S.r.l. in 2013 and was recognised as an asset with the consent of the Board of Statutory Auditors. It is being amortised over a period of five years in accordance with art. 2426, paragraph 1.6 of the Italian Civil Code.

In particular, consistent with the manner in which the production inputs are used and taking account of an acceleration in the life cycle of the technologies applied, the useful life of goodwill was revised in the 2015/2016 financial year from 10 years to 5 years in total (starting from the initial recognition of the asset in 2013).

As a result, the Company adjusted the carrying amount of goodwill in the previous years by recording a provision, recognised in the income statement as a writedown of fixed assets, totalling € 365,956. These changes have not affected the tax deductibility of the amounts concerned, which remains unchanged (over 18 years, in accordance with the Consolidated Income Tax Law - TUIR).

Other intangible assets mainly include the non-separable leasehold improvements made to the production facilities at the Chivasso factory, which is used by the Company under a rental contract with Endurance Overseas S.r.l., and the work performed on plant and machinery held by the Company under finance lease contracts. These assets are amortised over their estimated technical useful lives or, if shorter, over the residual duration of the respective rental/lease contracts.

Movements in intangible assets

Intangible assets are analysed below, together with the related accumulated amortisation and information about the changes that took place during the year:

(Amount in EUR)

	Industrial patent rights and intellectual property rights	Goodwill	Other intangible assets	Total intangible assets
Balance at the beginning of the year				
Cost	167,574	1,626,472	2,592,021	4,386,067
Accumulated amortisation	159,977	1,016,545	974,062	2,150,584
Writedowns	-	365,956	-	365,956
Carrying amount	**7,597**	**243,971**	**1,617,959**	**1,869,527**
Changes during the year				
Additions	81,263	-	159,243	240,506
Amortisation for the year	9,179	243,971	316,962	570,112
Total changes	**72,084**	**(243,971)**	**(157,719)**	**(329,606)**
Carrying amount at the end of the year				
Cost	248,837	1,626,472	2,751,264	4,626,573
Accumulated amortisation	169,156	1,260,516	1,291,024	2,720,696
Writedowns	-	365,956	-	365,956
Carrying amount	**79,681**	**-**	**1,460,240**	**1,539,921**

Additions in the year relate in particular to licences, software and leasehold improvements, mainly work on the installations and utility connections at the Chivasso facilities.

No evidence was found during the year to indicate the possible impairment of intangible assets and, accordingly, no write-downs have been recorded pursuant to art. 2426, para. 1, point 3, of the Italian Civil Code and the requirements of OIC 9. The previous adjustment of goodwill was not a reflection of impairment, but rather of a change in its useful life following a revision of the expectations for the development of the made business development, as mentioned above.

Tangible fixed assets

Movements in tangible fixed assets

This category comprises assets that will be employed over the long term, forming part of the permanent organisation of the Company. This statement reflects their intended use by the Company, rather than their intrinsic life. These assets are normally employed in the production of income in the ordinary course of business and, therefore, they are not held for sale or for transformation into the products of the Company.

Gross tangible fixed assets total € 28,625,352 (€ 27,286,502 at 31st March, 2017); The related accumulated depreciation totals € 17,266,295, including the depreciation charge for the year of € 3,396,126.

The principal assets in this category comprise land and buildings (€ 2,650,852 at 31st March, 2018), including the Grugliasco in particular, and plant and machinery (with a net carrying amount of € 8,615,723 at 31st March, 2018) used in the productive activities of the Company.

"Assets under construction and advance payments" (€ 110,352 at 31st March, 2018) comprise the advances paid to suppliers, mainly for the purchase of plant and machinery, together with the value of assets purchased but not yet approved for inclusion in the production cycle.

(Amount in EUR)

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Assets under construction and advance payments	Total tangible fixed assets
Balance at the beginning of the year						
Cost	2,876,038	21,231,157	1,349,765	613,150	1,216,392	27,286,502
Revaluations	-	438,412	-	7,200	-	445,612
Accumulated depreciation	175,561	12,517,058	1,100,590	421,206	-	14,214,415
Writedowns	-	64,000	-	-	-	64,000
Carrying amount	**2,700,477**	**9,088,511**	**249,175**	**199,144**	**1,216,392**	**13,453,699**
Changes during the year						
Additions	-	1,544,363	175,740	46,698	91,000	1,857,801
Reclassifications (of carrying amount)	-	1,197,040	-	-	(1,197,040)	-
Disposals (at carrying amount)	-	172,005	2,700	-	-	174,705
Depreciation for the year	49,625	3,042,186	237,154	67,161	-	3,396,126
Total changes	**(49,625)**	**(472,788)**	**(64,114)**	**(20,463)**	**(1,106,040)**	**(1,713,030)**
Carrying amount at the end of the year						
Cost	2,876,038	23,456,609	1,522,505	659,848	110,352	28,625,352
Revaluations	-	438,412	-	7,200	-	445,612
Accumulated depreciation	225,186	15,215,298	1,337,444	488,367	-	17,266,295
Writedowns	-	64,000	-	-	-	64,000
Carrying amount	**2,650,852**	**8,615,723**	**185,061**	**178,681**	**110,352**	**11,740,669**

Additions in the year mainly relate to plant and machinery (totalling € 2,741,403) and consisted among other things of:

- plant (totalling € 668,220), relating for € 496,804 to the die-casting emulsion treatment plant installed at the Chivasso plant;

- specific machinery (for a total of € 2,047,483) mainly to complete the installation of a medium-tonnage die-casting machine and an island for processing and assembly at the Chivasso plant (for which a part of the costs at 31st March, 2017 was included in assets under construction and advances), as well as an industrial X-ray machine and two carpet shot blasting machines.

No write-downs have been recorded pursuant to para. 1.3 of art. 2426 of the Italian Civil Code and the requirements of OIC 9, as no evidence has been found of possible impairment in the value of tangible fixed assets.

Finance leases

The national legislator requires finance leases to be accounted for as though they were operating leases, with lease instalments charged to income.

The tables which follow provide the information required by the legislator in order to present, in the form of a disclosure, the impact of the difference that would arise from accounting for the finance leases in accordance with IFRS:

(Amount in EUR)

	Effects on the Balance Sheet - Assets		
a)	Outstanding contracts		
a.1)	Assets under finance leases at the end of the previous year		9,444,919
	- of which the gross amount	14,928,000	
	- of which accumulated depreciation	(5,483,081)	
a.2)	Assets purchased under finance leases during the year		-
a.3)	Assets under finance leases redeemed during the previous year		(935,100)
a.4)	Depreciation charge for the year		1,744,606
a.5)	Writedowns/writebacks on assets under finance leases		-
a.6)	Assets under finance leases at the end of the year		7,702,280
	- of which the gross amount	13,992,900	
	- of which accumulated depreciation	(6,290,619)	
a.7)	Prepaid instalment interest at the end of the year		-
a.8)	Curtailment of prepaid expenses under the balance sheet method		(513,685)
b)	Redeemed assets		
b.1)	Higher/lower total value of redeemed assets, determined using finance lease methodology, with respect to their carrying amounts at year end		12,891

	Effects on the Balance Sheet - Liabilities		
c)	Implicit payables		9,461,045
c.1)	Implicit payables for finance leases at the end of the previous year		
	- of which due within one year	1,522,678	
	- of which due beyond one and within 5 years	5,104,192	
	- of which due beyond 5 years	3,014,175	-
c.2)	Implicit payables that arose during the year		1,522,678
c.3)	Repayment of principal and redemptions during the year		8,118,367
c.4)	Implicit liabilities for finance leases at the end of the year (*)		
	- of which due within one year (*)	4,913,217	
	- of which due beyond one and within 5 years (*)	3,185,661	
	- of which due beyond 5 years (*)	19,489	-

(Amount in EUR)

c.5)	Accrued instalment interest at the end of the year		-
c.6)	Curtailment of accrued expenses under the balance sheet method		-
d)	**Total gross effect at the end of the year [a.6+(a.7-a.8)+b.1-c.4+(c.5-c.6)]**		**(916,880)**
e)	**Tax effect**		**255,810**
f)	**Effect on Shareholder's Equity at the end of the year (d-e)**		**(661,070)**

	Effects on the Income Statement		
g)	**Effect on income before taxes (lower/higher costs) (g.1+g.2+g.3+g.4+g.5)**		**(114,413)**
g.1)	Reversal of instalments on finance lease transactions		1,787,214
g.2)	Recognition of financial charges on finance lease transactions		(152,405)
g.3)	Recognition of depreciation charges on outstanding contracts		(1,744,606)
g.4)	Recognition of depreciation charges on redeemed assets		(4,615)
g.5)	Recognition of adjustments/write-backs on leased assets		-
h)	**Recognition of the tax effect**		**(7,974)**
i)	**Net effect on the result for the year of accounting for lease transactions with the finance lease method rather than the balance sheet method actually used (g-h)**		**(122,386)**

(*) the classification by maturity of the implicit payables for financial lease transactions (the portion falling due in the following year and beyond) takes into account the effects of early redemption of the lease contract for the Chivasso property.

The value of future lease instalments, including the end-of-lease payments, totals € 8,197,816 at 31st March, 2018 (€ 11,284,932 at 31st March, 2017).

With effect on 4th April, 2018, the Company proceeded with the early redemption of the financial lease contract for a property in Chivasso where the Company carries on its business. This transaction resulted in an outlay of € 3,675,744, representing the redemption value of the asset, paid to the leasing company on the indicated date.

Financial fixed assets

The equity investments reported in the balance sheet, € 155, are unchanged since 31st March, 2017 and comprise the shares held in Confartigianato Fidi Piemonte and Nord Ovest S.C.p.A.

In compliance with OIC 32, the derivative financial instruments include the positive fair value of certain derivatives arranged by the Company to hedge the risk of fluctuations in the interest rates charged on long-term loans in particular, interest rate swaps and interest rate caps, equal to € 8 at 31st March, 2018. Although the above contracts qualify as hedges (being correlated with the related loan conditions), the Company has elected not to recognise them as cash flow hedges and to recognise the changes in the fair value of the instruments held in the income statement (income totaling € 7 during the year ended 31st March, 2018).

Changes in and maturity of non-current receivables

Non-current financial receivables (€ 2,000,000 as at 31st March, 2017) referred to a loan granted to the parent company Endurance Overseas S.r.l., repaid during the year in question.

The changes in the above non-current receivables are shown in the table below.

(Amount in EUR)

	Balance at the beginning of the year	Changes during the year	Balance at the end of the year
Receivables due from parent companies	2,000,000	(2,000,000)	-
Total	**2,000,000**	**(2,000,000)**	**-**

Current assets

Current assets are measured in the manner described in paragraphs 8 to 11-bis of art. 2426 of the Civil Code. The accounting policies applied are explained in the notes on the respective financial statement items.

Inventories

The inventories reported in the balance sheet at 31st March, 2018 total € 11,672,737, net of an allowance amounting to € 552,727, set aside in previous years in proportion of the valuation of the impact of the potential risks associated with obsolete and slow-moving items.

(Amount in EUR)

	Balance at the beginning of the year	Changes during the year	Balance at the end of the year
Raw materials, ancillary materials and consumables	1,884,790	319,640	2,204,430
Work in process and semi-finished products	2,988,277	(321,760)	2,666,517
Finished products and goods	4,794,322	892,198	5,686,520
Advances	29,293	1,085,977	1,115,270
Total	**9,696,682**	**1,976,055**	**11,672,737**

The increase in inventories is consistent with the growth in the volume of the Company's business recorded in the year.

Current receivables

These total € 18,703,529 at 31st March, 2018, up by € 1,609,596 since 31st March, 2017 (€ 17,093,933). These receivables are stated at their estimated realisable value as application of the amortisation cost and/or discounting methods would not be significant for the purpose of providing a true and fair view of the financial position and results of operations.

Changes and maturities of current receivables

The following table shows the information related to changes in current receivables and, if material, their due date.

(Amount in EUR)

	Balance at the beginning of the year	Changes during the year	Balance at the end of the year	Within one year	Beyond one year
Trade receivables	10,552,952	(1,559,963)	8,992,989	8,992,989	-
Receivables due from parent companies	118,513	3,556	122,069	9,569	112,500
Receivables from companies under common control	2,824,576	4,647,370	7,471,946	7,471,946	-
Tax receivables	2,413,300	(1,372,643)	1,040,657	1,040,657	-
Deferred tax assets	1,104,453	(156,600)	947,853	-	947,853
Other receivables	80,139	47,876	128,015	128,015	-
Total	**17,093,933**	**1,609,596**	**18,703,529**	**17,643,176**	**1,060,353**

Trade receivables (€ 8,992,989 at 31st March, 2018) decrease versus the previous year, mainly because of the reduction in turnover during the last quarter of the year compared with the same period last year, due to a different time distribution of sales. The nominal amount of trade receivables is adjusted to reflect their expected realisable value by the allowance for doubtful accounts of € 298,404, which has increased by € 87,975 since last year.

The amounts due from the parent company refer to guarantee deposits for € 112,500 and to trade receivables outstanding with Endurance Overseas S.r.l..

Receivables due from companies under common control comprise the trade receivables due from Endurance Fondalmec S.p.A.

Tax receivables almost entirely consist of VAT recoverable from the Italian tax authorities (€ 1,030,517).

Deferred tax assets amount to € 947,853 at 31st March, 2018 (with a decrease on the previous year of € 1,105,453) and mainly relate to differences between the statutory accounts bases and the tax bases of the carrying amount of goodwill and the deferred deductibility of provisions for risks and writedowns. These deferred tax assets have been recognised as they are likely to be recoverable against expected future taxable income, as reflected in management's most recent forecasts. The reduction during the year is attributable to the reversal of deferred tax assets booked in previous years.

Other receivables (€ 128,015 at 31st March, 2018) include the guarantee deposits paid to suppliers (€ 16,305), together with other amounts due.

Breakdown of current receivables by geographical area

It is not deemed meaningful to analyse receivables by geographical area, given that all receivables other than the amounts due from customers are due from Italian counter parties, while the trade receivables are due from multinationals operating in the automotive sector that each have legal entities and factories located in several countries. As regards the geographical distribution of the Company's business, please refer to what is stated in relation to sales revenues.

Current financial assets

Movements in current financial assets

Centralised treasury management

The Company signed a cash pooling agreement with the parent company Endurance Overseas S.r.l. during the year. Pursuant to art. 2423-ter, para. 3 c.c. and after ensuring recoverability in the short term, as required by OIC 14, the Company has classified separately the amount due from the company that manages the central treasury activities of the group in asset caption C.3.7) within "Current financial assets".

(Amount in EUR)

Description	Balance at the beginning of the year	Changes during the year	Balance at the end of the year
Treasury management assets (cash pooling contract)	-	813,623	813,623
Total	**-**	**813,623**	**813,623**

This balance represents the amounts due from Endurance Overseas S.r.l. under the agreed cash pooling arrangements.

Cash and cash equivalents

Cash and cash equivalents at 31st March, 2018 are analysed below:

(Amount in EUR)

	Balance at the beginning of the year	Changes during the year	Balance at the end of the year
Bank and postal deposits	3,820,886	2,448,712	6,269,598
Cash on hand	249	317	566
Total	**3,821,135**	**2,449,029**	**6,270,164**

This item principally comprises the balance on bank current accounts at 31st March, 2018. The changes in cash and cash equivalents are analysed in the statement of cash flows.

Prepaid expenses and accrued income

Prepaid expenses at 31st March, 2018 are analysed in the following table together with the changes during the year:

(Amount in EUR)

	Balance at the beginning of the year	Changes during the year	Balance at the end of the year
Accrued income	7,500	(5,500)	2,000
Prepaid expenses	855,397	(199,130)	656,267
Total prepaid expenses and accrued income	**862,897**	**(204,630)**	**658,267**

Prepaid expenses principally include the future portion of lease charges (€ 525,909), as well as other costs relating to insurance policies (€ 99,107).

Capitalised financial charges

All interest expense and other financial charges have been expensed during the year. In compliance with paragraph 1.8 of art. 2427 of the Italian Civil Code, it is hereby confirmed that no financial charges have been capitalised.

Explanatory notes, liabilities and shareholder's equity

Shareholders' equity and all liabilities are recorded in the balance sheet in compliance with Italian accounting standards; the specific measurement criteria applied are indicated in the individual notes on each item.

Shareholder's equity

The components are stated at their carrying amount in accordance with accounting standard OIC 28.

Changes in shareholder's equity items

With reference to the year just ended, the table below sets out changes in the components of shareholder's equity, as well as details of other reserves, if any.

The changes in shareholder's equity during the prior year are analysed below:

(Amount in EUR)

	Balance at the beginning of the year	Allocation of the prior year result - Other allocations	Other changes - Decreases	Result for the year	Balance at the end of the year
Share capital	382,200	-	-	-	382,200
Revaluation reserves	759,440	-	-	-	759,440
Legal reserve	197,920	-	-	-	197,920
Extraordinary reserve	4,962,658	-	-	-	4,962,658
Other reserves	186,181	-	-	-	186,181
Retained earnings (accumulated losses)	1,823,933	1,950,359	(1)	-	3,774,291
Net income (loss) for the year	1,950,359	(1,950,359)	-	3,211,369	3,211,369
Total	**10,262,691**	**-**	**(1)**	**3,211,369**	**13,474,059**

The changes in shareholder's equity during the 2017/2018 financial year are analysed below:

(Amount in EUR)

	Balance at the beginning of the year	Allocation of the prior year result - Distribution of dividends	Allocation of the prior year result - Other allocations	Result for the year	Balance at the end of the year
Share capital	382,200	-	-	-	382,200
Revaluation reserves	759,440	-	-	-	759,440
Legal reserve	197,920	-	-	-	197,920
Extraordinary reserve	4,962,658	-	-	-	4,962,658
Other reserves	186,181	-	-	-	186,181
Retained earnings (accumulated losses)	3,774,291	(2,000,000)	3,211,369	-	4,985,660
Net income (loss) for the year	3,211,369	-	(3,211,369)	4,684,369	4,684,369
Total	**13,474,059**	**(2,000,000)**	**-**	**4,684,369**	**16,158,428**

Share capital, which consists of 735,000 shares with a par value of € 0.52 each, is fully subscribed and paid

Availability and use of shareholder's equity

The following table provides details of the components of shareholder's equity, including their origin, their potential utilisation and whether they are distributable, as well as the utilisation thereof in the prior three years.

(Amount in EUR)

Description	Amount	Origin/ Nature	Potential utilisation	Amount available
Share capital	382,200	Share capital		-
Revaluation reserves	759,440	Share capital	A; B	-
Legal reserve	197,920	Revenue	B	-
Extraordinary reserve	4,962,658	Revenue	A; B; C	4,962,658
Other reserves	186,181	Revenue	A; B; C	186,181
Retained earnings (accumulated losses)	4,985,660	Revenue	A; B; C	4,985,660
Total	**11,474,059**			**10,134,499**
Amount not distributable				947,853
Residual amount distributable				9,186,646
Key: A: for increase in capital; B: to cover losses; C: for distribution to the shareholders; D: for other statutory requirements; E: other				

The non-distributable portion of available equity reserves, determined in accordance with art. 2426 c.c., covers the deferred tax assets recognised in the balance sheet, which are deemed to represent unrealised amounts.

Provisions for risks and charges

The provisions for risks and charges have been created to cover known or likely liabilities, the timing or extent of which cannot be determined at the reporting date.

These provisions were recognised on a prudence and accrual basis, in accordance with the instructions contained in accounting principle OIC 31. The related provisions are charged to the income statement in the year to which they refer and classified according to the nature of the costs.

(Amount in EUR)

	Balance at the beginning of the year	Changes during the year - Utilisation	Changes during the year - Total	Carrying amount at the end of the year
Other provisions	295,097	181,092	(181,092)	113,965
Total	**295,097**	**181,092**	**(181,092)**	**113,965**

Other provisions

Provisions were made in the year to cover various liabilities (trade, tax, employment, etc), and were based on the best estimate with reference to the information available. The reduction of other provisions by € 181,092 during the year reflects revision of the estimates of liabilities set aside in previous years, concerning events occurred during the financial year.

Employee termination indemnities

Employee termination indemnities amount to € 1,385,016 at 31st March, 2018 (€ 1,227,386 al 31st March, 2017). The changes during the year are summarised below:

(Amount in EUR)

	Balance at the beginning of the year	Changes during the year - Provision	Changes during the year - Utilisation	Changes during the year - Other changes	Changes during the year - Total	Carrying amount at the end of the year
Provision for employee termination (TFR)	1,227,386	239,230	80,268	(1,332)	157,630	1,385,016

This provision includes the period revaluation of the liability concerned in accordance with current legislation. The uses recorded in the period are related to advances paid to employees (€ 12,536) or to termination of employment (€ 67,732). The charge for the year (provision for termination indemnities classified in income statement caption B9 c) includes the provision retained by the Company and the payments made to the INPS Treasury Fund, Previndai, the Cometa Fund or the supplementary pension fund specified by each employee, where applicable.

Payables

Payables total € 33,709,107 at 31st March, 2018 (€ 33,760,031 al 31st March, 2017).

Pursuant to art. 12, para. 2 of Decree 139/2015, the Company has elected to measure payables using the amortised cost method. This election was made on a prospective basis and, therefore, only applies to the payables that have arisen subsequent to 1st April, 2016.

Changes and maturities of payables

The following table shows the changes in payables and any information on their maturities.

(Amount in EUR)

	Balance at the beginning of the year	Changes during the year	Carrying amount at the end of the year	Within one year	Beyond one year
Due to banks	9,724,853	(3,986,733)	5,738,120	3,742,272	1,995,848
Trade payables	19,459,256	3,639,730	23,098,986	23,098,986	-
Payables due to parent companies	588,000	263,276	851,276	851,276	-
Payables due to companies under common control	939,819	(301,857)	637,962	637,962	-
Tax payables	304,067	(16,315)	287,752	287,752	-
Due to pension and social security institutions	218,625	(58,684)	159,941	159,941	-
Other payables	2,525,410	409,659	2,935,069	2,935,069	-
Total	**33,760,030**	**(50,924)**	**33,709,106**	**31,713,258**	**1,995,848**

Amounts due to banks include both the current portion (€ 3,742,272) and the portion due beyond 12 months (€ 1,995,848) of loans obtained from major banks.

The following is a breakdown of medium-term loans:

(Amount in EUR)

Bank	Initial amount paid	Arrangement date and duration in years	Residual debt outstanding at 31st March, 2018	Within one year	Beyond one year
Intesa Sanpaolo	1,400,000	19/09/2013 – 4	73,682	73,682	-
Unicredit	1,000,000	24/12/2014 – 4	193,013	193,013	-
Intesa Sanpaolo	3,000,000	11/05/2015 - 4	1,071,429	857,143	214,286
Banca Popolare di Milano	2,000,000	22/12/2015 - 3	506,995	506,995	-
UBI (*)	2,000,000	14/07/2016 - 3	1,007,524	670,001	337,523
Intesa Sanpaolo (*)	2,890,000	30/01/2018 - 2	2,890,000	1,445,000	1,445,000
Amortised cost adjustment			(4,523)	(3,562)	(961)
Total	**12,290,000**		**5,738,120**	**3,742,272**	**1,995,848**

(*) Financial payables recognised using the amortised cost method.

An unsecured two-year loan of € 2,890,000 was obtained from Intesa Sanpaolo during the year. The related financial debt, being the contract signed after 1st April, 2016, was recorded in application of the amortized cost method.

Contracts bear interest at Euribor plus a spread of between 0.75% for more recent contracts and 2.25% for less recent ones, depending on market conditions at the time of signing and the duration of the loan.

Payables due to parent companies total € 851,276 and comprise trade payables to Endurance Overseas S.r.l. of € 703,501 and € 147,775 due to the domestic tax group agreement, under art. from 117 to 129 of TUIR.

Payables due to companies under common control include trade payables totaling € 637,962, due to Endurance Fondalmec S.p.A.

Tax payables total € 287,752 and comprise the residual IRAP tax liability for the year, € 127,038, as well as various payroll withholding.

Other payables total € 2,935,070 and mainly comprise the amounts due to employees and accrued payroll (€ 2,755,545), as well as guarantee deposits received (€ 56,250) and other items.

Breakdown of payables by geographical area

It is not meaningful to analyse payables by geographical area, as most of them are due to domestic suppliers and counterparties.

Debt secured by collateral on company assets

Pursuant to paragraph 1.6 of art. 2427 of the Italian Civil Code, we can confirm that there is no debt secured on the assets of the Company.

Loans from shareholders

The company has not received any loans from its shareholder.

Accrued expenses and deferred income

This caption is analysed below together with the changes during the year:

(Amount in EUR)

	Balance at the beginning of the year	Changes during the year	Carrying value at the end of the year
Deferred income	41,497	(8,939)	32,558
Total accrued expenses and deferred income	**41,497**	**(8,939)**	**32,558**

Explanatory notes, income statement

The income statement reports the results for the year.

This statement presents the results of operations by summarising the positive and negative components of income that contributed to them. These positive and negative components of income, recognised pursuant to art. 2425-bis c.c., are analysed into the following categories: core business, ancillary and financial activities.

Core business activities include the components of income that were generated from continuing operations in the principal sector, and which identify and distinguish the economic activities carried out by the Company in the pursuit of its corporate objectives.

Financial activities comprise those operations that generate financial income and expense.

Ancillary activities comprise those residual operations that generate income in the ordinary course of business that cannot be classified as financial or core business activities.

Value of production

The value of production during 2017/2018 is analysed below on a comparative basis:

(Amount in EUR)

Description	Year 2017/2018	Year 2016/2017	Change
1) Revenues from sales of goods and services	74,859,841	69,065,315	5,794,526
2) Change in inventories of work in progress, semi-finished and finished products	570,438	1,108,461	(538,023)
5) Other income and revenues			
Operating grants	102,771	164,270	(61,499)
Other	565,645	958,993	(393,348)
Total	**76,098,695**	**71,297,039**	**4,801,656**

The increase in revenues from sales of goods and services during the year (+8.4%) reflected the favourable market conditions and, in particular, in the sales made to third-party customers (over +12% on last year) mainly to the FCA and CNHI groups.

Analysis of revenues from sales and services by category of activity

Revenues from sales of goods and services (€ 74,859,841) entirely relate to machining and foundry work, which is the Company's core business..

Analysis of revenues from sales and services by geographical area

The following table provides a breakdown of revenue from sales of goods and services by geographical area:

(Amount in EUR)

Geographical area	Year 2017/2018	Year 2016/2017
Italy	72,820,803	67,125,262
EU countries	2,039,038	1,939,982
Non EU countries	-	71
Total	**74,859,841**	**69,065,315**

Cost of production

The following table provides a breakdown of production cost with comparative figures from the previous year:

(Amount in EUR)

Description	Year 2017/2018	Year 2016/2017	Change
Cost of raw and ancillary materials, consumables and goods for resale	29,026,751	28,300,815	725,936
Cost of services	21,719,776	19,023,069	2,696,707
Lease and rental charges	2,574,530	2,684,245	(109,715)
Payroll costs			
Wages and salaries	8,680,935	8,625,951	54,984
Social contributions	2,071,728	2,066,485	5,243
Employee termination indemnity	369,876	327,284	42,592
Other costs	97,656	59,219	38,437
Amortisation of intangible assets	570,112	652,339	(82,227)
Depreciation of tangible fixed assets	3,396,126	3,057,146	338,980
Writedown of receivables included in current assets	87,975	20,000	67,975
Change in inventory of raw and ancillary materials, consumables and goods	(319,641)	606,430	(926,071)
Other operating expenses	498,566	573,009	(74,443)
Total	**68,774,390**	**65,995,992**	**2,778,398**

Cost of raw and ancillary materials, consumables and goods for resale and Cost of services

The changes recorded in the year (+7.2% on last year) are consistent with the rising trend in volumes. The increase in production capacity, due to the installation of a larger number of internal production lines (die casting stations and related processes), has changed the percentage mix of costs incurred.

Lease and rental charges

This caption (down about 4% compared with the prior year) mainly includes the finance lease charges incurred on part of the buildings, machinery and other assets used in the production cycle, as well as the rental expense incurred for the factory space used by the Company (including that charged by Endurance Overseas S.r.l.). The reduction in the period is attributable to the termination of some important financial leasing contracts concerning company's plant and machinery.

Payroll costs

This item (+1.3%) compared with the previous year comprises the entire cost of employees, inclusive of merit increases, changes in labour category, holiday pay and accruals required by law and by collective labour agreements. This item also includes the cost of temporary workers, except for the cost of interim employment agencies that has been charged to the income statement line B7.

Depreciation and amortisation

Depreciation and amortisation is calculated over the useful life of the asset, depending on how it is used in production. The increase of 6.9% in the depreciation and amortisation charge with respect to the prior year reflects the steady rise in capital investment over the years, in order to support the new production initiatives.

Other operating expenses

This item (which shows a decrease compared with the previous year) includes, among others, indirect taxes (€ 191,727 in the year under review), as well as sundry other charges.

Financial income and charges

Financial income and charges are recorded on an accruals basis.

Financial charges (€ 143,439) principally include the interest and financial expense charged on the various loans obtained from third-party lenders. The decrease is related to the cost efficiency policy by reducing the more burdensome debt (linked to the older contracts) implemented by the Company.

This item includes the adjustment (negative for € 7 in the current year) of the fair value of the derivative instruments held by the Company.

Amount and nature of revenues/costs of individual significance

During the current year, no revenues or other positive components deriving from exceptional events were recorded.

Income taxes for the year, current and deferred

Current taxes, deferred tax assets and liabilities

The company has accrued for taxation for the year based on the application of tax legislation in force. The tax charge for the year consists of current taxation, as resulting from the tax returns and of deferred taxation relating to positive or negative components of income, taxable or deductible, respectively, in fiscal years that differ from the year in which the item is recognised for statutory reporting purposes.

The composition of taxation for the year split between current taxation and the deferred tax asset item is provided in the following table:

(Amount in EUR)

	Year 2017/2018	Year 2016/2017
Income taxes	**2,503,732**	**1,866,175**
Current taxation		
of which: IRES for the year (current)	1,969,158	1,728,178
of which: IRAP for the year (current)	468,701	345,254
of which: Taxation relating to prior years	(90,727)	(29,079)
Deferred taxation	156,600	(178,178)

Recognition of deferred tax assets and liabilities and their impact

(Amount in EUR)

	IRES Tax	IRAP Tax
A) Temporary differences		
Total deductible temporary differences	1,911,568	1,841,329
Total taxable temporary differences	1,342,302	1,329,202
Net temporary differences	(569,266)	(512,127)
B) Tax effects		
Provision for deferred tax liability (assets) at the beginning of the year	(952,424)	(152,029)
Deferred tax liability (assets) of the year	136,624	19,976
Provision for deferred tax liability (assets) at the end of the year	(815,800)	(132,053)

Deferred tax assets and liabilities have been calculated using the rates, which are expected to be in force during the years when it is reckoned that the temporary differences will reverse (IRES at 24% and IRAP at 3.9%).

The reversal of deferred tax assets during the year mainly refers to production costs with deferred deductibility that have become definitive and to changes in the items subject to temporary misalignment between the statutory and the tax values (e.g. goodwill, certain tangible fixed assets and provisions for writedowns).

Explanatory notes, other information

The additional disclosures required by the Italian Civil Code are presented below.

Employment data

The average number of employees is analysed by category below.

	Executives	Middle managers / White collar	Blue collar	Total employees
FY ended 31st March, 2018	2	38	150	190
FY ended 31st March, 2017	1	39	146	186

The workforce at 31st March, 2018 comprises 194 people.

Fees, advances and loans granted to directors and statutory auditors and commitments accepted on their behalf

The following schedule provides the information required by art. 2427, point 16 c.c., with the clarification that no advances or loans have been granted and no commitments, in the form of guarantees of any kind, have been accepted on behalf of the members of the Board of Directors:

	Directors	Board of Statutory Auditors
Fees (*) (in EUR)	69,718	33,925

(*) Directors' fees include social security contributions.

Fees of the legal auditor or auditing firm

As required by art. 2427 c.c., the following table analyses the total fees earned by the legal auditor (or firm of legal auditors) for the legal audit of the annual financial statements, the total fees earned for other auditing services, the total fees earned for tax advisory services and the total fees earned for other non-audit services:

	Legal audit of the annual financial statements	Other non-audit services	Total fees earned by the legal auditor or auditing firm
Amount (including expenses) (in EUR)	11,025	1,050	12,075

Deloitte & Touche S.p.A. has been engaged to perform the independent statutory audit. The costs for auditing the annual accounts also include the fees for checking that the books of account have been kept regularly, while the other services performed refer to activities required prior to signing the tax return.

Securities issued by the company

The Company has not issued any securities that fall under the provisions of art. 2427, para. 18 of the Civil Code.

Details on other financial instruments issued by the Company

The Company has not issued any other financial instruments pursuant to art. 2346, para. 6, of the Italian Civil Code.

Commitments, guarantees and contingent liabilities not reported in the balance sheet

There are no commitments, guarantees or contingent liabilities that have not been reported in the balance sheet.

Information about capital and loans allocated to a specific business project

Allocation of capital to a specific business project

We can confirm that, at the balance sheet date, there has been no allocation of capital to a specific business project as per no. 20 of art. 2427 of the Italian Civil Code.

Loans for a specific business project

We can confirm that, at the balance sheet date, there are no loans provided for a specific business project as per no. 21 of art. 2427 of the Italian Civil Code.

Information about off-balance sheet agreements

No off-balance sheet agreements were entered into during the year.

Information about significant events arising subsequent to the reporting date

Pursuant to point 22-quater of art. 2427 c.c., it is confirmed that no events with a significant effect on the economic and financial position have occurred subsequent to the reporting date.

As regards significant events after the end of the year, that did not have any impact on the equity, economic and financial situation at 31st March, 2018, in April, 2018, the Company activated early redemption of the finance lease for a property in Chivasso where it carries on its business. This transaction resulted in an outflow of € 3,675,744, this being the redemption value of the asset, which has been already paid to the leasing company.

Companies that prepare consolidated financial statements for the larger/smaller group of companies to which the Company belongs as a subsidiary

The following information is provided about the companies that prepare consolidated financial statements for the larger/smaller group of companies to which the Company belongs as a subsidiary:

	Larger group	Smaller group
Company name	Endurance Technologies Limited (*)	Endurance Overseas S.r.l.
Town (if in Italy) or foreign State	Aurangabad (India)	Lombardore (Turin)
Tax code (Italian companies)	-	05754620960
Place where the consolidated financial statements are filed	Registered office: Aurangabad (India) India Stock Exchange: NSE and BSE	Registered office: Lombardore (Turin) Turin Chamber of commerce

(*) Endurance Technologies Limited, the parent company, is listed on the National Stock Exchange of India Ltd. (NSE) and the BSE Ltd. (BSE).

Information about derivative financial instruments pursuant to art. 2427-bis c.c.

Pursuant to art. 2427-bis of the Italian Civil Code and in order to present a true and fair view of the Company's commitments, appropriate details are provided below about the fair value, extent and nature of the derivative financial instruments held by the Company (amount in Euro), grouped by counterparty:

(Amount in EUR)

Type of contract	Number of contracts	Original notional value	Notional value at 31st March, 2018	Fair value at 31st March, 2018
Interest rate CAP	2	3,114,285	1,145,112	8
TOTAL			**1,145,112**	**8**

Summary financial statements of the company which exercises management and coordination activities

The Company is subject to management and coordination by its indirect parent company, Endurance Technologies Limited, with registered offices at E-92, MIDC Industrial Area, Waluj, Aurangabad, Maharashtra, India, which wholly owns the Company via Endurance Overseas S.r.l.

The following amounts taken from the latest approved financial statements of Endurance Technologies Limited are stated in millions of Indian Rupees. The latter financial statements are prepared in accordance with Ind-AS accounting standards, ruling on 31st March, 2017. For the sake of clarity, the Rupee/Euro exchange rate at 31st March, 2017 (source www.rbi.org.in) was 69.2476 (75.0955 at 31st March, 2016):

(₹ in million)

Balance sheet	Financial statements for the year ended 31st March, 2017	Financial statements for the year ended 31st March, 2016
Non-current assets		
Fixed assets, net	8,799.10	8,168.96
Investments and other non-current assets	5,442.53	5,580.90
Current assets	**8,245.55**	**6,246.54**
Total Assets	**22,487.18**	**19,996.40**
Liabilities and shareholders' equity		
Shareholder's equity	**15,630.64**	**13,496.99**
Non-current liabilities		
Non-current financial liabilities	198.52	780.81
Other non-current liabilities	185.41	181.77
Current liabilities		
Current financial liabilities	1,877.08	1,662.98
Other current liabilities	4,595.53	3,873.85
Total liabilities and shareholders' equity	**22,487.18**	**19,996.40**

(₹ in million)

Income Statement	Financial statements for the year ended 31st March, 2017	Financial statements for the year ended 31st March, 2016
Revenues	**42,947.19**	**40,683.61**
Operating costs	38,111.24	36,085.09
Depreciation and amortisation	1,668.57	1,475.00
Financial charges	178.57	329.74
Income before tax	**2,988.81**	**2,793.78**
Taxation for the year (current and deferred)	773.84	707.33
Income (loss) for the year	**2,214.97**	**2,086.45**
OCI - Other comprehensive income	(17.83)	0.75
Total statement of comprehensive income	**2,197.14**	**2,087.20**

The following section describes relations with the company that provides management and coordination services and with the other affiliates, as well as the effect of those activities on the operations of the Company and its results.

Relations with related parties

With regard to the provisions of art. 2428, para. 3, point 2) of the Italian Civil Code, reference is made to the information on related-party transactions provided in the report on operations.

Proposed allocation of profits or coverage of losses

Shareholders, In light of the matters explained above, the Board of Directors proposes to allocate the net income for the year of € 4,684,369 to "Retained earnings" caption.

Explanatory notes, closing section

Dear shareholders, we confirm that these financial statements, which comprise the balance sheet, income statement, statement of cash flow and explanatory notes, give a true and fair view of the financial position and results for the year and agree with the books of account. We therefore invite you to approve the draft financial statements for the year ended 31st March, 2018, together with the proposed allocation of the net result for the year, as submitted by the Board of Directors.

The financial statements are true and real and agree with the books of account.

Chivasso, 11th May, 2018

For the Board of Directors

The Managing Director

Signed by Massimo Venuti

Report of the Board of Statutory Auditors

Statutory financial statements for the year ended 31st March, 2018

Report to the Shareholders' Meeting pursuant to art. 2429, paragraph 2 of the Italian Civil Code. - Administrative supervision

During the course of the financial year ended 31st March, 2018, our activities were performed in compliance with applicable legislation and the principles of conduct for the Board of Statutory Auditors issued by the Italian Accounting Profession (as represented by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili).

Activities carried out by the Board of Statutory Auditors during the year ended 31st March, 2018

We supervised compliance with the law, with the articles of association and with principles of proper administration.

We attended shareholders' meetings and Board meetings, in respect of which, based on information made available, no matters came to our attention to indicate that there had been any infringements of the law or of the articles of association, nor transactions which were clearly imprudent, risky, likely to give rise to a conflict of interest or such as to compromise the integrity of the company's assets.

We acquired information from the directors on the status of capital transactions, with respect to which we have no particular observations to make.

We obtained information from the directors on the company's performance and the likely outlook, as well as on the most significant transactions, in terms of size or characteristics, entered into by the company and by its subsidiaries and, based on the information obtained, we have no particular findings to report.

We met with the independent auditors and from their information no significant issues arose that require disclosure in this report.

We gained knowledge on and supervised, within the scope of our duties, the adequacy of and the operations of the company's organisational structure by obtaining information from function heads, with respect to which we have no particular findings to report.

We gained knowledge on and supervised, within the scope of our duties, the adequacy of and the operations of the company's administrative-accounting system, as well as on the reliability of the latter in correctly presenting the results of operations, by obtaining information from function heads, from the independent auditors and from an examination of corporate documents, and, with respect thereto, we have no particular findings to report.

No complaints were presented to us as per Art. 2408 of the Italian Civil Code.

During the course of the financial year, no opinions were issued by the Board of Statutory Auditors as required by law.

During the course of our supervisory activities, as described above, no other significant matters arose that are worthy of inclusion in this report.

This report therefore summarises our activity with regard to the requirements of art. 2429, para. 2 of the Italian Civil Code, namely information on:

- the results for the year;
- the work performed in fulfilment of our legal duties; the observations and proposals regarding the financial statements, with particular regard to any use made by the administrative body of the exception permitted by art. 2423, para. 5 of the Italian Civil Code;
- any complaints received from the shareholders as per art. 2408 of the Italian Civil Code.

In any case, we are at your complete disposal to examine any other aspects during the Shareholders' Meeting.

The work performed by us covered the entire financial year and regular meetings were held during the year pursuant to art. 2404 of the Italian Civil Code.

During our periodic checks, we gained knowledge on how the Company's activities were evolving, paying particular attention to contingent problems in order to identify the economic and financial impact on the result for the year and on the balance sheet, as well as any risks.

Minutes were drawn up of these meetings and duly signed for unanimous approval.

Information on the financial statements

The draft financial statements for the year ended 31st March, 2018, provided to us for our examination by the Board of Directors pursuant to art. 2429 of the Italian Civil Code, have been prepared in accordance with the requirements of Legislative Decree no. 127/91 and consist of:

- Balance sheet
- Income statement
- Statement of cash flows
- Explanatory notes

Balance Sheet

(Amount in EUR)

Description	FY 2018	FY 2017	Difference
FIXED ASSETS	13,280,753	17,323,382	4,042,629-
CURRENT ASSETS	37,460,053	30,611,750	6,848,303
PREPAID EXPENSES AND ACCRUED INCOME	658,267	862,897	204,630-
TOTAL ASSETS	**51,399,073**	**48,798,029**	**2,601,044**

Description	FY 2018	FY 2017	Difference
SHAREHOLDERS' EQUITY	16,158,428	13,474,059	2,684,369
PROVISION FOR RISKS AND CHARGES	113,965	295,057	181,092-
PROVISION FOR EMPLOYEE TERMINATION INDEMNITY	1,385,016	1,227,386	157,630
PAYABLES	33,709,106	33,760,030	50,924-
ACCRUED EXPENSES AND DEFERRED INCOME	32,558	41,497	8,939-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**51,399,073**	**48,798,029**	**2,601,044**

Income Statement

(Amount in EUR)

Description	FY 2018	FY 2017	Difference
VALUE OF PRODUCTION	76,098,695	71,297,039	4,801,656
REVENUES FROM SALES OF GOODS AND SERVICES	74,859,841	69,065,315	5,794,526
PRODUCTION COSTS	68,774,390	65,995,992	2,778,398
DIFFERENCE BETWEEN PRODUCTION VALUE AND COST	7,324,305	5,301,047	2,023,258
RESULT BEFORE TAXES	7,188,101	5,077,544	2,110,557
INCOME TAXES FOR THE YEAR, CURRENT AND DEFERRED	2,503,732	1,866,175	637,557
PROFIT (LOSS) FOR THE YEAR	**4,684,369**	**3,211,369**	**1,473,000**

We have examined the draft financial statements for the year ended 31st March, 2018, including the Report on Operations, in relation to which we point out the following.

Due to the fact that we were not appointed as independent auditors of the financial statements, we have limited our monitoring activity to the overall approach to their preparation and their general compliance with the law as regards their format and structure and we do not have any particular observations to make in this regard.

More precisely, we note that:

- the accounting policies used in preparing the financial statements at 31st March, 2018 comply with the Italian Civil Code as amended by Decree Law 139/2015;
- the Directors have provided information on the Company's performance and on the outlook for operations;
- the balance sheet and income statement formats adopted by the Company comply with articles 2424, 2424-bis, 2425 and 2425-bis of the Italian Civil Code;
- pursuant to art. 2426 para. 5, of the Italian Civil Code, development costs for a net carrying value of € 1,873.695 as at 31st March, 2018 have been recorded with our approval, having verified the requisites.
- pursuant to art. 2426 para. 6 of the Italian Civil Code, it should be noted that no goodwill was recorded under intangible assets in the year ended 31st March, 2018. In the year ended 31st March, 2018, came to a conclusion the process of amortization of the goodwill relating to business combinations recorded in previous years with the consent of the Board of Statutory Auditors, which, at that time, had verified the respect of its recognition's requirements.

We have verified compliance with the law regarding the structure of the directors' report on operations and we do not have any particular observations to make thereon.

As far as we are aware, in the preparation of the financial statements, there was no failure by the directors to comply with the law pursuant to paragraph 5 of Art. 2423 of the Italian Civil Code.

Result for the year

The net result ascertained by the Directors for the year ended 31st March, 2018, as shown in the financial statements, is positive for € € 4,684,369.

We do not have any observations to make on the allocation of the net result for the year proposed by the Directors.

Conclusion

Also considering the results of the work performed by the independent auditors, as explained in their audit report, issued without exceptions or remarks on 14th May, 2018, we unanimously believe that there are no reasons why the Shareholders' Meeting should not approve the draft annual financial statements for the year ended 31st March, 2018, as drafted and proposed by the Directors.

Milano, 14th May, 2018

The Board of Statutory Auditors

Signed by Fulvio Mastrangelo

Signed by Fabio Greco

Signed by Massimo Carera

Independent Auditor's Report

PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF 27th January, 2010

To the Sole Shareholder of Endurance FOA S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Endurance FOA S.p.A. (the "Company"), which comprise the balance sheet as at 31st March, 2018, the statement of income and statement of cash flows for the year then ended and the explanatory notes.

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

Basis for Opinion

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

Other matters

Pursuant to art. 2497-bis, first paragraph, of the Italian Civil Code, Endurance FOA S.p.A. has disclosed that it is subject to management and coordination of its activities by Endurance Technologies Limited (India) and, therefore, has indicated in the notes to the financial statements the key financial data from the most recent financial statements of such company. Our opinion on the financial statements of Endurance FOA S.p.A. does not extend to such data.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

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

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company'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 management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transaction and events in a manner that achieves fair presentation.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2(e) of Legislative Decree 39/10

The Directors of Endurance FOA S.p.A. are responsible for the preparation of the report on operations of the Company as at 31st March, 2018, including its consistency with the related financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standards (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of the Company as at 31st March, 2018 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the financial statements of Endurance FOA S.p.A. as at 31st March, 2018 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2(e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Giorgio Barbieri
Partner

Turin, Italy
14th May, 2018

Endurance Engineering S.r.L.

TORINO (Turin), Italy

Report on Operations and Financial Statements
for the year ended 31st March, 2018

ENDURANCE ENGINEERING SRL

Head office: STRADA DEL CASCINOTTO 135/A TORINO (Turin)

Tax Code and Turin Companies registration No. 11081890011

Turin Chamber of Commerce registration no. 1186114

Quota capital: Euro 100,000.00 subscribed and fully paid

VAT Number: 11081890011

Sole quotaholder company

Management and coordination: ENDURANCE OVERSEAS SRL

Report on Operations

Financial statements for the year ended 31st March, 2018

To the Sole Quotaholder,

The explanatory notes provide information about the financial statements for the year ended 31st March, 2018; this document, prepared in compliance with art. 2428 of the Italian Civil Code, provides information on the Company's situation and performance. The report, prepared with amounts shown in Euros, is presented as an accompaniment to the financial statements and provides information on the Company's earnings, financial position and operations, together, where possible, with historical facts and an indication of the future outlook.

Information on the Company

Matters concerning the economy in general and the results of operations:

In 2017, the world economy achieved significant growth, one of the longest periods of expansion in history. According to International Monetary Fund data, in fact, World GDP grew by 3.8%, accelerating compared to 3.2% during the previous year.

The largest contribution to growth came from emerging economies, which grew by 4.8%, with China (+6.9%) and India (+6.7%) standing out in particular. After years of crisis, Brazil and Russia have also got over the recession, turning in growth of 1% and 1.5% respectively.

Advanced bursars grew by 2.3% with similar results for the USA (+2.3%) and the Euro area (+2.3%), while the UK (+1.8%) and Japan (+1.7%) were below average. In the Euro area, overall growth of 2.3% was the result of positive growth in Germany (+2.5%) and less brilliant trends recorded in France (+1.8%) and Italy (+1.5%).

The world economy is therefore healthy, even if the results have been largely conditioned by the expansive monetary policies that have fuelled the use of credit at low rates, far from the conditions historically applied.

Even though Italy achieved one of the lowest growth rates on the international scene, this was still the best performance of the last seven years.

In 2017, the automotive sector was again one of the driving sectors of the economy. During the period, registrations in the European Union grew by 3.4% to 15.1 million vehicles compared to 14.6 million in the previous year. The major European markets all showed significant growth (Germany +2.7%, France +4.7%, Italy +7.9% and Spain +7.7%) with the sole exception of the United Kingdom, which recorded a 5.7% reduction. It should be noted that the performance for the year was strongly affected by the exceptional sales performance in the first quarter of 2017 (+8.4%), while the following quarters recorded more moderate growth rates (+1.1%, +1.5% and +2.4% respectively).

Registrations in the European Union for the period corresponding to the Endurance Group financial year (April, 2017 - March, 2018) grew by a modest 1.4% overall.

The registration performance for the year 2017 by manufacturer shows positive trends for all the main groups (VW +2.3%, Renault +6.7%, PSA +4.8% without the newly acquired Opel/Vauxhall, FCA +4.9%, Daimler +4.8%) with the exception of Opel (-5.1%, on a like-for-like basis) and Ford (-0.2%).

The Volkswagen Group maintained its leadership in Europe, with 3,580,655 cars sold, an increase of 2.3% on 2016 and a share of 23.7% compared to 23.9% the previous year.

For the Renault Group, both registrations (1,600,893 cars, +6.7%) and market share (from 10.2% to 10.6%) increased. Excluding the newly acquired Opel brand, the PSA Group reported an increase in sales (1,514,685 vehicles, +4.8%) and market share (from 9.9% to 10%).

FCA recorded higher market growth in Europe (+4.9%) and, with 1,025,575 vehicles registered, it increased its market share to 6.8% compared with 6.7% in the previous year.

The Daimler Group registered a total of 953,614 vehicles (+4.8%) sold, increasing its market share from 6.2% to 6.3%. The BMW Group's share fell from 6.8% to 6.6%, with 997,551 units registered (+0.9% as compared to prior year). Opel, on the old perimeter basis, sold 926,978 cars (-5.1%), losing market share (from 6.5% to 6.0%).

In the period corresponding to the Endurance Group financial year (from April, 2017 to March, 2018) positive trends were confirmed for VW (+2.3%), Renault (+4.7%), PSA (+5.6%, without the newly acquired Opel), Daimler (+2.5%). FCA, remained substantially unchanged, while BMW (-1.1%) and Opel (-8.5% in the previous year) showed negative results.

Among the particular phenomena that can be deduced from the trend in European registrations for the year 2017, it is worth mentioning the reduction in diesel vehicle registrations and the increase in petrol and alternative power vehicles (LPG/CNG, hybrid and electric cars). The latter still represent a marginal share of total registrations in the EU (5.8% in 2017). All-electric cars represented 1.5%, hybrids 2.9% and other alternative engines 1.4%.

In this moderately favourable market environment, the Company turned in 7.9% growth in terms of value of production, far higher than the market, reaching an amount of Euro 18 million revenues, in absolute terms. EBITDA in 2017/2018 was Euro 2.4 million or 13.2% of the value of production and increased by over 34% as compared to the previous year. The net result amounted to Euro 1.0 million, equal to 5.4% of the value of production and increased by 84% versus prior year. The positive economic results contributed to a net improvement in the net financial position and further strengthened the Company's financial solidity.

Key events

No significant events occurred in the year just ended that need to be brought to your attention.

Secondary locations

As required by art. 2428 of the Italian Civil Code, it is hereby confirmed that the Company does not have any secondary locations.

Management and coordination activities

Pursuant to para. 5 of art. 2497-bis of the Italian Civil Code, it is confirmed that the Company belongs to the ENDURANCE Group (India) and is subject to management and coordination by ENDURANCE TECHNOLOGIES LIMITED (India), whose shares are listed on the National Stock Exchange of India Ltd. (NSE) and BSE Ltd. (BSE).

These management and coordination activities did not have any particular impact on the Company's activities and results. We can also confirm that no decisions were made that were influenced by the Company that performs management control and coordination activities and for which there is a need to justify the reasons for them and the interests that impacted on them.

Financial position

To facilitate a better understanding of the Company's financial position, a reclassified balance sheet is set out below.

Balance Sheet - Assets

(Amount in EUR)

Item	FY 2017/18	%	FY 2016/17	%	Change	Change%
WORKING CAPITAL	**8,384,337**	**79.55 %**	**6,839,694**	**73.40 %**	**1,544,643**	**22.58 %**
Immediate liquidity	**1,616,013**	**15.33 %**	**879,940**	**9.44 %**	**736,073**	**83.65 %**
Cash and cash equivalents	1,616,013	15.33 %	879,940	9.44 %	736,073	83.65 %
Deferred liquidity	**4,363,118**	**41.40 %**	**4,404,889**	**47.27 %**	**(41,771)**	**(0.95) %**
Current receivables included in working capital	2,361,351	22.41 %	4,212,031	45.20 %	(1,850,680)	(43.94) %
Financial assets	1,900,937	18.04 %	-	-	1,900,937	-
Prepaid expenses and accrued income	100,830	0.96 %	192,858	2.07 %	(92,028)	(47.72) %
Inventories	**2,405,206**	**22.82 %**	**1,554,865**	**16.69 %**	**850,341**	**54.69 %**
FIXED ASSETS	**2,154,862**	**20.45 %**	**2,478,273**	**26.60 %**	**(323,411)**	**(13.05) %**
Intangible assets	486,199	4.61 %	908,416	9.75 %	(422,217)	(46.48) %
Tangible fixed assets	1,308,668	12.42 %	1,271,490	13.65 %	37,178	2.92 %
Financial fixed assets	505	-	505	0.01 %	-	-
Non-current portion of receivables included in working capital	359,490	3.41 %	297,862	3.20 %	61,628	20.69 %
CAPITAL EMPLOYED	**10,539,199**	**100.00 %**	**9,317,967**	**100.00 %**	**1,221,232**	**13.11 %**

With reference to the changes occurred during the year in the Company's assets, it should be noted the reduction in fixed assets, linked to the depreciation process of investments made in previous years.

With reference to current receivables, the decrease recorded, in particular in trade receivables, is mainly due to new commercial agreements reached with some customers. Changes in inventories refer to the Company's procurement policy in relation to the trend of production flows expected for the coming months.

As regards the changes in liquidity and current financial assets (which include the positive balance of the cash pooling account held with the parent company Endurance Overseas S.r.l.), reference should be made to the comments to the statement of cash flows.

Balance Sheet - Liabilities and Quotaholder's Equity

(Amount in EUR)

Item	FY 2017/18	%	FY 2016/17	%	Change	Change%
CAPITAL ATTRIBUTABLE TO MINORITY INTEREST	**6,298,149**	**59.76 %**	**6,045,966**	**64.89 %**	**252,183**	**4.17 %**
Current liabilities	**4,481,714**	**42.52 %**	**5,588,522**	**59.98 %**	**(1,106,808)**	**(19.81) %**
Current payables	4,438,774	42.12 %	5,535,906	59.41 %	(1,097,132)	(19.82) %
Accrued expenses and deferred income	42,940	0.41 %	52,616	0.56 %	(9,676)	(18.39) %
Non-current liabilities	**1,816,435**	**17.24 %**	**457,444**	**4.91 %**	**1,358,991**	**297.08 %**
Non-current payables	1,535,221	14.57 %	128,352	1.38 %	1,406,869	1,096.10 %
Provisions for risks and charges	28,030	0.27 %	28,030	0.30 %	-	-
Employee termination indemnity	253,184	2.40 %	301,062	3.23 %	(47,878)	(15.90) %
EQUITY	**4,241,050**	**40.24 %**	**3,272,001**	**35.11 %**	**969,049**	**29.62 %**
Quota capital	100,000	0.95 %	100,000	1.07 %	-	-
Reserves	1,920,000	18.22 %	1,920,000	20.61 %	-	-
Retained earnings (accumulated losses)	1,252,001	11.88 %	725,577	7.79 %	526,424	72.55 %
Net income (loss) for the year	969,049	9.19 %	526,424	5.65 %	442,625	84.08 %
FINANCING SOURCES	**10,539,199**	**100.00 %**	**9,317,967**	**100.00 %**	**1,221,232**	**13.11 %**

Analysing the liabilities side of the balance sheet we note, in particular, the growth in equity due to the positive result for the year.

With reference to the debt structure, an increase in non-current payables is noted, which is linked to the subscription of a new medium-term loan, offset by a reduction in short-term debt, in particular towards the parent company Endurance Overseas S.r.l., related to the change in the cash pooling balance with the latter (negative position at 31st March, 2017 moved to a positive one at the end of the year under review).

Key indicators of financial position

On the basis of the above reclassification, indicators of financial position are set out below:

RATIO	FY 2017/18	FY 2016/17	% Change
Fixed asset coverage	236.22 %	150.06 %	57.42 %
Amounts payable to banks to working capital	23.78 %	3.66 %	549.73 %
Debt ratio	1.49	1.85	(19.46) %
Financial debt ratio	0.58	0.56	3.57 %
Equity to capital employed	40.24 %	35.11 %	14.61 %
Financial charges to turnover	0.22 %	0.46 %	(52.17) %
Current ratio	187.08 %	122.39 %	52.86 %
Primary coverage ratio	2.36	1.50	57.33 %
Secondary coverage ratio	3.37	1.71	97.08 %
Net working capital (in EUR)	3,902,623.00	1,251,172.00	211.92 %
Acid test margin (in EUR)	1,497,417.00	(303,693.00)	(593.07) %
Acid test ratio	133.41 %	94.57 %	41.07 %

Statement of cash flows

(Amount in EUR)

Item	FY 2017/18	FY 2016/17	Change	Change %
Cash and cash equivalents at beginning of period	**879,940**	**964,141**	**(84,201)**	**(8.73%)**
a. Cash flows from operating activities	1,151,924	1,185,418	(33,494)	(2.83%)
b. Cash flows from investing activities	(315,782)	(134,147)	(181,635)	135.40%
c. Cash flows from financing activities	(100,070)	(1,135,472)	1,035,402	(91.19%)
Increase/(decrease) in cash and cash equivalents (a ± b ± c)	**736,072**	**(84,201)**	**820,273**	**(974.19%)**
Cash and cash equivalents at end of period	**1,616,012**	**879,940**	**736,072**	**83.65%**

With reference to cash flows for the period, it should be noted that during the year the Company recorded a net cash flow of Euro 736 thousand generated by operation activities, which more than offset the expenses related to the investments made by the Company and the partial reduction in financial indebtedness (it should be noted that this item also includes the effects of the reduction of the prior year's cash pooling debt towards the parent company).

Economic Results

A reclassified income statement is provided below to facilitate a better understanding of the Company's results.

Income Statement

(Amount in EUR)

Item	FY 2017/18	%	FY 2016/17	%	Change	Change%
VALUE OF PRODUCTION	**17,955,138**	**100.00%**	**16,639,735**	**100.00%**	**1,315,403**	**7.91%**
- Consumption of raw materials	9,273,674	51.65%	8,290,373	49.82%	983,301	11.86%
- General expenses	2,372,256	13.21%	2,422,519	14.56%	(50,263)	(2.07%)
VALUE ADDED	**6,309,208**	**35.14%**	**5,926,843**	**35.62%**	**382,365**	**6.45%**
- Payroll costs	3,726,582	20.75%	3,681,737	22.13%	44,845	1.22%
- Provisions	-	0.00%	-	0.00%	-	-
GROSS OPERATING MARGIN	**2,582,626**	**14.38%**	**2,245,106**	**13.49%**	**337,520**	**15.03%**
- Depreciation, amortisation and writedowns	703,552	3.92%	681,522	4.10%	22,030	3.23%
- Other operating expenses	214,536	1.19%	483,040	2.90%	(268,504)	(55.59%)
INCOME BEFORE FINANCIAL ITEMS	**1,664,538**	**9.27%**	**1,080,544**	**6.49%**	**583,994**	**54.05%**
+ Financial items	(38,128)	(0.21%)	(76,694)	(0.46%)	38,566	(50.29%)
INCOME BEFORE TAX	**1,626,410**	**9.06%**	**1,003,850**	**6.03%**	**622,560**	**62.02%**
- Taxation	657,361	3.66%	477,426	2.87%	179,935	37.69%
NET INCOME	**969,049**	**5.40%**	**526,424**	**3.16%**	**442,625**	**84.08%**

During the year, the Company recorded an increase in the value of production by approximately 7.9%, achieved mainly with the main national customers, especially with the common controlled entity Endurance Fondalmec S.p.A.

The variable costs trends, also in relation to the procurement policies implemented, produced a 6.5% increase in value added, while fixed costs (personnel, depreciation and amortisation, above all) recorded a lower increase, leading to a rise in pre-tax income of approximately Euro 0.6 million.

The net result also benefited from a marginal reduction in the tax burden, coming in at Euro 1.0 million, up 84% on the previous year.

Key indicators of results

On the basis of the above reclassification, indicators of financial position are set out below:

RATIO	FY 2017/18	FY 2016/17	% Change
R.O.E.	22.85%	16.09%	47.75%
R.O.I.	59.89%	27.68%	138.14%
R.O.S.	9.03%	6.55%	54.76%
R.O.A.	17.86%	11.60%	87.06%

Information required by art. 2428 of the Civil Code

The following is the detailed information specifically required by art. 2428 of the Italian Civil Code.

Main risks and uncertainties faced by the Company

As required by the first paragraph of art. 2428 of the Italian Civil Code, set out below is a description of the main risks and uncertainties to which the Company is exposed:

RISKS RELATED TO THE GENERAL STATE OF THE ECONOMY: The Company's results are influenced by trends in the national and international economy. Developments regarding GDP, the cost of raw materials, the unemployment rate, interest rates and the level of confidence shown by consumers and businesses can condition the sales performance of end customers and, thus, the Company's sales performance.

RISKS RELATED TO THE SECTOR IN WHICH THE COMPANY OPERATES: The automotive plastic injection moulding sector in which the Company operates is characterised by heated competition that is partly attributable to sales trends in the automotive market. As much as the Company has taken action deemed necessary to improve its level of flexibility, a significant fall in end customers' needs and consequent further pressure on prices caused by heated competition could adversely impact the Company's results and financial position.

RISKS RELATED TO THE ABILITY TO CREATE INNOVATIVE PRODUCTS: The automotive components sector is characterised by continuous product development needed to satisfy the product performance required by car manufacturers and by environmental legislation (governing emissions). Future investment by the Company will seek to develop the portfolio of products and diversify the types of production, thereby increasing the ability to meet the needs of customers. The failure to develop products and to meet needs in terms of price, quality and functionality imposed by end customers could adversely impact the Company's prospects for its operations.

FINANCIAL RISKS: The Company is exposed to the following financial risks in the conduct of its operations:

- credit risks in relation to normal commercial transactions with customers;
- liquidity risks, with particular reference to the availability of financial resources and access to the market for credit and financial instruments in general;
- market risks, mainly relating to changes in interest rates and, to a lesser extent, exchange rates.

The Company constantly monitors the financial risks that it is exposed to, in order to evaluate in advance any potential negative effects and to take appropriate action to mitigate them.

Credit Risks

Given the nature of its industrial activities - plastic injection moulding components for car makers - the Company's receivables are structurally concentrated since customers comprise a limited number of industrial groups. The integration of the Company within the Endurance Group makes possible the indirect diversification of customers, by supplying other group companies with unfinished components for the manufacture of products that are then supplied to multiple end customers.

The Company monitors receivables constantly and regularly adjusts the related allowances for collection risks.

Liquidity risks

The two main factors that determine the Company's liquidity position are, on one hand, the resources generated or absorbed by operations and by investments and, on the other hand, the timing of the repayment and renewal of debt and of the liquidity of financial investments.

The Company seeks the most appropriate sources of finance bearing in mind the current and prospective financial position. Any difficulties encountered in obtaining financing needed to meet the needs of current operations and needs relating to investments could negatively impact the Company's results and financial position.

Management believes that funds currently available, keeping of suitable contacts for access to credit, as well as funds generated from operating activities, will allow the Company to meet the needs of investing activities, of working capital management and for the repayment of debt as it falls due.

Market risks

In the conduct of its activities, the Company is exposed to various market risks, particularly the risk of fluctuations in interest rates and, to a lesser extent, exchange rates.

Risks relating to changes in interest rates

The Company utilises financial resources provided mainly in the form of bank debt and employs the funds to finance operations and investment and development initiatives. Furthermore, the Company may factor its trade receivables. Changes in market interest rates impact the cost of various forms of financing and of factoring and thus affect the level of the Company's financial charges.

To face up to these risks, the Company strives to maintain a suitable relationship between the financing structure and the structure of capital employed, compatible with opportunities offered and actual market conditions.

With this aim, the Company has structured its financing with floating rates and with repayment due in the medium/long term at favourable conditions (with the objective of managing current unfavourable conditions and high volatility of interest rates).

Risks relating to changes in exchange rates

The functional currency used by the Company for the majority of its transactions (Euro) does not currently appear to be subject to significant risks relating to exchange rate fluctuations.

Key non-financial indicators

Pursuant to Art. 2428 of the Civil Code, it is hereby confirmed that, due to the specific activities performed and for a better understanding of the company's results and financial position, it is not deemed relevant to present non financial indicators.

Information on the environment and safety at work

The Company, in the context of the specific policies in place at Endurance group level, operates with particular care in order to ensure that production and operating activities are carried out in compliance with all applicable regulations and international agreements, with the aim of introducing and maintaining a culture of continuous improvement of environmental performance and safety of the Group's processes and products and to protect the safety of persons and plants.

During the financial year ended 31st March, 2018, activities continued on the control and maintenance of adequate standards for environmental protection in compliance with the provisions of the BS OHSAS 18001:2007 scheme in relation to the environmental management system, as well as preparatory activities for the transition to application of the new ISO 14001:2015 reference standard were carried out.

Training sessions were held for personnel in relation to general and specific safety job training, updating for the fire-fighting emergency team, specific training for supervisors on how to exercise the activity of monitoring compliance by workers with the provisions of company law on health and safety at work (for a total of more than 360 hours of training provided).

In terms of works performed on the plants in relation to their safety guarantee, 2 forklifts were replaced and activities were carried out to reduce the risk of exposure to chemical agents by conveying them outside through dedicated suction of 2 moulding presses in department A.

In addition, with reference to fire-fighting activities, the planned evacuation drills for the departments were carried out, covering all the work shifts.

With regard to health surveillance and accident monitoring, the Risk Assessment Document was updated and accident monitoring and analysis continued with the S EWO and Safety Reports for the definition of causes and countermeasures.

Information on personnel management

The Company's average workforce during the year amounted to 66 employees, as compared the prior year figure of 72. The workforce in the last month of the year came to 64 people.

During the year 2017-2018 the main training activities, in addition to what was previously indicated with reference to safety at work, were addressed to the following topics:

- Course for the acquisition of basic notions for IATF (internal audit) procedures;
- Training courses on Lean Manufacturing and Supply Chain Management;
- Training course for management and operations on automated stations.

The courses held for employees came to a total of around 135 hours, with training held internally and externally (in addition to training on the job).

Research and development activities

Pursuant to paragraph 3.1 of art. 2428 of the Civil Code, we can confirm that research and development activities applied to products and the production process were performed during the financial year, for which no R&D costs were capitalised.

In particular, with reference to the main implementation guidelines, an application of technological innovation was introduced during the price quotation phase, after an in-depth technical analysis and supported by FEM calculations (Moldflow/Structural/NVH).

With reference to design activities in the process/product area, the main projects are as follows:

- Preparation and consolidation of the Company's partnership team involved with certain key providers, for the co-development of technological updates and sharing of analyses and strategies both for potential future businesses and for support on the development of those acquired.
- Consolidation of the supply specifications and testing procedure during new products start-up phase.
- Technological upgrade of certain production lines.

In relation to the special projects undertaken during the year, we highlight the main ones:

- Development of new moulds using the injection system with a direct shutter in the figure and with a moulding technology that uses sequential vacuum injection.

Transactions with related parties

With regard to the provisions of paragraph 3.2 of art. 2428 of the Italian Civil Code, we can confirm that the Company does not have any controlling equity investments and, accordingly, has not entered into any transactions with subsidiaries.

As required by OIC 12.130 and art. 2427, para. 1, point 22-bis c.c., it is confirmed that relations with related parties comprise transactions with the parent company and its subsidiaries (together referred to as "affiliates"), as summarised below:

Receivables from related parties classified as current assets

(Amount in EUR)

Description	31st March, 2018	31st March, 2017	Change
from entities under common control	804,079	874,024	(69,945)
Total	**804,079**	**874,024**	**(69,945)**

The amount receivable from common controlled entities (Euro 804,079 at 31st March, 2018) relates to the trade receivables due from Endurance Fondalmec S.p.A..

(Amount in EUR)

Description	31st March, 2018	31st March, 2017	Change
from controlling companies – treasury management (cash pooling) assets	1,900,937	-	1,900,937
Total	**1,900,937**	**-**	**1,900,937**

The item refers to the positive balance due from the parent company Endurance Overseas S.r.l. as of 31st March, 2018, pursuant to the current cash pooling contracts. At 31st March, 2017, the treasury balance was negative for Euro 1,256,476 and it was included among payables to the parent company.

Payables due to and loans from related parties

(Amount in EUR)

Description	31st March, 2018	31st March, 2017	Change
due to parent companies	400,014	1,576,895	(1,176,881)
Total	**400,014**	**1,576,895**	**(1,176,881)**

At 31st March, 2018, payables due to parent companies include:

- Euro 132,940, relating to the net IRES tax payable arising from domestic Group consolidated tax arrangements;

- Euro 267,074, relating to trade payables in connection with administrative and financial services and support provided by the parent company to the Group companies (under specific service agreements), which have been entered into on an arm's length basis.

There are no credit and debit relationships and no economic transactions were carried out during the year with Endurance Technologies Limited, the company exercising management control and coordination.

Treasury shares

Pursuant to arts. 2435bis and 2428 of the Italian Civil Code, it is confirmed that the Company does not hold any treasury shares and did not own any during the year.

Shares/quotas in the parent company

In accordance with Art. 2435-bis and Art. 2428 paragraphs 3.3 and 3.4 of the Italian Civil Code, it is hereby confirmed that the Company did not hold any shares or quotas in the parent company during the year.

Business outlook

According to estimates made by the International Monetary Fund, the growth prospects of the world economy remain positive (+3.9% in 2018 and +3.9% in 2019) due to the expansionary fiscal policies recently launched in the USA (with expected growth of +2.9% in 2018 and +2.7% in 2019) and the persistence of the monetary impulse conditions that have been going on for several years, particularly in the EU (where growth is expected to be +2.4% in 2018 and +2.0% in 2019) and Japan (where growth is expected to be +1.2% in 2018 and +0.9% in 2019).

These incentives should continue to support domestic consumption, in addition to the benefits of the favourable outlook for foreign demand.

Italy is expected to confirm lower-than-average growth rates (+1.5% in 2018 and +1.1% in 2019), due to austerity policies in public accounts that will limit the implementation of expansionary manoeuvres.

Emerging economies should continue to grow at a sustained pace due to the better prospects expected in the commodity market (Brazil +2.3% and +2.5% and Russia +1.7% and +1.5% respectively in 2018 and 2019). China, on the other hand, is expected to slow down moderately (+6.6% in 2018 and +6.4% in 2019) as a result of the rebalancing of the economy due to the transition from an investment-driven growth to a consumption-based one. On the contrary, India is expected to accelerate (+7.4% in 2018 and +7.8% in 2019) due to the robust growth expected in private consumption, favoured also by the end of the transitory effects deriving from the implementation of the tax on goods and services.

After years of sustained growth that have allowed, at European level, a return to volumes of registration and production not seen since 2007, the automotive sector growth is expected to slow down. The European Automobile Manufacturers' Association (ACEA) forecasts a growth in registrations of around 1% in 2018.

This forecast is supported by the trend in registrations in the first part of 2018 (from January to March), which showed average growth rates in Europe of +0.7% (compared to +8.4% in the same period of the previous year), with positive figures for some markets (Germany +4.0%, France +2.9% and Spain +10.5%) and less comforting situations for others (UK -12.4%), including Italy (-1.5%). During this quarter, VW increased its sales targets by 5.4%, PSA (without the newly acquired Opel) by 6.6%, while BMW fell by 1.6%, FCA by 4.3% and Opel (old scope) by 9.6%. Daimler is substantially unchanged.

The market scenario will also be affected by the trend in the import/export balance of vehicles with non-EU countries.

The overall outlook therefore remains favourable, even if less dynamic, thus consolidating the positive results of the recent past. Positive results are therefore also expected for the new year. However, it is necessary to recall those risk factors which are still unresolved and which may have an impact on the overall macroeconomic situation. Situations of geopolitical and protectionist conflict, contrasts and imbalances in the European context, a return to expansionary monetary policies and financial markets tensions due to the high level of indebtedness of the public and private sectors, could determine adverse market conditions.

Among the factors that will continue to condition future prospects, it is necessary to remember also the evolution of the regulations applicable to the automotive sector. This will force manufacturers to change the design of their vehicles, engines and exhaust systems, increasingly moving towards alternative vehicles (electric, hybrid and gas) whose prospects are also favoured by public incentives, now introduced in many countries (such as exemption from circulation taxes for many years, incentives for the purchase and scrapping of old combustion vehicles, in particular for diesel ones). Although some manufacturers have already announced the termination of diesel engines production in the medium term, the development of combustion engines has not been definitively abandoned, as shown by recent announcements regarding systems and devices that should also allow criticized diesel engines to operate within the emission limits of the most stringent regulations to be applied.

Use of financial instruments material to the evaluation of results and financial position

Pursuant to paragraph 3.6-bis of Art. 2428 of the Italian Civil Code, it is hereby confirmed that the Company is not party to any financial tool, inclusive of derivatives, that are material to the measurement of the results and financial position.

Conclusion

To the Quotaholder,

In view of the above and the contents of the explanatory notes, you are invited to approve the financial statements for the year ended 31st March, 2018 together with the accompanying explanatory notes and report on operations, and to allocate the net income for the year - Euro 969,049 – to retained earnings caption.

Turin, 11th May, 2018

For the Board of Directors

The Managing Director

Signed by Samuele Gabutto

General information on the company

Company data

Name:	ENDURANCE ENGINEERING SRL
Registered office:	STRADA DEL CASCINOTTO 135/A TURIN (TO)
Quota capital:	100,000.00
Quota capital fully paid in:	Yes
Chamber of Commerce:	TO
VAT Number:	11081890011
Tax code:	11081890011
REA Number:	1186114
Legal form:	LIMITED LIABILITY COMPANY
Core business (ATECO):	222909
Company in liquidation:	No
Company with sole quotaholder:	Yes
Company subject to management and coordination activities:	Yes
Name of the company or entity that exercises management and coordination activities:	ENDURANCE TECHNOLOGIES LIMITED
Belonging to a Group:	Yes
Name of the parent company:	ENDURANCE OVERSEAS SRL
Country of the parent company:	ITALY
Cooperatives register number:	

Financial Statements

for the year ended 31st March, 2018

Balance sheet

(Amount in EUR)

	31st March, 2018	31st March, 2017
Assets		
B) Fixed assets		
I Intangible assets	**-**	**-**
1) Start-up and expansion costs	-	558
2) Development costs	-	-
3) Industrial patent rights and intellectual property rights	17,593	18,477
4) Concessions, licenses, trademarks and similar rights	-	-
5) Goodwill	360,000	720,000
6) Assets in process of formation and advance payments	-	-
7) Other	108,606	169,381
Total intangible assets	**486,199**	**908,416**
II Tangible fixed assets	**-**	**-**
1) Land and buildings	44,974	45,584
2) Plant and machinery	950,274	885,988
3) Industrial and commercial equipment	249,594	242,386
4) Other assets	63,826	97,532
5) assets under construction and advance payments	-	-
Total tangible fixed assets	**1,308,668**	**1,271,490**
III Financial fixed assets	**-**	**-**
1) Equity investments in	-	-
a) controlled companies	-	-
b) associated companies	-	-
c) parent/controlling companies	-	-
d) companies under common control	-	-
d-bis) other companies	505	505
Total equity investments	**505**	**505**
2) Financial non current receivables	-	-
3) Other securities	-	-
4) Derivative instruments	-	-
Total financial fixed assets	**505**	**505**
Total fixed assets (B)	**1,795,372**	**2,180,411**
C) Current assets		
I Inventories	**-**	**-**
1) Raw materials, ancillary materials and consumables	1,187,786	816,088
2) Work in process and semi-finished products	89,643	68,360
3) Contract work in progress	-	-
4) Finished products and goods	1,127,777	670,417
5) Advances	-	-
Total inventories	**2,405,206**	**1,554,865**
II Receivables	**-**	**-**
1) From customers	547,406	2,579,532
due within one year	547,406	2,579,532
2) from controlled companies	-	-
3) from associated companies	-	-
4) from parent/controlling companies	-	-
5) from companies under common control	804,079	874,024
due within one year	804,079	874,024

(Amount in EUR)

	31st March, 2018	31st March, 2017
5-bis) Tax receivables	858,729	556,175
due within one year	858,729	535,500
due beyond one year	-	20,675
5-ter) Deferred tax assets	347,509	265,207
5-quater) from others	163,117	234,955
due within one year	151,137	222,975
due beyond one year	11,980	11,980
Total receivables	**2,720,840**	**4,509,893**
III Current financial assets	**-**	**-**
1) investments in controlled companies	-	-
2) investments in associated companies	-	-
3) investments in parent/controlling companies	-	-
3-bis) investments companies under common control	-	-
4) investments in other companies	-	-
5) derivative instruments	-	-
6) other securities	-	-
7) financial assets for centralized cash management (cash pooling)	1,900,937	-
Total current financial assets	**1,900,937**	**-**
IV Cash and cash equivalents	**-**	**-**
1) Bank and postal deposits	1,615,673	879,077
2) Cheques	-	-
3) Cash on hand	340	863
Total cash and cash equivalents	**1,616,013**	**879,940**
Total current assets (C)	**8,642,996**	**6,944,698**
D) Prepaid expenses and accrued income	**100,830**	**192,858**
Total assets	**10,539,198**	**9,317,967**

Liabilities and quotaholders' equity		
A) Quotaholders' equity	**4,241,050**	**3,272,001**
I Quota capital	100,000	100,000
II Share premium reserve	-	-
III Revaluation reserves	-	-
IV Legal reserve	20,000	20,000
V Statutory reserves	-	-
VI Other distinctly indicated reserves	-	-
Paid in for future capital increase	1,900,000	1,900,000
Total other reserves	**1,900,000**	**1,900,000**
VII Cash flow hedge reserve	**-**	**-**
VIII Retained earnings (accumulated losses)	1,252,001	725,577
IX Net income (loss) for the year	969,049	526,424
Total quotaholder's equity	**4,241,050**	**3,272,001**
B) Provision for risks and charges		
1) provisions for pensions and similar obligations	**-**	**-**
2) for current and deferred taxation	-	-
3) derivative financial instruments	-	-
4) other provisions	28,030	28,030
Total provisions for risks and charges	**28,030**	**28,030**
C) Employee termination indemnities	**253,184**	**301,062**

(Amount in EUR)

	31st March, 2018	31st March, 2017
D) Payables		
1) Bonds	-	-
2) Convertible bonds	-	-
3) Due to quotaholders for loans	-	-
4) Due to banks	2,055,370	254,503
due within one year	520,149	126,151
due beyond one year	1,535,221	128,352
5) Due to other financial institutions	-	-
6) Advances	-	-
7) Trade payables	2,592,755	3,027,444
due within one year	2,592,755	3,027,444
8) Credit notes-represented payables	-	-
9) Due to controlled companies	-	-
10) Due to associated companies	-	-
11) Due to parent/controlling companies	400,014	1,576,895
due within one year	400,014	1,576,895
11-bis) Due to companies under common control	-	-
12) Tax payable	110,390	104,674
due within one year	110,390	104,674
13) Due to pension and social security institutions	99,196	158,768
due within one year	99,196	158,768
14) Other payables	716,269	541,974
due within one year	716,269	541,974
Total payables	**5,973,994**	**5,664,258**
E) Accrued expenses and deferred income	**42,940**	**52,616**
Total liabilities and quotaholders' equity	**10,539,198**	**9,317,967**

Income statement

(Amount in EUR)

			FY 2017/2018	FY 2016/2017
A)	**Value of production**			
	1)	Revenues from sales of goods and services	17,427,031	16,708,856
	2)	Change in inventories of work in progress, semi-finished and finished products	478,644	(139,851)
	3)	Change in contract work in progress	-	-
	4)	Internally generated fixed assets	-	-
	5)	Other income and revenues	-	-
		Operating grants	9,542	9,542
		Other	39,921	61,188
	Total other income and revenues		**49,463**	**70,730**
Total value of production			**17,955,138**	**16,639,735**
B)	**Cost of production**			
	6)	Raw and ancillary materials, consumables and goods for resale	9,645,372	8,178,775
	7)	Services	2,099,910	2,076,586
	8)	Lease and rental charges	328,492	345,933
	9)	Payroll	-	-
		a) Wages and salaries	2,989,347	2,881,411
		b) Social contributions	586,177	623,828
		c) Termination indemnity	149,733	166,509
		d) Pension and similar commitments	-	2,635
		e) Other costs	1,325	7,354
	Total payroll costs		**3,726,582**	**3,681,737**
	10)	Depreciation, amortisation and writedowns	**-**	**-**
		a) Amortisation of intangible fixed assets	449,776	447,106
		b) Depreciation of tangible fixed assets	253,776	231,803
		c) Writedowns of tangible and intangible fixed assets	-	-
		d) Writedowns of current receivables and cash and cash equivalents	-	2,613
	Total depreciation, amortisation and writedowns		**703,552**	**681,522**
	11)	Change in inventory of raw and ancillary materials, consumables and goods	(371,698)	111,598
	12)	Provision for risks and charges	-	-
	13)	Other provisions	-	-
	14)	Other operating expenses	158,390	483,040
Total cost of production			**16,290,600**	**15,559,191**
Difference between production value and cost (A - B)			**1,664,538**	**1,080,544**
C)	**Financial income and charges**			
	15)	Financial income from investments	-	-
	16)	Other financial income	-	-
		a) from financial non-current assets	-	-
		b) from other non current securities	-	-
		c) from other current securities	-	-
		d) other than the above	-	-
		Other	88	34
		Total income other than the above	**88**	**34**
	Total other financial income		**88**	**34**
	17)	Interest and other financial charges	**-**	**-**
		from parent/controlling companies	-	19,673
		from other	38,216	57,055
	Total interest and other financial charges		**38,216**	**76,728**

(Amount in EUR)

	FY 2017/2018	FY 2016/2017
17 bis) Foreign exchange gains and losses	-	-
Total financial income and charges (15+16-17+-17-bis)	**(38,128)**	**(76,694)**
D) Adjustments to financial assets and liabilities		
18) revaluation	-	-
19) writedowns	-	-
Total adjustments to financial assets and liabilities (18-19)	**(38,128)**	**(76,694)**
Result before taxes (A-B+-C+-D)	**1,626,410**	**1,003,850**
20) Income taxes for the year, current and deferred		
Current taxation	739,663	557,973
Deferred taxation	(82,302)	(80,547)
Total income taxes for the year, current and deferred	657,361	477,426
21) Net income (loss) for the year	**969,049**	**526,424**

Statement of cash flow – (Indirect method)

(Amount in EUR)

	FY 2017/2018	FY 2016/2017
A) Cash flows from operating activities (indirect method)		
Net income (loss) for the year	969,049	526,424
Taxation	657,361	477,426
Interest expense/(interest income)	38,128	76,694
(Gains)/losses from disposal of assets	2,730	-
1) Income (loss) for the year before income taxes, interest, dividends and gains/losses from disposals	**1,667,268**	**1,080,544**
Adjustments for non-cash items that had no counterpart in net working capital		
Provisions	5,514	166,509
Depreciation and amortisation of fixed assets	703,552	678,908
Total adjustments for non-cash items that had no counterpart in net working capital	**709,066**	**845,417**
2) Cash flow before changes in net working capital	**2,376,334**	**1,925,961**
Change in net working capital		
Decrease/(Increase) in inventory	(850,341)	251,449
Decrease/(Increase) in trade receivables	2,102,071	198,161
Increase/(Decrease) in trade payables	(1,611,570)	591,946
Decrease/(Increase) in prepaid expenses and accrued income	92,028	(46,234)
Increase/(Decrease) in accrued expenses and deferred income	(9,676)	(9,410)
Other decreases/(Other Increases) in net working capital	(98,413)	(848,242)
Total changes in net working capital	**(375,901)**	**137,670**
3) Cash flow after changes in net working capital	**2,000,433**	**2,063,631**
Other adjustments		
Interest collected/(paid)	(38,129)	(76,694)
(Income taxes paid)	(756,987)	(616,024)
(Use of provisions)	(53,392)	(185,495)
Total other adjustments	**(848,508)**	**(878,213)**
Cash flow from operating activities (A)	**1,151,925**	**1,185,418**
B) Cash flows from investing activities		
Tangible fixed assets		
(Investments)	(314,812)	(105,808)
Disposals	26,589	-
Intangible assets		
(Investments)	(27,559)	(28,339)
Cash flow from investing activities (B)	**(315,782)**	**(134,147)**
C) Cash flows from financing activities		
Third-party funds		
Increase/(Decrease) in short-term debt due to banks	(1,900,937)	(1,011,665)
New loans	2,000,000	-
(Repayment of loans)	(199,133)	(123,807)
Cash flow from financing activities (C)	**(100,070)**	**(1,135,472)**
Increase (decrease) in cash and cash equivalents (A ± B ± C)	**736,073**	**(84,201)**
Cash and cash equivalents at the beginning of the year		
Bank and postal deposits	879,077	962,910
Cash on hand	863	1,231
Total cash and cash equivalents at the beginning of the year	**879,940**	**964,141**

(Amount in EUR)

	FY 2017/2018	FY 2016/2017
Cash and cash equivalents at the end of the year		
Bank and postal deposits	1,615,673	879,077
Cash on hand	340	863
Total cash and cash equivalents at the end of the year	**1,616,013**	**879,940**

Information on the statement of cash flows

The statement of cash flows during the year is presented on a comparative basis in accordance with OIC 10.

This statement was prepared using the indirect method, in order to identify the sources and applications of funds deriving from operating, financing and investing activities.

Note that "Increase (decrease) in trade payables" and "Increase (decrease) in short-term debt due to banks" include the change in the treasury management (cash pooling) account managed by Endurance Overseas S.r.l. (from a negative balance of € 1,256,476 at 31st March, 2017 to a positive balance of € 1,900,037 at 31st March, 2018).

Explanatory notes, first part

To the Quotaholder, these explanatory notes are an integral part of the financial statements for the year ended 31st March, 2018.

The financial statements submitted for your approval report net income of € 969,049, after taxes of € 657,361 and depreciation and amortisation of € 703,552.

Form and content of the financial statements

The financial statements for the year ended 31st March, 2018 have been prepared in compliance with the Italian Civil Code, as interpreted and supplemented by the accounting standards issued by the OIC (Italian Accounting Board) and, if these are unavailable and to the extent not in conflict with Italian Accounting Standards, by those issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a going concern basis, as there are no significant uncertainties in this regard.

The financial statements comprise the balance sheet, the income statement, the statement of cash flows (prepared in conformity with the respective requirements of arts. 2424 and 2424 bis of the Italian Civil Code (c.c.), arts. 2425 and 2425 bis c.c. and art. 2425 ter c.c.) and these explanatory notes.

The balance sheet, the income statement, the statement of cash flows and the accounting disclosures contained in these explanatory notes agree with the books of account, from which they have been directly prepared. The items preceded by Arabic numerals in the balance sheet and income statement have not been grouped together, which is optional under art. 2423 ter of the civil code.

The measurement criteria adopted for the various items comply with those specified in art. 2426 c.c. and the relevant accounting standards. These criteria are consistent with those applied for the preparation of the financial statements of the prior year, having regard for the changes in the relevant regulatory framework described below.

The financial statement items are stated in accordance with the prudence concept and on a going concern basis. Pursuant to art. 2423-bis, para. 1, point 1-bis c.c., items are recognised and presented having regard for the substance of the operations or contracts concerned.

Pursuant to Art. 2424 of the Civil Code, we can confirm that no balance sheet items have been allocated to more than one balance sheet line.

In the preparation of the financial statements, income and expenses are recorded on an accruals basis, regardless of the timing of collection and expenditure. Contingencies and losses relating to the year are recognised, even if they become known after the reporting date.

The purpose of the explanatory notes is to describe, analyse and, in some cases, supplement the data reported on the face of the financial statements. They contain the information required by arts. 2427 and 2427 bis c.c., other provisions of the civil code and other legislation. In addition, they provide all the complementary information deemed necessary in order to present the most transparent and complete view possible, even if such information is not required by specific legislation.

No significant events have taken place subsequent to the reporting date that would have had an effect on the financial statements for the year ended 31st March, 2018.

Amounts are stated in whole euro, unless specified otherwise.

The financial statements comply with the requirements of article 2423 et seq. of the Italian Civil Code and with the Italian accounting standards issued by the OIC (Italian Accounting Board); they have therefore been prepared clearly and give a true and fair view of the Company's financial position and results of operations.

Accounting policies for the preparation of the financial statements

The information contained in this document is presented in the order in which the related components are indicated in the balance sheet and income statement.

With reference to the matter indicated in the introduction to the explanatory notes, we can confirm that, pursuant to paragraph 3 of art. 2423 of the Civil Code, where the information required by legislative provisions is not sufficient to give a true and fair view of the company's situation, supplementary information is provided for this purpose.

No exceptional cases have arisen that have made it necessary to seek exemptions under paragraphs 4 and 5 of art. 2423 and paragraph 2 of art. 2423-bis of the Civil Code.

Accounting policies

The accounting principles applied for the preparation of these financial statements, described below, take account of the amendments, additions and new provisions included in the civil code by Decree 139/2015, which transposed Directive 34/2013/EU into Italian law. In particular, the domestic accounting standards were reformulated by the OIC in the latest version issued on 22nd December, 2016, inclusive of the amendments published on 29th December, 2017.

The accounting policies applied for the measurement of financial statement items and for their adjustment comply with the provisions of the Italian Civil Code and with the indications included in the Italian accounting standards reformulated by the Italian Accounting Board. Pursuant to art. 2427 paragraph 1 no. 1 of the Italian Civil Code, we explain the more significant accounting policies applied in compliance with the provisions of art. 2427 of the Italian Civil Code, particularly for those items for which the legislator permits the use of options for measurement and adjustments or for which no specific accounting policy exists.

Intangible assets

When the established criteria are met, these are recorded at purchase or production cost, inclusive of direct costs and related charges, and amortised systematically each year on a straight-line basis. Intangible assets are recognised with the consent of the Board of Statutory Auditors where prescribed by law.

Their book value is stated net of accumulated amortisation and writedowns.

Amortisation is applied as indicated below, in order to allocate the cost incurred over the useful life of the assets:

Intangible asset item	Amortisation period
Start-up and expansion costs	5 years on a straight-line basis
Concessions, licences, trademarks and similar rights	3 years on a straight-line basis
Goodwill	5 years on a straight-line basis
Other intangible assets	5 years on a straight-line basis

Start-up and expansion costs have been entered in the assets of the Balance Sheet as they have a multi-annual useful life; these costs are amortised within a period not exceeding five years.

The caption "Concessions, licenses, trademarks and similar rights" mainly includes capitalized costs incurred to purchase software.

Goodwill includes amounts paid for this purpose in the context the acquisition of companies or other corporate transactions and is amortised over its useful life. If its useful life cannot be estimated, the goodwill is amortised over a period of 10 years. For the purposes of calculating the useful life of goodwill, defined equal to 5 years, the Company has taken into consideration the information available to estimate the period within which it is probable that the economic benefits associated with the goodwill will be manifested.

Leasehold improvements, included in other intangible assets, are capitalised and recorded under "other intangible assets" if they cannot be separated from the assets themselves (otherwise they are recorded under "tangible assets" in the specific item to which they belong), and are systematically amortised at the lower of the expected future usefulness period (prudentially determined over 5 financial years) and the residual rental period, taking into account any renewal period, if dependent on the Company.

If permanent impairment is identified regardless of the amortisation already recorded, the asset is written down accordingly; should the reasons for write-downs cease to apply in subsequent years, the original amounts are reinstated without exceeding the carrying amounts that the assets would have had in the absence of the write-downs. This reinstatement does not apply to goodwill or the deferred charges referred to in point 5 of art. 2426 c.c.

Pursuant to and for the purposes of Article 10 of Law 72 of 19th March, 1983, and as also referred to in subsequent monetary revaluation laws, it should be noted that no monetary revaluation has ever been carried out for intangible assets still existing in the balance sheet.

Tangible fixed assets

These are recorded at purchase or internal construction cost and stated net of the depreciation charged in the current and prior years. Costs comprise related charges and the direct and indirect expenses that can reasonably be allocated to assets during the construction period and until they become available for use. They also include any borrowing costs incurred to finance the construction work (whether internal or carried out by third parties) until the asset become available for use, without however exceeding its recoverable value. Tangible fixed assets are only revalued if this is required or allowed by special laws.

Pursuant to and for the purposes of Article 10 of Law 72 of 19th March, 1983, as also referred to in subsequent monetary revaluation laws, it should be noted that no monetary revaluation has ever been carried out for tangible assets still in existence.

Assets purchased in foreign currencies are recorded at cost using the exchange rate in force on the transaction date, or using the lower rate applying on the reporting date if the reduction is deemed to be permanent.

Tangible fixed assets are depreciated systematically each year on a straight-line basis using the following rates:

Tangible fixed assets	Depreciation rate
Temporary constructions	10.00%
General plant	7.50%
Specific machinery	12.50%
Sundry and minor equipment	12.50%
Motor cars	25.00%
Internal transport vehicles	20.00%
Electronic office machines	20.00%
Furniture and shelving	12.00% - 12.50%
Assets costing less than € 516.46	100.00%

When fixed assets enter into service during the year, their depreciation, calculated on a time-apportioned basis (pro-rata temporis), commences from the month after which the assets become available and ready for use.

Depreciation is also charged on fixed assets that are temporarily out of use. Land is not depreciated, as its useful life is not finite.

If applicable, buildings held as a financial investment are not depreciated if their residual value is greater than or equal to their net carrying amount.

If permanent impairment is identified, regardless of the depreciation already recorded, the asset is written down accordingly; should the reasons for write-downs cease to apply in subsequent years, the original amounts are reinstated without exceeding the carrying amounts that the assets would have had in the absence of the earlier write-downs.

Routine maintenance and repair costs are charged in full to the income statement. Improvement costs are allocated to the fixed assets concerned and depreciated over their residual useful lives.

Costs incurred to expand, modernise or improve the structural elements of a tangible fixed asset are capitalised if they significantly and measurably increase its productive capacity, safety or useful life. If the costs concerned do not have the above effect, they are treated as routine maintenance and charged to the income statement.

Impairment (intangible assets and tangible fixed assets)

At each reporting date, the Company determines if there is any evidence that the value of its tangible and intangible fixed assets might be impaired. If such evidence is found, the Company estimates the recoverable value of each asset concerned and records an impairment writedown if it is lower than the corresponding net carrying amount.

Recoverable value is not determined if there is no evidence of possible impairment.

The recoverable value of tangible and intangible fixed assets is deemed to be their value in use (calculated by discounting their future cash flows) or, if greater, their fair value (being the amount obtainable at the reporting date, based on the best available information, from their sale in an arm's-length transaction between knowledgeable and willing parties, net of the related selling costs).

With regard to the above, the Company has looked for evidence that the value of its tangible and intangible fixed assets might be impaired, but did not find any and, accordingly, has not determined the recoverable value of the above assets.

Equity investments and securities (classified as financial fixed assets)

The equity investments and debt securities classified as fixed assets will be held by the Company over the long term. Equity investments are measured at cost, as adjusted for any impairment. Debt securities are measured using the amortised cost method.

The cost recorded in the financial statements is determined with reference to purchase or subscription price, inclusive of related expenses. If lasting impairment is identified, the carrying amount of equity investments is reduced to their recoverable value, which is determined with reference to the future benefits that are expected to accrue to the Company. Should the Company be obliged or intend to cover the (non-permanent) losses incurred by an equity investment, a suitable provision is recorded to cover the liability to which the Company is exposed. If in future years the reasons for the writedown cease to apply, the equity investment is written back to its original carrying amount.

The amortised cost of a security is its original carrying amount, net of any redemptions of principal, as increased or decreased by the accumulated amortisation, calculated using the effective interest method, of any difference between its initial and maturity values after deducting any impairment (recognised directly or by a provision) following a loss in value. The original carrying amount is represented by purchase or subscription cost, net of any commissions.

Intercompany loans

Intercompany loans with a duration of more than 12 months are usually governed by contracts arranged on market terms and conditions; interest-free intercompany loans and those arranged at significantly below market rates are recognised initially at the value of the related future cash flows, as discounted using the market rate (being the average funding rate of the Company or the Group). The difference with respect to the liquidity collected by the parent company is credited to shareholder's equity.

Inventories

Inventories are stated at the lower of purchase and/or production cost, determined using the weighted average cost method, or the realisable value inferred from market prices.

In particular, the specific criteria used to measure the various categories of inventory (unchanged with respect to the prior year) are summarised below:

- Raw materials: annual weighted average cost (including components purchased from third parties and alloys);
- Work in process (semi-finished products): manufacturing cost based on the stage of completion of the production process, being the cost of production;
- Finished products: manufacturing cost;
- Dies for resale: purchase cost;
- Consumables: purchase cost, inclusive of spare parts.

Purchase cost includes any directly attributable ancillary charges, with the exclusion of borrowing costs. Production cost includes the indirect costs that are reasonably attributable to each asset during the production period until it becomes available for use.

The realisable value of goods, finished products, semi-finished products and work in process inferred from market conditions is deemed to be their net realisable value. Raw and ancillary materials held for the production of finished products are not written down if the finished products in which they will be used are realisable for an amount that is greater than or equal to their production cost.

Inventories are written down when their realisable value estimated with reference to market conditions is lower than their carrying amount. Obsolete and slow-moving inventories are written down with reference to their possible uses or realisable value. If in future years the reasons for any writedown cease to apply, the related inventories are written back to not more than their original cost.

Receivables

Receivables are stated at amortised cost, having regard for the time factor and their estimated realisable value. The amortised cost method is not applied when its effects are insignificant, being when the transaction costs, the commissions paid between the parties and all other difference between initial value and maturity value are immaterial or when the receivables are recoverable in the short term (within 12 months).

The amount of receivables, as determined above, is adjusted when necessary by a specific allowance for doubtful accounts, which is deducted directly from their gross amount in order to report them at their estimated realisable value. The provision (which takes account of collection losses, returns and invoicing adjustments, discounts and allowances, interest not yet earned and other reasons for reduced recoverability) is charged to the income statement.

Receivables assigned to factors, if applicable, are only derecognised if they are sold without recourse and essentially all the related risks are transferred (the difference between the consideration received on the assignment and the carrying amount of the receivable is recognised in income statement caption C17). If the assignment does not involve derecognition (for example, assignment with recourse), since not all the related risks are transferred, the receivable continues to be reported in the balance sheet and is measured in the manner described above. If advance consideration is received from the assignee, the amount is recognised as a financial payable.

Receivables taking the form of bank receipts that have not been assigned, remain classified as receivables until final collection of the amounts concerned.

Receivables deriving from centralised treasury management activities (cash pooling) are classified separately within current assets, if recoverable in the short term. If this is not the case, they are classified as financial fixed assets.

Cash and cash equivalents

Cash and cash equivalents at the reporting date are measured at their nominal value. Amounts denominated in foreign currencies are measured using the closing exchange rates.

Prepaid/deferred expenses and accrued/deferred income

Prepaid/deferred expenses and accrued/deferred income include costs and revenues relating to the year that will be formally recorded in future years, and costs and revenues recorded by the reporting date that relate to future years. The related amounts are determined on a time-apportioned basis.

Provisions for risks and charges

The provisions for risks and charges cover known or likely losses or liabilities, the timing or extent of which cannot be determined at the reporting date. These provisions, including those for deferred tax liabilities, which are classified in this caption, reflect the best possible estimates based on the information available. Risk that only might give rise to a liability are described in the notes on the provisions, without actually recording a provision. As required by OIC 31, new provisions for risks and charges are, where possible, classified in the relevant income statement classes (B, C or D). Whenever it is not possible to correlate a new provision with a caption in one of the above classes, it is classified in income statement caption B12 or B13.

Employee termination indemnities

Employee termination indemnities represent the total amount that would have been payable to all employees had they terminated their employment on the reporting date. The charge for the year, comprising the new provision and the revaluation of the accumulated provision (based on the change in the relevant ISTAT index), is determined in accordance with current regulations, having regard for the specific employment contracts and the professional categories concerned. Employee termination indemnities are classified in liability caption C, while the provision for the year is classified in income statement caption B9.

The changes made to the regulations governing termination indemnities by Law 296 dated 27th December, 2006 (2007 Finance Law) and subsequent decrees and enabling regulations, amended the accounting for the indemnities earned by 31st December, 2006 and those earned from 1st January, 2007. In particular, following creation of the INPS Treasury Fund to manage the termination indemnities of private sector employees, employers with more than 50 employees are obliged to pay the new provisions relating to them into the Treasury Fund, unless the persons concerned have specifically opted for their indemnities to be paid to a supplementary pension fund. The employee termination indemnities reported in the balance sheet are therefore stated net of the amounts paid to the above INPS Treasury Fund.

Payables

Payables are stated at amortised cost, as defined in art. 2426, para. 2 c.c., having regard for the time factor envisaged in art. 2426, para. 1, point 8 c.c.. Payables are however stated at their nominal amount if application of the amortisation cost and/or discounting methods would not be significant for the purpose of providing a true and fair view of the financial position and results of operations. This situation arises in the case of payables due within twelve months or, with regard to the amortised cost method, if the transaction costs, commissions and all other differences between the initial value and the maturity value are insignificant or, again, with regard to the discounting method, if the interest rate inherent in the contractual conditions is not significantly different to the market rate of interest.

Finance leases

Finance leases are recognised using the payments method, by charging the instalments paid to the income statement on an accruals basis. A specific section of these explanatory notes contains the supplementary information required by the law on the effect of recognising these contracts using finance lease methodology.

Revenues

Revenues from the sale of goods are recognised when ownership passes in substance, rather than in formal terms, being when the related risks and benefits are transferred (which in practice coincides with the time of delivery or shipment of the goods).

Revenues from the sale of products and goods or the provision of services relating to core operations (including income from the sale of production machinery and equipment, if envisaged under contractual agreements with customers) are recognised net of returns, discounts, allowances and rebates, as well as the taxes directly associated with the sale of products and the provision of services.

Revenues from services are recognised upon completion and/or when earned.

Transactions with related parties take place on normal market terms and conditions.

Costs

Costs stated net of returns, discounts, allowances and rebates are recognised on an accruals basis in accordance with the matching principle, regardless of the date of collection or payment. Compliance with the matching principle requires an estimate to be made of the invoices to be received.

Dividends

Dividends are recognised in the year in which they are declared by the shareholders' meeting. Dividends are recognised as financial income, regardless of the nature of the reserves that are distributed.

Financial income and charges

Financial income and charges are recognised on an accrual basis. Costs relating to the disposal of receivables for whatever reason are charged to the income statement on an accrual basis.

Taxation

Income taxes are recognised with reference to an estimate of taxable income in compliance with current regulations, having regard for any applicable exemptions and tax credits.

Deferred tax assets and liabilities are calculated on the temporary differences between the reported carrying amount of assets and liabilities and their corresponding values for tax purposes. Their measurement takes account of the tax rates expected to be in force in the year in which such differences contribute to the formation of taxable income, being the rates in force or already communicated at the reporting date (24% for IRES and 3.9% for IRAP). They are classified respectively among the current assets as "deferred tax assets" and among the provisions for risks and charges as "deferred tax liabilities".

In accordance with the concept of prudence, deferred tax assets are recognised on all deductible temporary differences if it is reasonably certain that taxable income in the years in which they reverse will not be less than the amount of the differences to be absorbed.

By contrast, deferred tax liabilities are recognised on all taxable temporary differences.

Deferred tax liabilities are not recognised in relation to reserves subject to the deferral of taxation if they are unlikely to be distributed to the shareholder.

For the year under review and for a period of three financial years (until the year ending 31st March, 2020 included), the Company is a member of the domestic tax group consolidation agreement, organised by the Endurance Group pursuant to arts. 117/129 of the Consolidated Tax Law (T.U.I.R.).

Endurance Overseas S.r.l. is the parent of this tax group and calculates just one taxable income for all member companies, with the benefit that taxable income can be offset against tax losses in a single tax declaration.

All members of the tax group transfer their taxable income (or loss) to the group parent, which records an amount receivable from them for the IRES to be paid (the consolidated companies record an amount payable to the tax group parent). Conversely, the group parent records an amount payable to the companies that transfer tax losses, representing the IRES actually offset at group level (the consolidated companies record an amount receivable from the tax group parent).

Translation of foreign currency items

Non-monetary assets and liabilities originally denominated in foreign currencies are recognised in the balance sheet using the exchange rates applying at the time of their acquisition, being their initial recognition cost.

Monetary assets and liabilities originally denominated in foreign currencies are recognised in the balance sheet using the spot exchange rates applying on the reporting date; the related exchange gains and losses are recognised in the income statement and any net unrealised gains are allocated to a non-distributable reserve until they have been realised.

Other information

Repurchase agreements

Pursuant to art. 2427 point 6-ter, the Company confirms that no repurchase agreements were arranged during the year.

Explanatory notes – Assets

The assets recorded in the balance sheet are measured in accordance with art. 2426 c.c. and Italian accounting standards. The specific measurement criteria applied are indicated in the individual notes on each item.

Fixed assets

Intangible assets

Movements in intangible assets

The table shows the movements in fixed assets during the year:

(Amount in EUR)

	Start-up and expansion costs	Concessions, licences, trademarks and similar rights	Goodwill	Other intangible assets	Total intangible assets
Balance at the beginning of the year					
Cost	2,788	41,053	1,800,000	391,237	2,235,078
Accumulated amortisation	2,230	22,576	900,000	221,856	1,146,662
Writedowns	-	-	180,000	-	180,000
Carrying amount	558	18,477	720,000	169,381	908,416
Changes during the year					
Additions	-	8,620	-	18,939	27,559
Amortisation for the year	558	9,504	360,000	79,714	449,776
Total changes	(558)	(884)	(360,000)	(60,775)	(422,217)
Carrying amount at the end of the year					
Cost	2,788	49,673	1,800,000	410,176	2,262,637
Accumulated amortisation	2,788	32,080	1,260,000	301,570	1,596,438
Writedowns	-	-	180,000	-	180,000
Carrying amount	**-**	**17,593**	**360,000**	**108,606**	**486,199**

"Intangible assets" total € 486,199 at 31st March, 2018 (€ 908,416 at 31st March, 2017), after charging amortisation of € 449,776 to the income statement.

The increase of € 27,559 in the year relate in particular to leasehold improvements, mainly in connection with the building used by the Company under a rent agreement, and to the purchase of software.

In particular, consistent with the manner in which the production inputs are used and taking account of an acceleration in the life cycle of the technologies applied, the useful life of goodwill was revised in the prior year from 10 years to 5 years in total (starting from the initial recognition of the asset in 2014/2015). As a result, in the financial year ended 31st March, 2016 the Company adjusted the carrying amount of goodwill by recording a provision, recognised in the income statement as a writedown of fixed assets, totalling € 180,000. These changes have not affected the tax deductibility of the amounts concerned, which remains unchanged (over 18 years, in accordance with the Consolidated Income Tax Law - TUIR).

No evidence was found during the year to indicate the possible impairment of intangible assets and, accordingly, no write-downs have been recorded pursuant to art. 2426, para. 1, point 3, of the Italian Civil Code and the requirements of OIC 9. Please note that previous adjustment of goodwill was not a reflection of impairment, but rather of a change in its useful life following a revision of the expectations for the development of the business development, as mentioned above.

Tangible fixed assets

Movements in tangible fixed assets

The following table shows the movements in tangible assets during the year.

(Amount in EUR)

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Total tangible fixed assets
Balance at the beginning of the year					
Cost	60,679	1,291,952	346,122	165,931	1,864,684
Accumulated depreciation	15,095	405,964	103,736	68,399	593,194
Carrying amount	45,584	885,988	242,386	97,532	1,271,490
Changes during the year					
Additions	5,745	237,198	56,500	15,369	314,812
Disposals (at carrying amount)	-	-	770	23,088	23,858
Depreciation for the year	6,355	172,912	48,522	25,987	253,776
Total changes	(610)	64,286	7,208	(33,706)	37,178
Carrying amount at the end of the year					
Cost	66,424	1,529,150	401,852	158,212	2,155,638
Accumulated depreciation	21,450	578,876	152,258	94,386	846,970
Carrying amount	**44,974**	**950,274**	**249,594**	**63,826**	**1,308,668**

Changes during the year include the purchase of plant (Euro 237,198), in particular the early redemption of the asset (injection mould) held under a finance lease contract as of 31st March, 2017, as well as a grinding plant. Further increases refer mainly to production equipment (in particular a test bench).

No write-downs have been recorded pursuant to para. 1.3 of art. 2426 of the Italian Civil Code and the requirements of OIC 9, as no evidence has been found of possible impairment in the value of tangible fixed assets.

Finance leases

The national legislator requires finance leases to be accounted for as though they were operating leases, with lease instalments charged to income. The tables which follow provide the information required by the legislator in order to present, in the form of a disclosure, the impact of the difference that would arise from accounting for the finance leases in accordance with IFRS.

The above relates to a sale and lease back agreement (without any gain on sale) entered into by the Company in 2016 and subject to early redemption during the year, concerning a robotised mould:

(Amount in EUR)

	Effects on the Balance Sheet - Assets		
a)	Outstanding contracts		
a.1)	Assets under finance leases at the end of the previous year		226,412
	- of which the gross amount	295,000	
	- of which accumulated depreciation	(68,588)	
a.2)	Assets purchased under finance leases during the year		-
a.3)	Assets under finance leases redeemed during the previous year		295,000
a.4)	Depreciation charge for the year		(29,666)
a.5)	Writedowns/writebacks on assets under finance leases		-
a.6)	Assets under finance leases at the end of the year		-
	- of which the gross amount	-	
	- of which accumulated depreciation	-	
a.7)	Prepaid instalment interest at the end of the year		
a.8)	Curtailment of prepaid expenses under the balance sheet method		-

(Amount in EUR)

b)	Redeemed assets		
b.1)	Higher/lower total value of redeemed assets, determined using finance lease methodology, with respect to their carrying amounts at year end		19,139
	Effects on the Balance Sheet - Liabilities		
c)	Implicit payables		
c.1)	Implicit payables for finance leases at the end of the previous year		196,453
	- of which due within one year	52,822	
	- of which due beyond one and within 5 years	143,631	
	- of which due beyond 5 years	-	
c.2)	Implicit payables that arose during the year		
c.3)	Repayment of principal and redemptions during the year		196,453
c.4)	Implicit liabilities for finance leases at the end of the year		-
	- of which due within one year	-	
	- of which due beyond one and within 5 years	-	
	- of which due beyond 5 years	-	
c.5)	Accrued instalment interest at the end of the year		-
c.6)	Curtailment of accrued expenses under the balance sheet method		-
d)	**Total gross effect at the end of the year [a.6+(a.7-a.8)+b.1-c.4+(c.5-c.6)]**		**19,139**
e)	**Tax effect**		**(5,350)**
f)	**Effect on Quotaholders' Equity at the end of the year (d-e)**		**13,789**
	Effects on the Income Statement		
g)	**Effect on income before taxes (lower/higher costs) (g.1+g.2+g.3+g.4+g.5)**		
g.1)	Reversal of instalments on finance lease transactions		41,270
g.2)	Recognition of financial charges on finance lease transactions		(4,384)
g.3)	Recognition of depreciation charges on outstanding contracts		(29,666)
g.4)	Recognition of depreciation charges on redeemed assets		16,059
g.5)	Recognition of adjustments/write-backs on leased assets		-
h)	**Recognition of the tax effect**		**(18,083)**
i)	**Net effect on the result for the year of accounting for lease transactions with the finance lease method rather than the balance sheet method actually used (g-h)**		**5,195**

At 31st March, 2018, there are no commitments for future lease instalments as a result of the early redemption of the asset involved in the contract at 31st March, 2017.

Financial fixed assets

All the equity investments recorded in the financial statements are stated at cost, where cost is intended to be the expense incurred for the purchase, regardless of the manner of payment, comprising any ancillary charges (commissions and bank charges, stamp duty, bank intermediary fees, etc.).

Equity investments amount to Euro 505, which amount has remained unchanged since 31st March, 2017, and relates to an investment in CET S.c.r.l., a consortium that supplies electricity and natural gas (acquired within the Grana line of business).

Current assets

Current assets are measured in the manner described in paragraphs 8 to 11-bis of art. 2426 of the Civil Code. The accounting policies applied are explained in the notes on the respective financial statement items.

Inventories

Inventories amount to € 2,405,206 at 31st March, 2018 (€ 1,554,865 at 31st March, 2017) and are stated net of an allowance for obsolete and slow-moving items totalling € 146,895, which was increased by € 35,401 during the year.

Inventories are analysed by type in the following table:

(Amount in EUR)

	Balance at the beginning of the year	Changes during the year	Carrying amount at the end of the year
Raw materials, ancillary materials and consumables	816,088	371,698	1,187,786
Work in process and semi-finished products	68,360	21,283	89,643
Finished products and goods	670,417	457,360	1,127,777
Total	**1,554,865**	**850,341**	**2,405,206**

Inventories at 31st March, 2018 includes items totalling € 643,230 (€ 550,653 at 31st March, 2017) that are held for storage by third parties.

Receivables booked under current assets

These total € 2,720,840 at 31st March, 2018 and decreased by € 4,509,893 compared with the value at 31st March, 2017 due to the reduction, of trade receivables in particular, linked to the trend in their collection times. Under recent commercial agreements reached with certain customers. These receivables are stated at their estimated realisable value as application of the amortisation cost and/or discounting methods would not be significant for the purpose of providing a true and fair view of the financial position and results of operations.

Changes and maturities of current receivables

The following table shows the information related to changes in current receivables and, if material, their due date.

(Amount in EUR)

	Balance at the beginning of the year	Changes during the year	Carrying amount at the end of the year	Within one year	Beyond one year
Trade receivables	2,579,532	(2,032,126)	547,406	547,406	-
Receivables due from fellow subsidiaries	874,024	(69,945)	804,079	804,079	-
Tax receivables	556,175	302,554	858,729	858,729	-
Deferred tax asset	265,207	82,302	347,509	-	347,509
Other receivables	234,955	(71,838)	163,117	151,137	11,980
Total	**4,509,893**	**(1,789,053)**	**2,720,840**	**2,361,351**	**359,489**

The nominal amount of trade receivables is adjusted to reflect their expected realisable value by the allowance for doubtful accounts of € 2,613, which is unchanged since last year.

The amount receivable from fellow subsidiaries (€ 804,079 at 31st March, 2018) relates to the trade receivables due from Endurance Fondalmec S.p.A.

Tax receivables (€ 858,729 at 31st March, 2018) include VAT recoverable totaling € 838,054 and a credit of € 20,675 in relation to the new investment made pursuant to art. 18 of Decree 91 dated 24th June, 2014, as formalised by Law 116 dated 11th August, 2014.

Receivables for deferred tax assets (€ 347,509 at 31st March, 2018) mainly relate to temporary differences between the statutory accounts bases and the tax bases of the carrying amount of goodwill and the deductibility of provisions for risks and writedowns recognised in the financial year 2017/2018 and in prior years.

Breakdown by geographical area of receivables recorded under current assets

A breakdown by geographical area of receivables has not been provided as the information is not significant, given that almost all receivables are due from domestic customers.

Current financial assets

Movements in current financial assets

Centralised treasury management (cash pooling)

Pursuant to art. 2423-ter, para. 3 c.c. and after ensuring recoverability in the short term, as required by OIC 14, the Company has classified separately the amount due from the company that manages the central treasury activities of the group in asset caption C.3.7) within "Current financial assets".

(Amount in EUR)

Description	Balance at the beginning of the year	Changes during the year	Carrying amount at the end of the year
Treasury management assets (cash pooling contract)	-	1,900,937	1,900,937
Total	**-**	**1,900,937**	**1,900,937**

This item refers to the amount due from Endurance Overseas S.r.l. under the current cash pooling arrangements. Last financial year this item had a negative balance and was recorded under payables to the parent company.

Cash and cash equivalents

Cash and cash equivalents are carried at face value.

(Amount in EUR)

	Balance at the beginning of the year	Changes during the year	Carrying amount at the end of the year
Bank and postal deposits	879,077	736,596	1,615,673
Cash on hand	863	(523)	340
Total	**879,940**	**736,073**	**1,616,013**

This item principally comprises the balance on bank current accounts at 31st March, 2018.

Please refer to the statement of cash flows for further analysis of the changes occurred during the year.

Prepaid expenses and accrued income

Prepaid expenses at 31st March, 2018 are analysed in the following table together with the changes during the year:

(Amount in EUR)

	Balance at the beginning of the year	Changes during the year	Carrying amount at the end of the year
Prepaid expenses	192,858	(92,028)	100,830
Total prepaid expenses and accrued income	**192,858**	**(92,028)**	**100,830**

This item mainly relates to prepaid insurance premiums (Euro 36,939), advance payment to INAIL (Euro 37,199) and to prepaid TARI for 2018, paid in advance (Euro 21,116).

Capitalised financial charges

All interest expense and other financial charges have been expensed during the year. In compliance with paragraph 1.8 of art. 2427 of the Italian Civil Code, it is hereby confirmed that no financial charges have been capitalised.

Explanatory notes, liabilities and quotaholders' equity

Quotaholders' equity and all liabilities are recorded in the balance sheet in compliance with Italian accounting standards; the specific measurement criteria applied are indicated in the individual notes on each item.

Quotaholder's equity

The components are stated at their carrying amount in accordance with accounting standard OIC 28.

Changes in quotaholders' equity items

The components are stated at their carrying amount in accordance with accounting standard OIC 28.

The changes in the Company's equity items in the year prior to the year under review (as of 31st March, 2017) are as follows:

(Amount in EUR)

	Balance at the beginning of the year	Allocation of the prior year result - Distribution of dividends	Result for the year	Carrying amount at the end of the year
Quota capital	100,000	-	-	100,000
Legal reserve	17,913	2,087	-	20,000
Paid in for future capital increase	1,900,000	-	-	1,900,000
Retained earnings / (accumulated losses)	338,974	386,603	-	725,577
Net income (loss) for the year	388,690	(388,690)	526,424	526,424
Total	**2,745,577**	**-**	**526,424**	**3,272,001**

The changes in the Company's equity items in the year under review, ended as of 31st March, 2018, are shown below:

(Amount in EUR)

	Balance at the beginning of the year	Allocation of the prior year result - Other allocations	Result for the year	Carrying amount at the end of the year
Quota capital	100,000	-	-	100,000
Legal reserve	20,000	-	-	20,000
Paid in for future capital increase	1,900,000	-	-	1,900,000
Retained earnings / (accumulated losses)	725,577	526,424	-	1,252,001
Net income (loss) for the year	526,424	(526,424)	969,049	969,049
Total	**3,272,001**	**-**	**969,049**	**4,241,050**

Availability and use of quotaholders' equity

The following table provides details of the components of quotaholder's equity, including their origin, their potential utilisation and whether they are distributable, as well as the utilisation thereof in the prior three years.

(Amount in EUR)

Description	Amount	Origin/ Nature	Potential utilisation	Amount available
Quota capital	100,000	Quota capital		-
Legal reserve	20,000	Revenue	B	-
Paid in for future capital increase	1,900,000	Quota capital	A;B	-
Retained earnings (accumulated losses)	1,252,001	Revenue	A;B;C	1,252,001
Total	**3,272,001**			**1,252,001**
Amount not distributable				347,509
Residual amount distributable				904,492

Key: A: for increase in capital; B: to cover losses; C: for distribution to the quotaholders; D: for other statutory requirements; E: other

The non-distributable portion relates to the deferred tax asset that falls into the category of positive elements that are still to be realised.

Provisions for risks and charges

The following table analyses the changes in provisions (€ 28,030 at 31st March, 2018):

(Amount in EUR)

	Balance at the beginning of the year	Changes during the year	Carrying amount at the end of the year
Other provisions	28,030	-	28,030
Total	**28,030**	**-**	**28,030**

Other provisions

The "other provisions" include the residual balance of coverage of various liabilities (commercial, tax, environment, labour disputes, etc.) set aside by the Company in prior years.

Provision for employee termination indemnity

This account (€ 253,184 at 31st March, 2018) is summarised below together with the changes during the year:

(Amount in EUR)

	Balance at the beginning of the year	Changes during the year - Provision	Changes during the year - Utilisation	Changes during the year - Other changes	Changes during the year - Total	Carrying amount at the end of the year
Provision for Employee termination indemnity (TFR)	301,062	5,514	51,808	(1,584)	(47,878)	253,184
Total	**301,062**	**5,514**	**51,808**	**(1,584)**	**(47,878)**	**253,184**

The provision shown in the table relates entirely to revaluation of the provision for employee termination indemnity still held by the Company. The majority of the charge to the income statement (item B9 c)) relates to current termination indemnities earned and allocated to the INPS treasury fund, Previndai, Fondo Cometa and the supplementary pension funds chosen, where applicable, by the employees concerned.

The use recorded during the period refers to liquidations for termination indemnities (€ 50,808) and advances paid (€ 1,000) during the 2017/2018 financial year.

Payables

Payables total € 5,973,994 at 31st March, 2018 (€ 5,664,258 at 31st March, 2017).

Pursuant to art. 12, para. 2 of Decree 139/2015, the Company has elected to measure payables using the amortised cost method. This election was made on a prospective basis and, therefore, only applies to the payables that have arisen subsequent to 1st April, 2016.

Changes and maturities of payables

The following table shows the changes in payables and any information on their maturities.

(Amount in EUR)

	Balance at the beginning of the year	Changes during the year	Carrying amount at the end of the year	Within one year	Beyond one year
Due to banks	254,503	1,800,867	2,055,370	520,149	1,535,221
Trade payables	3,027,444	(434,689)	2,592,755	2,592,755	-
Payables due to parent companies	1,576,895	(1,176,881)	400,014	400,014	-
Tax payables	104,674	5,716	110,390	110,390	-
Due to pension and social security institutions	158,768	(59,572)	99,196	99,196	-
Other payables	541,974	174,295	716,269	716,269	-
Total	**5,664,258**	**309,736**	**5,973,994**	**4,438,773**	**1,535,221**

Amounts due to banks include both the current portion (€ 520,149) and the portion due beyond 12 months (€ 1,535,221) of loans obtained from major banks.

The following is a breakdown of medium-term loans:

(Amount in EUR)

Bank	Initial amount paid	Arrangement date and duration in years	Residual debt outstanding at 31st March, 2018	Within one year	Beyond one year
UBI	500,000	28/01/2015 - 4	128,352	128,352	-
UBI (*)	2,000,000	29/01/2018 - 5	1,934,461	394,503	1,539,958
Amortised cost adjustment			(7,443)	(2,706)	(4,737)
Total	**2,500,000**		**2,055,370**	**520,149**	**1,535,221**

(*) Financial payables recognised using the amortised cost method.

It should be noted that the loan in place with Banca UBI subscribed in 2015 is assisted by a letter of patronage issued by the parent company Endurance Overseas S.r.l.

An unsecured five-year loan of € 2,000,000 was obtained from Banca UBI during the year.

At 31st March, 2018, payables due to parent companies include:

- € 132,940, relating to the net IRES tax payable arising from domestic tax group arrangements;
- € 267,074, relating to trade payables in connection with administrative and financial services and support provided by the parent company to the Group companies (under specific service agreements), which have been entered into on an arm's length basis.

Other payables mainly include the amount due to employees for wages and salaries to be paid and accrued deferred remuneration (€ 114,400), as well as advances from customers (€ 163,490) and sundry payables.

Debt secured by collateral on company assets

Pursuant to paragraph 1.6 of art. 2427 of the Italian Civil Code, we can confirm that there is no debt secured by collateral.

Loans from quotaholders

The company has not received any loans from its quotaholders.

Accrued expenses and deferred income

This caption is analysed below together with the changes during the year:

(Amount in EUR)

	Balance at the beginning of the year	Changes during the year	Carrying value at the end of the year
Deferred income	52,616	(9,676)	42,940
Total accrued expenses and deferred income	**52,616**	**(9,676)**	**42,940**

Deferred income includes (€ 42,940) shares of grants and income pertaining to future periods. Grants relate to the assistance ("Tremonti quater") envisaged in the so-called Competitiveness Decree (art. 18, Decree 91/2014) for capital investment in 2014-2015 in excess of the average for the previous 5 years.

Explanatory notes, income statement

The income statement reports the results for the year.

This statement presents the results of operations by summarising the positive and negative components of income that contributed to them. These positive and negative components of income, recognised pursuant to art. 2425-bis c.c., are analysed into the following categories: core business, ancillary and financial activities.

Core business activities include the components of income that were generated from continuing operations in the principal sector, and which identify and distinguish the economic activities carried out by the Company in the pursuit of its corporate objectives.

Financial activities comprise those operations that generate financial income and expense.

Ancillary activities comprise those residual operations that generate income in the ordinary course of business that cannot be classified as financial or core business activities.

Value of production

The value of production during 2017/2018 is analysed below on a comparative basis

(Amount in EUR)

Description	FY 2017/2018	FY 2016/2017	Change
Revenues from sales of goods and services	17,427,031	16,708,856	718,175
Changes in inventories of work in progress, semi-finished and finished products	478,644	(139,851)	618,495
Other revenues	49,463	70,730	(21,267)
Total	**17,955,138**	**16,639,735**	**1,315,403**

Revenues from sales were 4% higher than in the prior year, confirming the growth in the volume of business in line with the positive trend in the reference market. These results have been led, in particular, by the growth of the domestic market, which showed a 8% rise on the prior year.

Breakdown of revenue from sales of goods and services by geographical area

Details of revenues from sales of goods and services broken down by geographical area

(Amount in EUR)

Geographical area	Amount for the current year	Prior year amount
ITALY	16,421,174	15,264,708
OTHER EUROPEAN COUNTRIES	956,295	1,402,391
NON-EU COUNTRIES	49,562	41,757
Total	**17,427,031**	**16,708,856**

Cost of production

The following table provides a breakdown of production cost with comparative figures from the previous year:

(Amount in EUR)

Description	FY 2017/2018	FY 2016/2017	Change
Cost of raw and ancillary materials, consumables and goods for resale	9,645,372	8,178,775	1,466,597
Cost of services	2,099,910	2,076,586	23,324
Lease and rental charges	328,492	345,933	(17,441)
Payroll costs			
Wages and salaries	2,989,347	2,881,411	107,936
Social contributions	586,177	623,828	(37,651)
Employee termination indemnity	149,733	166,509	(16,776)
Pensions and similar commitments		2,635	(2,635)
Other costs	1,325	7,354	(6,029)
Amortisation of intangible assets	449,776	447,106	2,670
Depreciation of tangible fixed assets	253,776	231,803	21,973
Other writedowns of fixed assets	-	-	-
Writedown of receivables included in current assets	-	2,613	(2,613)
Change in inventory of raw and ancillary materials, consumables and goods	(371,698)	111,598	(483,296)
Other operating expenses	158,390	483,040	(324,650)
	16,289,600	**15,559,191**	**730,409**

Cost of raw and ancillary materials, consumables and goods for resale and Cost of services

The trend recorded during the year, with particular reference to the costs for the procurement of raw materials, is related to the procurement policies implemented by the Company, as well as to current production plans, which were also offset by the change in inventories, whose value increased during the year in relation to the customer and product mix.

Payroll costs

This item (which has gone up by 1% approximately, compared with the previous year) comprises the entire cost of employees, inclusive of merit increases, changes in labour category, holiday pay and accruals required by law and by collective labour agreements. This item also includes the cost of temporary workers, except for the cost of interim employment agencies that has been charged to the income statement line B7).

Other operating expenses

This item shows a decrease compared with the previous year, related, among other things, to the decline in charges for supplies received from customers.

The trends described led to an operating margin (represented by the difference between the value and costs of production with respect to the Company's revenues) of approximately 9.6%, an increase compared with the previous year (6.5%).

Financial income and charges

Financial income and charges (showing a lower negative net balance than the previous year) are recorded on an accrual basis for the amount accrued during the year.

Composition of income from equity investments

There has been no income from equity investments as indicated by paragraph 15 of Art. 2425 of the Italian Civil Code.

Breakdown of interest and other financial charges by type of payable

The following table provides details of interest and other financial charges as required by paragraph 17 of Art. 2425 of the Italian Civil Code, with specific details of costs relating to bonds, to amounts due to banks and to other charges.

(Amount in EUR)

	Due to banks	Total
Interest and other financial charges	38,216	38,216

Interest refers to financial expenses for bank loans and other bank charges.

Amount and nature of revenues/costs of individual significance

During the current year, no revenues or other positive components deriving from exceptional events were recorded.

Income taxes for the year, current and deferred

The company has accrued for taxation for the year based on the application of tax legislation in force. The tax charge for the year consists of current taxation, as resulting from the tax returns, of deferred taxation relating to positive or negative components of income, taxable or deductible, respectively, in fiscal years that differ from the year in which the item is recognised for statutory reporting purposes.

The composition of taxation for the year split between current taxation and the deferred tax asset item is provided in the following table:

(Amount in EUR)

	FY 2017/2018	FY 2016/2017
Income taxes	657,361	477,426
Current taxation		
of which: IRES for the year (current)	603,789	463,629
of which: IRAP for the year (current)	137,756	96,676
of which: Taxation relating to prior years	(1,882)	(2,332)
Deferred taxation	(82,302)	(80,547)

The deferred tax asset relates to the non-deductible portion in the year of:

- Difference between the book and tax amortisation rate for goodwill;
- Write-down of inventories and other provisions with deferred deductibility

The principal temporary differences giving rise to the recognition of deferred taxation are presented in the following table together with their related effects. These were determined using the tax rates expected to be applicable in the years in which the temporary differences reverse (24% for IRES tax and 3.9% for IRAP tax).

Recognition of deferred tax assets and liabilities and their impact

(Amount in EUR)

	IRES Tax	IRAP Tax
A) Temporary differences		
Total deductible temporary differences	3,144	-
Total taxable temporary differences	298,081	295,320
Net temporary differences	294,937	295,320
B) Tax effects		
Provision for deferred tax liability (assets) at the beginning of the year	(233,703)	(33,434)
Deferred tax liability (assets) of the year	(70,784)	(11,517)
Provision for deferred tax liability (assets) at the end of the year	(304,487)	(44,951)

Explanatory notes, other information

The additional disclosures required by the Italian Civil Code are presented below.

Fees, advances and loans granted to directors and statutory auditors and commitments accepted on their behalf

The following schedule provides the information required by art. 2427, point 16 of the Italian Civil Code.

Employment data

The average number of employees is analysed by category below.

	Executives	Middle managers / White collar	Blue collar	Total employees
FY ended 31st March, 2018	-	14	52	66
FY ended 31st March, 2017	2	14	56	72

The Company employs 64 persons at 31st March, 2018.

Fees payable to Directors

No fees were paid to directors in the financial year 2017/2018.

Fees of the legal auditor or auditing firm

As required by art. 2427 c.c., the following table analyses the total fees earned by the legal auditor (or firm of legal auditors) for the legal audit of the annual financial statements, the total fees earned for other auditing services, the total fees earned for tax advisory services and the total fees earned for other non-audit services.

	Legal audit of the annual financial statements	Other audit services	Total fees earned by the legal auditor or auditing firm
Amount (in EUR)	7,350	3,150	10,500

Deloitte & Touche S.p.A. has been engaged to perform the independent statutory audit. The costs for auditing the annual accounts also include the fees for checking that the books of account have been kept regularly, while the other services performed refer to activities required prior to signing the tax and VAT returns.

Classes of shares issued by the Company

This paragraph of the explanatory notes is not pertinent, since the Company's capital does not consist of shares.

Securities issued by the company

The Company has not issued any securities that fall under the provisions of art. 2427, para. 18 of the Italian Civil Code.

Details on other financial instruments issued by the Company

The Company has not issued any other financial instruments pursuant to art. 2346, para. 6, of the Italian Civil Code.

Commitments, guarantees and contingent liabilities not reported in the balance sheet

There are no commitments, guarantees or contingent liabilities that have not been reported in the balance sheet.

Information about capital and loans allocated to a specific business project

Allocation of capital to a specific business project

We can confirm that, at the balance sheet date, there has been no allocation of capital to a specific business project as per no. 20 of art. 2427 of the Italian Civil Code.

Loans for a specific business project

We can confirm that, at the balance sheet date, there are no loans provided for a specific business project as per no. 21 of art. 2427 of the Italian Civil Code.

Information about off-balance sheet agreements

No off-balance sheet agreements were entered into during the year.

Information about significant events arising subsequent to the reporting date

Pursuant to point 22-quater of art. 2427 c.c., it is confirmed that no events with a significant effect on the economic and financial position have occurred subsequent to the reporting date.

Companies that prepare consolidated financial statements for the larger/smaller group of companies to which the Company belongs as a subsidiary

The following information is provided about the companies that prepare consolidated financial statements for the larger/smaller group of companies to which the Company belongs as a subsidiary:

	Larger group	Smaller group
Company name	Endurance Technologies Limited (*)	Endurance Overseas S.r.l.
Town (if in Italy) or foreign State	Aurangabad (India)	Lombardore (Turin)
Tax code (Italian companies)	-	05754620960
Place where the consolidated financial statements are filed	Registered office: Aurangabad (India) India Stock Exchange: NSE and BSE	Registered office: Lombardore (Turin) Turin Chamber of Commerce

(*) Endurance Technologies Limited, the parent company, is listed on the National Stock Exchange of India Ltd. (NSE) and the BSE Ltd. (BSE).

Information about derivative financial instruments pursuant to art. 2427-bis c.c.

It is hereby confirmed that the company is not party to any financial derivatives.

Summary financial statements of the company which exercises management and coordination activities

The Company is subject to management and coordination by its indirect parent company, Endurance Technologies Limited, with Registered Office at E-92, MIDC Industrial Area, Waluj, Aurangabad, Maharashtra, India, which wholly owns the Company via the society Endurance Overseas S.r.l.

The following amounts taken from the latest approved statutory financial statements of Endurance Technologies Limited are stated in millions of Indian Rupees. The latter financial statements are prepared in accordance with Ind-AS accounting standards, applicable on 31st March, 2017. For the sake of clarity, the Rupee/Euro exchange rate at 31st March, 2017 (source: www.rbi.org.in) was 69.2476 (75.0955 at 31st March, 2016):

(₹ in million)

Balance sheet	Financial statements for the year ended 31st March, 2017	Financial statements for the year ended 31st March, 2016
Non-current assets		
Fixed assets, net	8,799.10	8,168.96
Investments and other non-current assets	5,442.53	5,580.90
Current assets	**8,245.55**	**6,246.54**
Total Assets	**22,487.18**	**19,996.40**
Liabilities and quotaholders' equity		
Quotaholder's equity	**15,630.64**	**13,496.99**
Non-current liabilities		
Non-current financial liabilities	198.52	780.81
Other non-current liabilities	185.41	181.77
Current liabilities		
Current financial liabilities	1,877.08	1,662.98
Other current liabilities	4,595.53	3,873.85
Total liabilities and quotaholders' equity	**22,487.18**	**19,996.40**

(₹ in million)

Income Statement	Financial statements for the year ended 31st March, 2017	Financial statements for the year ended 31st March, 2016
Revenues	**42,947.19**	**40,683.61**
Operating costs	38,111.24	36,085.09
Depreciation	1,668.57	1,475.00
Financial charges	178.57	329.74
Income before tax	**2,988.81**	**2,793.78**
Taxation for the year (current and deferred)	773.84	707.33
Income (loss) for the year	**2,214.97**	**2,086.45**
OCI - Other comprehensive income	(17.83)	0.75
Total statement of comprehensive income	**2,197.14**	**2,087.20**

The following section describes relations with the company that provides management and coordination services and with the other affiliates, as well as the effect of those activities on the operations of the Company and its results.

Relations with related parties

With regard to the provisions of art. 2428, para. 3, point 2) of the Italian Civil Code, reference is made to the information on related-party transactions provided in the Report on operations.

Proposed allocation of profits or coverage of losses

Quotaholders, in light of the matters explained above, the Board of Directors proposes to allocate the net income for the year, amounting to € 969,049, to the caption "Retained earnings / (accumulated losses)".

Explanatory notes, closing section

Quotaholders, we confirm that these financial statements, which comprise the balance sheet, income statement, statement of cash flows and explanatory notes, give a true and fair view of the financial position and results for the year and agree with the books of account. We therefore invite you to approve the draft financial statements for the year ended 31st March, 2018, together with the proposed allocation of the net result for the year, as submitted by the Board of Directors.

The financial statements are true and real and agree with the books of account.

Turin, 11th May, 2018

For the Board of Directors

The Managing Director

Signed by Samuele Gabutto

Independent Auditor's Report

PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF 27th January, 2010

To The Sole Quotaholder of Endurance Engineering S.r.l.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Endurance Engineering S.r.l. (the "Company"), which comprise the balance sheet as at 1st March, 2018, the statement of income and statement of cash flows for the year then ended and the explanatory notes.

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

Basis for Opinion

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

Other matters

Pursuant to art. 2497-bis, first paragraph, of the Italian Civil Code, Endurance Engineering S.r.l. has disclosed that it is subject to management and coordination of its activities by Endurance Technologies Limited (India) and, therefore, has indicated in the notes to the financial statements the key financial data from the most recent financial statements of such company. Our opinion on the financial statements of Endurance Engineering S.r.l. does not extend to such data.

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company'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 management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transaction and events in a manner that achieves fair presentation.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2(e) of Legislative Decree 39/10

The Directors of Endurance Engineering S.r.l. are responsible for the preparation of the report on operations of the Company as at 31st March, 2018, including its consistency with the related financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standards (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of the Company as at 31st March, 2018 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the financial statements of Endurance Engineering S.r.l. as at 31st March, 2018 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2(e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Giorgio Barbieri
Partner

Turin, Italy
14th May, 2018

ENDURANCE
Complete Solutions

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