**Management Report for the financial year ending on 31/12/2018**

Dear Shareholders,

This annual report and financial years for the financial year ending on 31/12/2018 closed with an operating profit of EUR 2,282,498, EUR 976,001 after tax.

The Explanatory Notes contain the breakdown of the financial statements for the financial year ending on 31/12/2018; this document, in accordance with the provisions of Article 2,428 of the Civil Code, contains information regarding the Company’s situation and the progress of management, as well as the expected future business performance, the net financial position and the main risk and contingencies to which EdiliziAcrobatica Spa is exposed.

This report, prepared with value stated in Euros, is presented as an accompaniment to the Financial Statements in order to provide financial and management information together with, where possible, historic data and forward-looking assessments.

**Shareholdings held by EdiliziAcrobatica as of 31/12/2018**

|  |  |  |  |
| --- | --- | --- | --- |
| **Name** | **Registered Office** | **Capital Stock** | **Share held** |
| Edac Versilia Srl | Via Filippo Turati 29,20121, Milan | 50,000 | 85% |
| Edac Sicilia Srl | Via Filippo Turati 29,20121, Milan | 50,000 | 55% |
| Edac Biella Srl | Via Filippo Turati 29,20121, Milan | 50,000 | 95% |
| Edac Roma Trastevere Srl in Liquidation | Via Filippo Turati 29,20121, Milan | 50,000 | 100% |

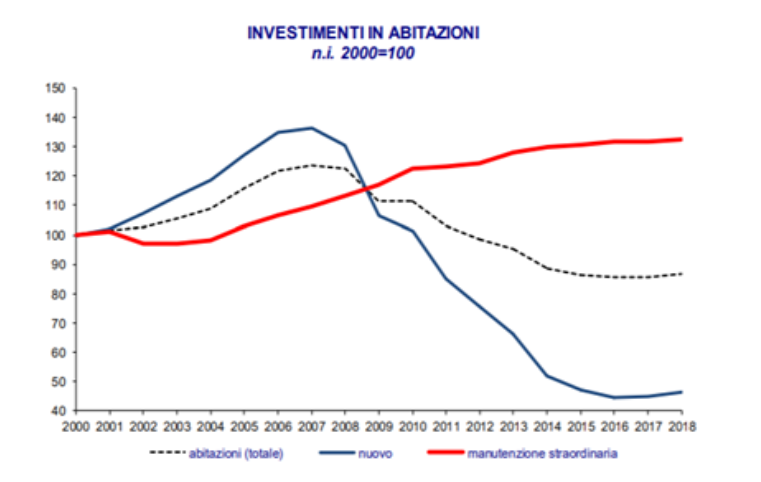
This annual report and financial statements, subject to your approval, are full account of our Company’s current situation.

**Industry trends**

EdiliziAcrobatica SpA is active in the building renovation sector in Italy, a subset of the construction industry. One of the main elements determining trends in the building renovation sector is the level of investment in renovations. For this reason, a chart showing levels of private investment in building renovation works is shown below (Figure 1).

|  |  |  |
| --- | --- | --- |
| Year | Total residential and non-residential buildings (million €) | of which residential buildings (million €) |
| 1998 | 39,961 | 26,222 |
| 1999 | 42,998 | 28,801 |
| 2000 | 47,415 | 31,940 |
| 2001 | 48,847 | 32,669 |
| 2002 | 49,084 | 32,819 |
| 2003 | 49,506 | 33,415 |
| 2004 | 51,164 | 34,691 |
| 2005 | 52,943 | 36,091 |
| 2006 | 55,696 | 38,179 |
| 2007 | 58,480 | 40,066 |
| 2008 | 59,474 | 40,700 |
| 2009 | 58,759 | 41,201 |
| 2010 | 60,955 | 43,372 |
| 2011 | 64,033 | 45,466 |
| 2012 | 61,838 | 43,896 |
| 2013 | 64,150 | 45,801 |
| 2014 | 66,109 | 47,242 |
| 2015 | 67,402 | 47,925 |
| 2016 | 69,734 | 49,879 |
| 2017 | 71,062 | 50,444 |
| 2018 | 72,639 | 51,356 |
| TOTAL | 1,212,250 | 842,175 |

*Figure 1. – Investments in restructuring works 1998-2018, (Prepared by Cesme, from various sources). \*For 2018, estimation based on projected data over the first 8 months of that year*



*Figure 2 – Source: Economic Observatory of the National Association of Builders (ANCE), February 2019*

**INVESTMENTS IN HOMES**

**Base value 2000 = 100**

**Homes (total) new extraordinary maintenance**

In 2018, projected investments in building renovation has increased further from the previous two years; forecasts show that investments in restructuring works amounted to 72.6 billion Euros.

This is around a 2.25% grown from 2017 (€71 billion), a 1998-2018 CAGR of around 2.89%. Approximately 71% of total investments (€51.3 billion) were made in residential buildings.

The main trends of the last few years certainly include the following:

* Professionalization of the sector, with a growing presence of well-organized operators who are active in building management (facility and property management companies);
* Renewed attention, whether in Italy or in the whole of Europe, in historical buildings, which has led to investments in building conservation in the form of ordinary and extraordinary recovery and maintenance;
* The growing tendency to plan ordinary and extraordinary maintenance of buildings.

In order to estimate the value of the construction market in Italy, the number of residential buildings is identified using ISTAT (National Institute of Statistics) data dating back to the previous survey while the new one is not yet available.

That survey had already been proposed in the Management Report of the previous year, and given the lack of updates, it has been proposed once again this year.

In 2011, ISTAT carried out a census of buildings and building complexes in Italy, and found they amounted to 14,515,795 in total, 13.1% more than in 2001. Going into greater detail, the number of buildings totalled 14,452,680 and building complexes 63,115, with an increase compared to the previous census of 13.1% and 64.4% respectively.

The number of buildings by type is shown in the graph below: (Figure 3)

Non-residential buildings 15.7%

**Residential buildings 84.3%**

*Figure 3. – Breakdown of the number of buildings in Italy by type, 15th Population and Housing Census, 2011, ISTAT*

Residential buildings account for 84.3% of the total number buildings covered by the census, equal to 12,187,698, growth of 8.6% during the ten years between censuses.

The geographical breakdown of the number of buildings is as follows (Figure 4):

Islands 16.1%

North West 22.6%

South 25.2%

North East 19,3%

Centre 16.9%

*Figure 4. - Number of buildings by geographical area – 2011 Census (absolute values)*

With reference to geographical distribution, Northern Italy is the geographical area with the greatest number of buildings, namely 6,049,086, representing 41.9% of the national total, followed by the South (3,627,768), the Centre (2,440,643) and the Islands (2,324,463).

In order to identify the market of buildings which are EdiliziAcrobatica SpA’s target, i.e. buildings suitable for the type of work carried out by the Group (double safety rope systems), only buildings at least three stories high have been considered, and these total 4,257,815 residential units in Italy, approximately 35% of buildings identified as being for residential use.

The distribution by region of residential units suitable for double safety rope system works is shown below: (Figure 5)



“Residential buildings with >3 stories, Lombardy, Sicily, Piedmont, Emilia-Romagna, Veneto, Lazio, Trentino Alto-Adige, Campania, Other regions”

*Figure 5. – Breakdown by region of number of residential units in Italy (in millions), with a height of at least three storeys, 15th Population and Housing Census, 2011, ISTAT*

The five regions with the largest number of residential buildings of three or more stories are: Lombardy (12.7%), Sicily (11.5%), Piedmont (7.7%), Emilia-Romagna (7.5%) and Veneto (7%).

**Operating performance and results with regard to costs, revenues and investments.**

In relation to financial performance, we note that production value has grown from the €14,389,006 achieved in 2017 to €22,494,238 in 2018, an overall increase of 56.33%; production costs amount to €18,920,063 against the €12,893,294 recorded in 2017, an overall increase of 47%.

Within costs of production, personnel costs were equal to € 9,063,087, an increase compared to the prior year (+43.94%) whereas amortization, depreciation and write-downs total € 631,606.

The positive operating margin was equal to €3,574,175, an increase of 143,5% compared to the €1,495,712 recorded in 2017.

The sum of financial income and charges was minus €284,193,compared to minus €40,212 for 2017; the increase was due to interest charges associated with the unsecured loans taken out in 2016, 2017 and 2018, as well as interest charges deriving from the issuance on 29/09/2017 of two bonds (maturing on 29/09/2023) listed on the ExtraMOT Pro segment of the Italian Stock Exchange:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Issue Currency | ISIN Code | Outstanding | Repayment on maturity | Coupon | Annual Coupon Rate |
| EUR | IT 0005283467 | 2,000,000 | Amortising | Fixed rate | 5% |
| EUR | IT 0005283475 | 3,000,000 | Amortising | Fixed rate | 4% |

Net profit for 2018 was €2,282,498 (compared to a net profit of €812,256 in 2017).

Company tax amounts to €976,001.

There is ample analysis of revenues and costs in the Explanatory Notes.

**Behaviour of the competition**

In the Italian market, the Company recovered its undisputed leading role, with small competitors identified, in terms of turnover and the geographical area in which they operate, and their safety rope work is sometimes offered in addition to traditional construction, or in some cases within niche sectors (decontamination, environmental projects, etc.).

The table below provides details of various Italian competitors who operate using double safety rope systems, with an indication of the type of business, the geographical area of operation and their 2016 revenues (Figure 6).



*Figure 6. Italian competitors.*

In order to identify the company’s competitive positioning at a European level, market research from Cerved has been used as suggested by the Company; its purpose was to identify European companies with a similar business model, in other words companies operating in the same sector offering services such as building renovations and works using a double safety rope system.

The first study was conducted in 2017 and focuses on certain reference countries, such as France, Spain, Portugal and Switzerland.

Based on the results of Cerved’s market research, the Company has started an internationalisation project, choosing France as its target country.

The strong spirit of internationalisation has thus lead to the acquisition, in the first few months of 2019, of the assets of the French company in court-ordered liquidation “ETAIR – Entreprise de Travaux Aériens et d’Interventions Rapides Méditerranée”. EdiliziAcrobatica S.p.A. has thus established EdiliziAcrobatica France SAS, wholly owned by the Company, incorporating the French company’s assets. The Company is a leader of the double safety rope construction sector in South West France. For more information on this transaction, please refer to the paragraph “Events following the closing of the financial year”.

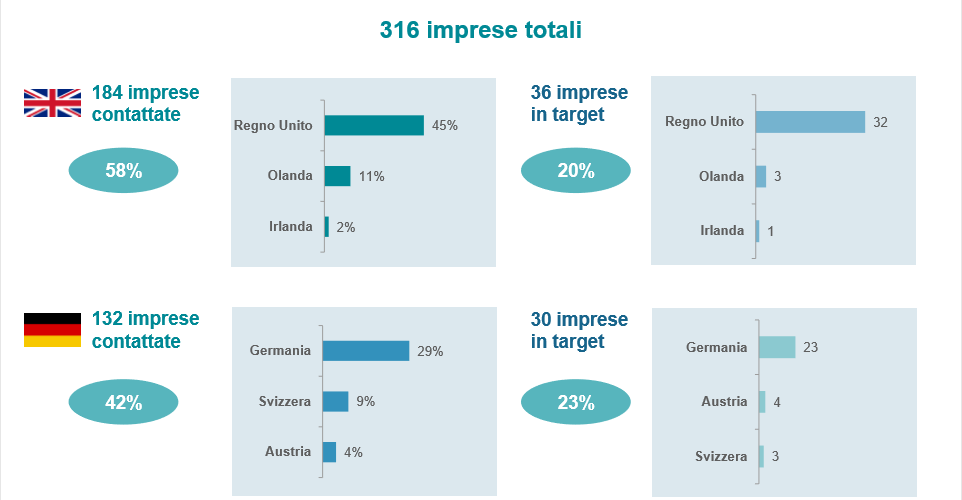
Below is Cerved’s market research, prepared in the course of 2017, in which ETAIR can be identified from among the companies presented as prospects by EdiliziAcrobatica SpA. (Figure 7)



*Figure 7. French competitors.*

In 2018, a new market survey via a telephone questionnaire was commissioned to the Cerved Group targeted at companies in the German and Anglo-Saxon markets with a view to identifying target businesses interested in coming into contact with EdiliziAcrobatica SpA.

Said analysis identified new opportunities which the Company will consider with the goal of future expansion in Europe over the next few financial years. (Figure 8)



*Figure 8. Cerved’s 2018 Internationalisation Assessment*

*316 companies in total*

*184 contacted companies United Kingdom 36 targeted companies United Kingdom*

*Holland Holland*

*Ireland Ireland*

*132 contacted companies Germany 30 targeted companies Germany*

*Switzerland Austria*

*Austria Switzerland*

**Company situation and performance**

During the course of 2018 the EdiliziAcrobatica SpA has continued to make investments in order to open new offices in Novara, Rome Tuscolana and Rome Talenti, Bologna, Monza, Catania, Chiavari, Milan 4, Perugia, Alessandria, Turin 3, Palermo 2, and Syracuse in pursuit of the objective of acquiring new market share through widespread penetration of markets across Italy, thus totalling 36 directly-owned offices by the end of the year.

In addition, there has been increased development of market share through the opening of 9 new franchisees in 2018, bringing the total number of franchising arrangements to 31 at the end of the year.

### The main factors contributing to the profit before taxation in the period are the following:

* Rise of sales revenue from Senior and Junior departments.
* Review of production process featuring greater accuracy in site planning.
* Ad-hoc training for the heads of department based on the commission margins expected from the business.
* Cost-saving in existing credit lines with the main national banking institutions.

### Analysis of the company situation

In order to provide a clearer view of the company’s financial situation, the tables which follow a reclassified balance sheet and profit and loss account, as well as various profitability indicators

**Profit and Loss Statement,**

A summarised profit and loss account as of 31/12/2018, with comparatives from the same period of the prior year, is presented below:

|  |  |  |
| --- | --- | --- |
| **RECLASSIFIED CONSOLIDATED PROFIT AND LOSS ACCOUNT** | **31.12.2018** | **31.12.2017** |
|  |  |  |
|  |  |  |
| Sales | 22,494,238 | 14,389,006 |
| Production costs, excluding depreciation, amortization and write-downs | 18,288,457 | 12,422,922 |
| **EBITDA** | **4,205,781** | **1,966,084** |
| Depreciation, amortization and write-downs | 631,606 | 498,233 |
| **EBIT** | **3,574,175** | **1,467,851** |
| Financial income and charges | 284,193 | -40,212 |
| Value adjustments to financial assets | 31,483 | 0 |
| **Profit-Loss before tax** | **3,258,499** | **1,427,639** |
| Corporation tax | 976,001 | 615383 |
| **Net Profit-Loss** | **2,282,498** | **812,256** |

|  |  |  |
| --- | --- | --- |
| **EBITDA %** | **18.7%** | **13.7%** |
| **EBIT %** | **15.9%** | **10.2%** |
| **Profit-Loss before tax %** | **14.5%** | **9.9%** |
| **Net Profit-Loss %** | **10.1%** | **5.6%** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **SALES** | **31.12.2018** | **Inc.%** | **31.12.2017** | **Inc.%** |
|  |  |  |  |  |
|  |  |  |  |  |
| 1) Revenues from sales of goods and services | 21,293,936 | 94.7% | 13,338,941 | 92.7% |
| 4) Work performed for internal purposes and capitalized | 56,871 | 0.3% | 0 | 0.0% |
|  |  |  |  |  |
| 5) Other revenues and income | 1,143,431 | 5.1% | 1,050,065 | 7.3% |
| a) grants received during the year | 1,030,557 | 4.6% | 686,387 | 4.8% |
| b) others | 112,874 | 0.5% | 363,678 | 2.5% |
|  |  |  |  |  |
| **TOTAL SALES** | **22,494,238** | **100%** | **14,389,006** | **100%** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **PRODUCTION COSTS** | **31.12.2018** | **Inc.%** | **31.12.2017** | **Inc.%** |
|  |  |  |  |  |
|  |  |  |  |  |
| For raw materials | 3,058,051 | 16.7% | 1,896,970 | 15.3% |
| Costs for services | 5,141,313 | 28.1% | 3,589,140 | 28.9% |
| For use of third party assets | 1,265,995 | 6.9% | 712,162 | 5.7% |
| For employees | 9,063,087 | 49.5% | 6,296,504 | 50.7% |
| Changes in inventory levels | -672,872 | -3.7% | -415,666 | -3.4% |
| Other costs | 432,883 | 2.4% | 343,812 | 2.8% |
|  |  |  |  |  |
| **TOTAL PRODUCTION COSTS** | **18,288,457** | **100%** | **12,422,922** | **100%** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEPRECIATION, AMORTISATION AND WRITE-DOWNS** | **31.12.2018** | **Inc.%** | **31.12.2017** | **Inc.%** |
|  |  |  |  |  |
|  |  |  |  |  |
| Depreciation of Fixed Assets Fixed assets | 301,313 | 47.7% | 295,198 | 63% |
| Depreciation of Fixed Assets Materials | 86,061 | 13.6% | 37,339 | 8% |
| Write-downs | 244,232 | 38.7% | 137,835 | 29% |
|  |  |  |  |  |
| **TOTAL DEPRECIATION, AMORTISATION & WRITE-DOWNS** | **631,606** | **100%** | **470,374** | **100%** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **FINANCIAL INCOME AND CHARGES** | **31.12.2018** | **Inc.%** | **31.12.2017** | **Inc.%** |
|  |  |  |  |  |
|  |  |  |  |  |
| Financial income | 39,258 | 12.4% | 56,018 | 139.3% |
| Financial charges | 304,934 | 112.4% | 96,230 | 239.3% |
|  |  |  |  |  |
| **TOTAL FINANCIAL INCOME AND CHARGES** | **265,676** | **100%** | **40,212** | **100%** |

It can be seen that adjusted EBITDA, €4,205,781 in 2018, accounts for 18.7% of sales, an increase in 500 basis points compared to the figures for 2017, which were €1,966,084, or 13.7%.

**Balance Sheet and Financial Situation**

The Balance Sheet is compared to the data from the previous year end.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **BALANCE SHEET - ASSETS** | **31.12.2018** | **Inc.%** | **31.12.2017** | **Inc.%** |
|  |  |  |  |  |
|  |  |  |  |  |
| Intangible fixed assets | 1,731,932 | 6.1% | 745,641 | 4.7% |
| Tangible fixed assets | 693,114 | 2.4% | 222,072 | 1.4% |
| Investments | 212,500 | 0.7% | 217,500 | 1.4% |
|  |  |  |  |  |
| **TOTAL NON-CURRENT ASSETS** | **2,637,546** | **9.2%** | **1,185,213** | **7.5%** |
|  |  |  |  |  |
| Inventory | 1,494,238 | 5.2% | 821,366 | 5.2% |
| Trade receivables | 8,251,837 | 28.9% | 5,728,122 | 36.4% |
| Other current assets | 8,230,976 | 28.8% | 2,405,684 | 15.3% |
| Cash at bank and in hand | 7,916,945 | 27.7% | 5,600,463 | 35.6% |
|  |  |  |  |  |
| **TOTAL CURRENT ASSETS** | **25,893,996** | **90.8%** | **14,555,635** | **92.5%** |
| **TOTAL ASSETS** | **28,531,542** | **100%** | **15,740,848** | **100%** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **BALANCE SHEET - LIABILITIES** | **31.12.2018** | **Inc.%** | **31.12.2017** | **Inc.%** |
|  |  |  |  |  |
|  |  |  |  |  |
| **SHAREHOLDERS' EQUITY** | **9,788,380** | **34.3%** | **1,785,582** | **11.3%** |
|  |  |  |  |  |
| **NON-CURRENT LIABILITIES** |  |  |  |  |
| Employee severance indemnity | 580,329 | 2.0% | 336,394 | 2.1% |
| Provisions for risks and charges | 41,522 | 0.2% | 2,592 | 0.0% |
| Non-current financial liabilities | 6,567,534 | 23.0% | 5,880,694 | 37.4% |
| Non-current taxation liabilities | 130,288 | 0.5% | 119,437 | 0.8% |
|  |  |  |  | 0.0% |
| **TOTAL NON-CURRENT LIABILITIES** | **7,319,673** | **25.7%** | **6,339,117** | **40.3%** |
|  |  |  |  | 0.0% |
| **CURRENT LIABILITIES** |  |  |  | **0.0%** |
| Current financial liabilities | 3,661,872 | 12.8% | 2,136,777 | 13.6% |
| Trade payables | 4,337,301 | 15.2% | 2,254,903 | 14.3% |
| Current taxation liabilities | 1,217,257 | 4.3% | 1,393,177 | 8.9% |
| Other current liabilities | 2,207,059 | 7.7% | 1,831,292 | 11.6% |
|  |  |  |  | 0.0% |
| **TOTAL CURRENT LIABILITIES** | **11,423,489** | **40.0%** | **7,616,149** | **48.4%** |
| **TOTAL LIABILITIES** | **28,531,542** | **100%** | **15,740,848** | **100%** |

Net Financial Position, in other words the value of investments that are not covered by capital and reserves and by trade payables (due to suppliers) shows that the company needs to access third party sources of financing. The data for our company can be represented in the table showing the short- and medium-term net financial situation.

|  |  |  |
| --- | --- | --- |
| **RECLASSIFIED BALANCE SHEET** | **31.12.2018** | **31.12.2017** |
| Trade receivables | 8,251,837 | 5,728,122 |
| Inventory | 1,494,238 | 821,366 |
| Trade payables | -4,337,301 | -2,254,903 |
| **Net Operating Working Capital** | **5,408,774** | **4,294,585** |
| Other current receivables | 4,212,459 | 2,405,684 |
| Other current liabilities | -2,207,059 | -1,831,292 |
| Taxation liabilities | -1,217,257 | -1,393,177 |
| **Net Working Capital** | **6,196,917** | **3,475,800** |
| Tangible fixed assets | 693,114 | 222,072 |
| Intangible fixed assets | 1,731,932 | 745,641 |
| Investments | 212,500 | 217,500 |
| **Fixed assets** | **2,637,546** | **1,185,213** |
| Employee severance indemnity | -580,329 | -336,394 |
| Provision For contingencies and charges | -41,522 | -2,592 |
| Long-term taxation payables | -130,288 | -119,437 |
| **Net Invested Capital** | **8,082,324** | **4,202,590** |
| **Shareholders' Equity** | **9,788,380** | **1,785,582** |
| Cash at bank and in hand | 7,916,945 | 5,600,463 |
| Current financial payables | 4,018,517 |  |
| Current financial liabilities | -3,661,872 | -2,136,777 |
| Non-current financial liabilities | -6,567,534 | -5,880,694 |
| **Net Financial Position** | **1,706,056** | **-2,417,008** |
| **Capital and Reserves and Net Financial Indebtedness** | **11,494,436** | **-631,426** |
| **Short Term Net Financial Position** | **8,273,590** | **3,463,686** |

|  |  |  |
| --- | --- | --- |
|  | **31.12.2018** | **31.12.2017** |
|  |  |  |
|  |  |  |
| **CURRENT ASSETS** |  |  |
| Inventory | 1,494,238 | 821,366 |
| Short-term receivables | 12,388,833 | 8,085,310 |
| Prepayments and accrued income | 75,463 | 48,496 |
|  |  |  |
| **CURRENT LIABILITIES** |  |  |
| Short-term payables | -7,706,012 | -5,535,427 |
| Accruals and deferred income | -55,605 | 56,055 |
|  |  |  |
| **Net Working Capital** | **6,196,917** | **3,475,800** |

**Principal indicators**

Pursuant to Article 2428 c.2 of the Civil Code, are various indicators and other information which help provide a complete illustration of the company’s situation, and how it has evolved over previous financial periods.

Financial structure indicators

The purpose of the financial structure ratios is to quantify the percentage "weight" of certain asset and liability aggregates in relation to total assets and liabilities.

|  |  |  |
| --- | --- | --- |
|  | **31.12.2018** | **31.12.2017** |
| Fixed assets (I) |  |  |
| a) Weight of fixed assets = ------------------------- | 9.24% | 7.53% |
| Total assets (K) |  |  |
| Working capital (C) |  |  |
| b) Weight of working capital = ------------------------- | 90.49% | 92.16% |
| K |  |  |
| Equity capital |  |  |
| c) Weight of equity capital = ------------------------ | 34.31% | 11.34% |
| Total liabilities |  |  |
| Third party capital |  |  |
| d) Weight of third party capital = ----------------------- | 65.69% | 88.66 % |
| Total liabilities |  |  |

Profitability (or financial situation) indices

|  |  |  |
| --- | --- | --- |
| **DESCRIPTION** | **31.12.2018** | **31.12.2017** |
| ROE (Return On Equity) | 23.32% | 49.78% |
| ROE gross, before taxation | 33.29% | 88.98% |
| ROI (Return On Investment) | 12.53% | 16.68% |
| ROS (Return On Sales) | 19.27% | 16.18% |

Note 1) = ROE, which reports the profitability of investing in the capital of the Group compared to other sorts of investments is provided in both “after tax” and “gross, before tax” versions.

Note 2) = ROI stands for the return on investment from operational management:

it measures the business’s capacity to generate profit while transforming input into output.

Financial position indicators

The principal financial situation indices are shown below. Their purpose is to identify any imbalances due to inappropriate relationships between certain asset and liability components, with the same indicators shown for the years 2017 and 2018.

|  |  |  |
| --- | --- | --- |
|  | **31.12.2018** | **31.12.2017** |
| Working capital (C) |  |  |
| a) Current ratio = ------------------------- | 2.27 | 1.90 |
| Current Liabilities |  |  |
| Trade and other current receivables from intangible assets |  |  |
| b) Liquidity ratio = ------------------------- | 0.69 | 0.74 |
| Current Liabilities |  |  |
| Shareholders' Equity |  |  |
| c) Capital Hedging Fixed Assets = ------------------------ | 3.71 | 1.51 |
| Fixed assets |  |  |

**Risks relating to industry sector and competitive environment**

As previously stated, the Company operates in the building renovation sector in Italy, a subset of the construction industry.

The primary requirement is to acquire new customers to guarantee the company continuity of production, in view of the high returns achievable compared to the size of investments. Our policy is oriented towards opening new directly-owned offices to achieve broad penetration of the Italian market, and develop a retail policy focused on personalizing the offering for each individual customer. The company is assessing and experimenting with the production process in order to reduce related costs, taking on less overall risk compared to other operational solutions, thus allowing us to be still more competitive and high-performing.

Given the above, and considering:

* the limited number of employers
* the absence of sub-contracting
* the absence of the risk of interference between companies
* historic statistics covering accident prevention events

it is evident that the overall risk level can be defined as equal to if not in fact less than the overall risk levels involved in working with any collective protection device. Over the years there has been a considerable reduction in the time spent using other working methods on site, thus reducing overall risk exposure.

**Risks connected with dependence on suppliers**

Since its early days, the Company has had a sufficiently large number of suppliers available for the purchase of raw materials and the provision of services to allow it to be completely independent of them.

The business is not particularly conditioned by the ability of suppliers to guarantee certain quality standards, or to respond to specific requests from the parent company or to comply with agreed delivery times, since it is possible to identify suppliers to substitute the existing ones without any difficulty.

**Risks connected with financial indebtedness**

The Company has always had the support of its banking partners to provide financing. The use of credit during the year increased in part due to the need for new investments to set up the new directly-owned offices.

Through the project for Stock Market Listing, Company has also pursued a financing policy intended to differentiate the sources, thus not just capital from banking financing, but also from other sources, in order to reduce the risk of indebtedness.

**Liquidity risk**

Cash flows, financing requirements and liquidity of the Company are monitored and managed with the aim of achieving effective and efficient management of financial resources. Short- and medium/long-term liquidity requirements are constantly monitored, so as to ensure that financing is raised effectively and in timely fashion, or the available liquidity is suitably invested. Information regarding the maturity dates of bank debts is disclosed in the Notes to the Financial Statements.

**Credit risk**

The Company is exposed to risks connected with the sale of its own services. For the year 2018, it was necessary to make a provision of €244,232 for bad debts against possible credit losses, relating to receivables overdue by more than one year.

In order to mitigate credit risk, the Company has established a specific credit recovery procedure which brings together, firstly, the sales representative, the officer closest to customers, secondly, Credit Management, and lastly, if the credit has not been repaid, the Company resorts to the credit recovery services provided by the company Cerved Credit Collection SpA, part of the Cerved Group.

**Disclosure relating to environment impact**

During the course of the year no damage was caused to the environment.

During the year, no definitive fines or penalties were imposed for environmental offences or damage.

**Disclosure relating to employee relations**

In the course of the financial year, the Company has complied with its safety obligations, carrying out all the initiatives for some time, needed to protect the workplace, as set forth under applicable legislation.

The Company has spent the whole year training its own staff, and in terms particular workers on ropes, the focus has changed to the improvement of knowledge on procedures to limit risks related to completed works.

The activities we have performed on the subject of health and safety involve:

* training of employees and contractors;
* carrying out of periodic medical examinations;
* monitoring of the company by the Prevention and Protection Officer (RSPP);
* preparation and distribution of the documents provided for by Legislative Decree 81/2008.

As mentioned above, the Company has been awarded the UNI EN ISO 9001:2008 quality certification (quality management systems), as well as the certification specific to occupational health and safety: OHSAS 18001.

In 2018, the company was not involved in any work incidents related to the use of the double safety rope technique, and its work incidents have always been historically lower than the average frequency and seriousness reported by the National Labour Assistance Italy (INAIL).

In 2018, the Company, in accordance with the Law of 27 December 2017 no. 205, supported by a third party consultancy, has prepared the necessary documentation to be granted Training tax credit 4.0

**Application of privacy legislation**

The Company has complied with the provisions of Law 675/1996 with regard to Privacy.

**Taxation situation**

During 2018, the Company has achieved the goal of improving timing in terms of tax deadlines. As of 31.12.2018, regional tax (IRAP) has also been paid, whereas company income tax (IRES) has been offset against tax withholdings by the banks and co-owners on amounts received from customers as prescribed by law (Stability Act 2015 and Presidential Decree of 29/09/1973, no. 600, Article 25-ter). The company regularly tax instalments for previous years, and the situation is constantly monitored.

**Research and development activities**

During 2017 registration has been requested for the patents summarized below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Owner | Subject of the patent | Category | Date lodged/application reference number | Date of registration/registration number | |
| Ediliziacrobatica S.p.A. | supporting structure usable in carrying out work at height on a rope | utility model patent | 10 July 2017  202017000077262 |  | not available |
| Ediliziacrobatica S.p.A. | supporting structure usable in carrying out work at height on a rope | Invention payment | 3 July 2017  102017000073986 |  | 08 November 2018  702018000059658 |
| Ediliziacrobatica S.p.A. | supporting structure usable in carrying out work at height on a rope | Invention payment | 10 July 2017  102017000077253 |  | 08 November 2018  782018000059649 |

In the course of 2018, the request for withdrawal for practice number 102017000073986 and the request for research for practice number 102017000077253.

EdiliziAcrobatica Spa also began in 2017 studying development of an innovative project for building a mechanical device which will facilitate working on ropes in the presence of minor adverse weather conditions, such as for example light rain, and this project is continuing in 2018.

During 2018, costs were incurred in the amount of €1,603,484 were incurred, in relation to which a tax credit equal to €801,742 has been recognized in the appropriate part of the balance sheet, in accordance with the provisions of the [Economy & Finance Ministry’s enabling decree dated 27 May 2015 (“Research and development tax credit implementation”](http://www.sviluppoeconomico.gov.it/images/stories/documenti/DM-27-05-15_credito-d-imposta.pdf)) and the latest updates linked to the Italian Revenue Agency circular number 13/E dated 27 April 2017 and the Finance Act 2019.

**Relationships with companies forming part of the Group**

During the period the following relationships were maintained between the Parent Company and subsidiaries; these transactions, of a commercial and financial nature, were carried out on an arm’s length basis.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Financial debts** | **Financial credits** | **Trade receivables** | **Trade payables** | **Sales** | **Purchases** |
| Edac Roma Trastevere Srl | 3,337 | 4,840 | 57,878 | 4,859 | 1,147 | 3,893 |
| Edac Versilia Srl | 87,424 | 5,044 | 398,358 | 37,459 | 319,607 | 27,309 |
| Edac Biella Srl | 7,996 | 90,092 | 396,330 | 26,896 | 264,291 | 35,250 |
| Edac Sicilia Srl | 1,040 | - | 193,949 | 6,956 | 304,437 | 5,104 |
| **Total** | **99,797** | **99,976** | **1,046,515** | **76,170** | **889,482** | **71,557** |

Notwithstanding the foregoing, it is worth noting the conversion of the financing provided during the year by the Parent Company to Edac Biella Srl to capitalise the latter after the loss sustained by the subsidiary as of 31.12.2018, as specified in the note herein.

**Branches/Secondary Locations**

In accordance with the provisions of Article 2,428 of the Civil Code, the branches/secondary locations of the company are shown below:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Type** | **Address** | **Location** |
| Local Branch no. MI/4 | Depot | Via Sforza Ascanio Cardinale 87 | Milan |
| Local Branch no. MI/5 | Office | Alzaia Naviglio Pavese 52 | Milan |
| Local Branch no. MI/6 | Office | Via Filzi Fabio 5 | Milan |
| Local Branch no. AL/1 | Office | Corso Crimea 13 | Alessandria |
| Local Branch no. CT/1 | Office | Via G. D'Annunzio 63C-63D | Catania |
| Local Branch no. GE/5 | Office | Via Magenta 41 | Chiavari |
| Local Branch no. MB/1 | Office | Corso Milano 38 | Monza |
| Local Branch no. NA/1 | Office | Via Kerbaker 27 | Napoli |
| Local Branch no. FI/1 | Office | Via del Ghirlandaio 9 | Florence |
| Local Branch no. GE/2 | Office | Viale Brigate Partigiane 18/2 | Genoa |
| Local Branch no. RM/1 | Office | Via Spalato 45 | Rome |
| Local Branch no. RM/2 | Uffico | Via Trastevere 111 | Rome |
| Local Branch no. RM/3 | Office | Via Antonio Lo Surdo 47/49 | Rome |
| Local Branch no. TO/2 | Office | Via Sospello 2 | Turin |
| Local Branch no. TO/3 | Office | Corso Siracusa 139/B | Turin |
| Local Branch no. VE/1 | Office | Sestiere di Santa Croce 297 | Venice |
| Local Branch no. LU/1 | Office | Via Aurelia 171 Camaiore | Lucca |
| Local Branch no. BI/1 | Office | Via Asti 4 Biella | Biella |
| Local Branch no. PA/2 | Office | Via Enrico Albanese 92 Palermo | Palermo |
| Local Branch no. BA/1 | Office | VIA CAMPIONE 16 BARI (BA) | Bari |
| Local Branch no. CO/1 | Office | VIA MENTANA 13 E COMO (CO) | Como |
| Local Branch no. GE/4 | Office | CORSO BUENOS AYRES 162 R. GENOVA (GE) | Genoa |
| Local Branch no. LI/1 | Office | VIALE DELLA LIBERTA' 45/47/49 LIVORNO (LI) | Livorno |
| Local Branch no. NO/1 | Office | CORSO TORINO 41 NOVARA (NO) | Novara |
| Local Branch no. PE/1 | Office | VIA PIERO GOBETTI 194 | Pescara |

**Number and nominal value of treasury shares and shares/quotas in parent companies possessed by the Company**

As of 31.12.2018, the parent company does not hold, directly or indirectly, any treasury shares of shares in parent companies.

**IPO on AIM Italia Alternative Investment Market, organised and managed by Borsa Italiana S.p.A.**

On 19 November 2018, the Group has successfully completed the listing process on the AIM Italia market. As a result of the aforementioned IPO, the Issuer’s Capital Stock as of 31 December 2018 amounts to 772,530 Euros, divided into 7,725,301 ordinary shares.

The price to place ordinary shares was set at 3.33 Euros with a capitalisation of the Company as of the start of negotiations of around 21.7 million Euros (€25.7 million, including Price Adjustment Shares).

The admission to listing took place following a placement of 1,725,300 newly issued and numbered ordinary shares, of which:

i. 1,499,850 numbered ordinary shares from the capital increase reserved to the market;

ii. 75,600 numbered ordinary shares from the capital increase reserved to staff and management;

iii. 149,850 ordinary shares, accounting for around 8.7% of the share plan, from the Greenshoe capital increase;

In addition, investors (including staff and management) were provided at no extra charge with 431,332 numbered Warrants.

The holders of these financial instruments will have the power to subscribe during 3 exercise periods (September 2019, September 2020 and September 2021) for the conversion shares, at a ratio of one conversion share per warrant held, at the same strike price as in the IPO, increased by 10% on an annual basis.

The Company, in conjunction with Global Coordinator Banca Profilo S.p.A., in light of the quantity and characteristics of the statements of intent received within the placement and in order to prioritise a book composition featuring major investors, has set the price per share at 3.33 Euros for ordinary shares reserved to the market and 3 Euros for ordinary shares reserved to staff and management.

The value of the placement, including shares from the Greenshoe option, amounts to 5,720,301 Euros (of which 499,001 Euros are from the Greenshoe option at the placement price). Within the transaction, an “adjustment” mechanism had also been planned, in the event that the Group did not reach a certain consolidated profitability target in terms of EBITDA in the financial year ended on 31 December 2018 (the so-called Price Adjustment Shares).

The Company’s post-placement capital consists of 7,725,300 no par value shares, of which 6,525,300 numbered ordinary shares and 1,200,000 numbered unlisted Price Adjustment Shares.

Shareholding structure as of 28 March 2019:

* Arim Holding Srl 78,46%
* Group Staff and Management 0.98%
* Market 20.56%

**Events following the closing of the financial year**

On 22 February 2019, the Euronext committee ruled in favour of the Company, admitting it into the Growth market starting on 28 February 2019 (ticker symbol ALEAC).

Euronext is a Pan-European stock exchange comprising the stock exchanges of Amsterdam, Brussels, Dublin, Lisbon and Paris. It consists of around 1,300 issuers, accounting for a market capitalisation of around 3,400 billion Euros. Euronext Growth is the market for small and medium-sized enterprises which allows access to a large number of international investors, thus making the Company more visible.

As of 22 February 2019, the price of the shares in EdiliziAcrobatica SpA was 4.2175 Euros and the market capitalisation amounts to 32,581,453 Euros (which includes the 1,200,000 Price Adjustment Shares).

On 6 March 2019, EdiliziAcrobatica SpA, via Newco, wholly owned by EdiliziAcrobatica France SAS, was awarded the assets of ETAIR – Entreprise de Travaux Aériens et d’Interventions Rapides Méditerranée, in court-ordered liquidation, a leading French company in the double safety rope construction sector in South West France.

* The value of the transaction is 110,001 Euros
* EdiliziAcrobatica implements its internationalisation strategy by entering the French market
* Closing scheduled by June 2019

Below are the characteristics of the assets in question

The company ETAIR – Entreprise de Travaux Aériens et d’Interventions Rapides Méditerranée, in court-ordered liquidation, was founded in 2002, based in Perpignan, operating in the double safety rope construction sector in South West France.

IN 2018, ETAIR reported revenues of around 6.29 million Euros, with negative EBITDA and net loss in the amount of -0.13 million Euros and -0.26 million Euros respectively.

The purchase of ETAIR’s assets will be completed within the liquidation proceedings ordered by the Perpignan Court. As a result of said proceedings, on 6 March 2019, EdiliziAcrobatica France, as named by EdiliziAcrobatica SpA, acquired ETAIR’s assets as recorded in its financial statements and inventory prepared by the court.

The agreed price was €110,001, broken down as follows:

* Intangible fixed assets totalling €55,000
* Tangible fixed assets totalling €40,000
* Inventory totalling €15,000
* The Order Book containing ongoing projects as of 28/02/2019 totalling €1.

ETAIR had a staff of 52 employees and as of 28 February 2019, the value of equipment tools and the order book for ongoing projects is around 3.18 million Euros.

The transaction in question qualified as a significant transaction as defined under Article 12 of the AIM Italia Issuers Rules.

The value of the acquired assets amounting to 110,001 Euros shall be paid to ETAIR on a cash basis.

The price, already transferred by EdiliziAcrobatica Spa to an escrow account, shall be paid to ETAIR on the day when the asset transfer documents are signed, which must take place within 4 months after EdiliziAcrobatica France SAS comes into possession of said assets.  This period may, however, be extended, upon consent by the Court-appointed liquidator and EdiliziAcrobatica France SAS.

The assets will be transferred to EdiliziAcrobatica France SAS, a company established on an ad hoc basis for such transaction on 5 March 2019.

EdiliziAcrobatica France is a simplified joint-stock company with an initial capital stock of 1,000 Euros, which will be increased when, following the finalised acquisition of ETAIR assets, its due debts against EDAC will be converted to capital stock.

The above-described transaction shall provide EdiliziAcrobatica France SAS with 47 employees from ETAIR’s operations team, together with debts owed to employees, amounting to about 177,778 Euros.

The President of EdiliziAcrobatica France SAS is currently Mr. Riccardo Iovino, Chief Executive Officer of EdiliziAcrobatica Spa, while the Managing Director is Mr. Paolo Stella.

**Expected future business performance**

In 2019, the Company will continue to search for new customers and increase market penetration through the opening of new directly-owned offices and by signing up new franchisees; it will be focused on performance both in the short term through increasing and defending the profitability of its core business, and in the medium-long term through the creation of real and valuable strategies for long term growth.

The internationalisation policy started in the first months of the year in order to take the EdiliziAcrobatica Model not just to France, but other European countries.

It will pursue policies aimed at maintaining a fruitful relationship with current investors, and it will hold events for the purpose of opening up to the widest possible range of new investors.

It will also continue with its marketing campaign on national television intended to further reinforce the value of the brand among end consumers.

*Milan, 28 March 2019*

*On behalf of the board of directors,*

*Riccardo Iovino (Director)*