Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

Titagarh Firema SpA

Financial statements as of 31 March 2018

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

To the shareholders of Titagarh Firema SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Titagarh Firema SpA (the Company), which comprise the balance sheet as of 31 March 2018, the income statement and statement of cash flows for the year then ended and related notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 March 2018, and of the result of its operations and cash flows for the year then ended in compliance with the Italian laws governing the criteria for their preparation.

Basis for Opinion

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

Emphasis of matter

Without modifying our opinion, we point out that the Company closed the financial year as of 31 March 2018 with a loss of approximately Euro 10,506 thousand. The directors of the Company indicate, in the paragraph "Going Concern" of the report on operations, that the financial statements as of 31 March 2018 have been prepared on a going concern basis and provide the reasons thereof.

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 laws governing the criteria for their preparation and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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;

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

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

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

The directors of Titagarh Firema SpA are responsible for preparing a report on operations of Titagarh Firema SpA as of 31 March 2018, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Titagarh Firema SpA as of 31 March 2018 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the financial statements of Titagarh Firema SpA as of of 31 March 2018 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Naples, 22 June 2018

PricewaterhouseCoopers SpA

Signed by

Pierpaolo Mosca
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers. We have not examined the translation of the financial statements referred to in this report.

Titagarh Firema S.p.A.

Registered Office: Caserta — Via Prov.le Appia 8/10 - Ponteselice

Share Capital EUR 10,000,000.00 fully paid-up R.E.A. of Caserta No. 297666

Tax Code and Registration No. at the Caserta Business Register No. 09135960962

To the Shareholders’ Meeting of Titagarh FiremaS.p.A.

Registered Office in Caserta,

Via Prov.leAppia 8/10

Report of the Board of Statutory Auditors on the Financial Statements for the fiscal year at 31 March 2018, drawn up pursuant to Article 2429, paragraph 2 of the Italian Civil Code.

As a preliminary point, the Board of Statutory Auditors states that the mandate conferred on the Board of Directors and on the Board of Statutory Auditors is set to expire at the date of the Shareholders’ Meeting that will approve the Financial Statements, therefore the Shareholders will be called to resolve on the matter;

It is appropriate to point out the main events, of an organisational/corporate nature, that have occurred to date, referring the events of a financial nature to the following paragraphs:

- The acquisition by the majority shareholder of 10% of the share capital held by Adler Plastic S.p.A., which led to a reduction in the number of Shareholders, currently consisting of Titagarh Singapore PTE and Titagarh Wagons Limited,
- The consequent change of company name from “Titagarh Firema Adler S.p.A.” to "Titagarh Firema S,p.A,",
- The transfer of the registered office from Milan to the current registered office in Caserta, considered to be more functional for the future business activity;
- The revocation of the mandate given to the independent auditing firm EY S.p.A. in favor of PwC S.p.A., determined by the change in the group’s auditors;
- The change in the composition of the Board of Directors, following the resignation of Director Scudieri, Director Datta and the appointment of Mr. Soprano, Engineer, as CEO;
- The change in the composition of the Board of Statutory Auditors, following the resignation of Mr. Marco Russo and Ms. Piera de Conciliis, followed by the appointment of the current Standing Auditors, Pierumberto Spanò and Claudio Schettini;
- The approval, during the Board of Directors’ Meeting held on February 13, 2018, of the Organisation and Control Management Model pursuant to Legislative Decree No. 231/2001, and the subsequent appointment of the Supervisory Board;
- The resignation of Mr. Vincenzo Soprano from his office as CEO.

Having said that, we would like to point out that this Report has been approved collegially and in good time for its filing at the Company’s Registered Office, in the fifteen days preceding the date of first call of the Meeting summoned to approve the Financial Statements.

The administrative body has made available the following documents, approved during the Board of Directors meeting held on 25 May 2018, relating to the fiscal year ended on 31 March 2018:

- Draft Financial Statements, with Explanatory Notes;
- Management Report.

This report has been prepared based on the provisions of law and of Regulation No. 7.1, the “Rules of Conduct of the Board of Statutory Auditors – Principles of Conduct of the Board of Statutory Auditors for Unlisted Companies” issued by CNDCEC and effective since 30 September 2015.

The legal audit of the financial statements was performed by the company PwC S.p.A., appointed by the Shareholders’ Meeting at the meeting held on 20 July 2017.

General premise

Explanatory Notes in XBRL format

The Board of Statutory Auditors acknowledged that the company will fulfill its obligation to draft the Explanatory Notes according to the “XBRL” taxonomy, following the approval of the Financial Statements by the Shareholders’ Meeting.

Knowledge of the Company, risk assessment and report on the tasks assigned

Acknowledging the understanding that the Board of Statutory Auditors states to have with regard to the Company and with regard to:

i) the type of activity carried out;

ii) Its organizational and accounting structure;

taking also into account the size and the issues of the company, the “planning” phase of the supervisory activity – for which it is necessary to assess the intrinsic risks and the critical aspects related to the two aforementioned aspects – was carried out and started by means of positive feedback deriving from the interviews with the Directors.

Therefore, it was possible to confirm that:

- the typical activity carried out by the Company has not changed during the fiscal year under review,and is consistent with the provisions of the corporate purpose;
- concerning the organisational structure, reference is made to what has already been described in the premises;
- the human resources constituting the “workforce” amounted to 422 units, which has increased by only one unit as compared to the previous fiscal year. It is also possible to note how the company operated in the fiscal year at 31 March 2017, in a manner that is comparable to that of the previous year and, consequently, our monitoring activities were carried out on these assumptions having verified the substantial comparability of the values and results with those of the previous fiscal year.

Thus, this report summarises the activity concerning the disclosure called for by Article No.2429, paragraph 2, of the Italian Civil Code and namely:

- the results of the fiscal year;
- the activity carried out in the fulfilment of the duties as per the law;
- the remarks and proposals regarding the Financial Statements, with particular reference to the possible use by the Administrative Body of the exemption pursuant to Article No. 2423, paragraph 5, of the Italian Civil Code;
- any complaints received by the Shareholders as per Article No. 2408 of the Italian Civil Code.

The activities carried out by the Board focused, from a temporal point of view, on the whole fiscal year and during its course the meetings as per Article No. 2404 of the Italian Civil Code have been regularly held, and specific minutes of these meetings were duly signed for unanimous approval.

Activity carried out.

During the periodic audits, the Board became aware of the evolution of the activities carried out by the Company, paying particular attention to contingent and/or extraordinary issues, in order to identify the economic and financial impact on the result for the fiscal year and on the asset structure.

In this respect, the Board of Statutory Auditors reports that the Company is experiencing a moment of financial strain, caused above all by the complications in the implementation of some contracts inherited from the acquisition of the Firema AS business branch. Delays in the delivery of works had a significant negative impact on the financial situation of the Company.

From the interviews with the management, and during the quarterly checks, we found that the difficulties in fulfilling the contracts were mainly caused by external suppliers, whose agreements are characterised by a setup and terms that make them difficult to manage in case of default.

According to the Report, the delays have caused the following consequences:

- EUR 5 million of lower EBITDA, caused by the postponement of production and under-absorption of internal production factors;
- EUR 9 million in penalties caused by delays accrued;
- EUR 15 million of blocked working capital, with the consequent need to resort to loans and capital contributions from the Group.

In particular, these circumstances led to the request for financial support to the Majority Shareholder on the basis of a 2018-2023 Business Plan, approved during the Board of Directors' meeting held on 7 March 2018.

Regarding the Business Plan, as reported by the management during the meeting of the Board held on 25 May 2018, the implementation status of the Plan is in line with the objectives that the Company has set to achieve in the various time stages indicated, and it has to be noted that there are no obstacles to its complete implementation.

Instead, regarding the request for financial support addressed to the Majority Shareholder, the Board reports that during the Board meeting held on 11 May 2018, the Chief Executive Officer informed the Board of the Majority Shareholder’s decision to convert the intercompany loan into capital reserve in the amount of EUR 15 million. In addition, a loan agreement was signed for an amount of EUR 100 million (EUR 50 million of which cash, and EUR 50 million as unsecured loan) guaranteed by the Parent Company, Titagarh Wagons Limited. Finally, the financial support letter issued by the Majority Shareholder on 25 May 2018, should be noted as well.

In light of the above, in the Explanatory Notes the Directors have specified that the Financial Statements have been prepared on the basis of the going concern assumption. That said, the Board periodically assessed the adequacy of the organisational and functional structure of the company and its possible changes with respect to the minimum requirements established by the management performance.

The relationships with the people operating at the aforementioned facility – Directors and Employees – were inspired by mutual cooperation, respecting the roles assigned to each one. For the entire duration of the fiscal year, it was found that:

The internal administrative staff responsible for the reporting of company facts has not substantially changed compared to the previous year;

The information established by Article No. 2381, paragraph 5 of the Italian Civil Code, was provided by the executive bodies and/or by agents with a frequency even higher than the fixed minimum, 6 months, and this happened both on the occasion of scheduled meetings and on the occasion of individual access by the members of the Board of Statutory Auditors at the Company's registered office, and even through telephone/IT information contacts/flows with the members of the Board of Directors: in light of all of the above, the Directors have, in both substance and form, respected the provisions of the aforementioned law.

In conclusion, as far as it was possible to find during the activity carried out during the fiscal year, the Board of Statutory Auditors can state that:

- The decisions taken by the Shareholders and the Administrative Body were in compliance with the law and the company's Articles of Associations, and were not flatly imprudent or such as to definitively compromise the integrity of the corporate assets;
- Sufficient information was acquired regarding the general performance of operations and their foreseeable evolution, as well as regarding the most significant transactions, in terms of size or characteristics, carried out by the Company;
- Even the operations carried out were compliant with the law and the company's Articles of Association, and not in potential conflict with the resolutions adopted by the Shareholders' Meeting or such as to definitively compromise the integrity of the corporate assets;
- No specific observations arose with regard to the adequacy of the Company's organisation, nor with regard to the adequacy of the administrative and accounting system, as well as concerning the reliability of the latter in correctly representing management operations;
- In the course of the supervisory activity, as described above, no other significant facts emerged that would require to be reported in this report;
- No action was required for omissions of the Administrative Body pursuant to Article No. 2406 of the Italian Civil Code;
- No complaints were received pursuant to Article No. 2408 of the Italian Civil Code;
- No complaints have been filed pursuant to Article No. 2409, paragraph 7, of the Italian Civil Code.
- During the fiscal year, the Board issued an opinion regarding the revocation of the previous auditing company and the simultaneous appointment of the current..

Remarks and proposals regarding the Financial Statements and their approval

The draft Financial Statements for the fiscal year at 31 March 2018, were approved by the Administrative Body on 25 May 2018, and consist of the Balance Sheet, Income Statement, Cash Flow Statement and Explanatory Notes.

Moreover:

- The administrative body also drafted the Management Report in compliance with Article No. 2428 of the Italian Civil Code,
- These documents submitted to the Board of Statutory Auditors in good time for them to be filed at the Company's Registered Office together with this Report, in compliance with Article No. 2429, paragraph 3, of the Italian Civil Code;
- The statutory audit is entrusted to the independent auditing company PwC S.p.A., which has prepared its own Report as per Article 14 of the Legislative Decree dated January 27, 2010, line 39, a Report that highlights the following information: "*Without changing our opinion, we wish to point out that the Company closed the year on 31 March 2018, with a loss of approximately EUR 10,506 thousand." The Directors of the Company state, in the paragraph "Business continuity" of the Management Report, that the Financial Statements at 31 March 2018 have been drafted on the basis of the business continuity principle and report the reasons for this choice.*"

Thus, the draft Financial Statements were reviewed regarding which the following additional information is provided:

- The assessment criteria of assets and liabilities subject to this mandatory requirement have been checked and comply with the provisions of Article No. 2426 of the Civil Code;
- Attention was paid to the set-up of the draft Financial Statements, its general compliance with the law regarding its preparation and structure, and in this respect there are no remarks to be highlighted in this report;
- Compliance with the legal provisions concerning the drafting of the Management Report has been verified, and in this respect there are no remarks to be highlighted in this report;
- The administrative body, in drafting the Financial Statements, did not apply exceptions from the legal provisions pursuant to Article No. 2423, paragraph 5, of the Italian Civil Code;
- The correspondence of the Financial Statements to the facts and information of which it became aware following the fulfilment of the typical duties of the Board of Statutory Auditors has been verified, and no further observations are made in this regard;
- The existence of transactions with related parties is acknowledged; according to what is indicated in the Explanatory Notes, they have been performed at normal market conditions both in terms of prices and commercial terms, and in terms of the underlying reasons that generated them;
- Concerning the proposal of the Administrative Body for the allocation of the operating result shown at the end of the Explanatory Notes, the Board has nothing to remark, noting that any decision on the matter is up to the Shareholders' Meeting.

Operating result for the fiscal year

The net result assessed by the Administrative Body for the fiscal year at 31 March 2018, as also clear from reading the Financial Statements, is negative for EUR 10,506,142.00.

Conclusions

Considering also the results of the activity carried out by the party in charge of the statutory audit (PwC S.p.A.) contained in the specific Report accompanying the Financial Statements, issued on 22 June 2018, the Board does not see any impediments to the approval of the Financial Statements for the fiscal year at 31 March 2018, as prepared by the Board of Directors.

Naples, June 27, 2018

Signed by

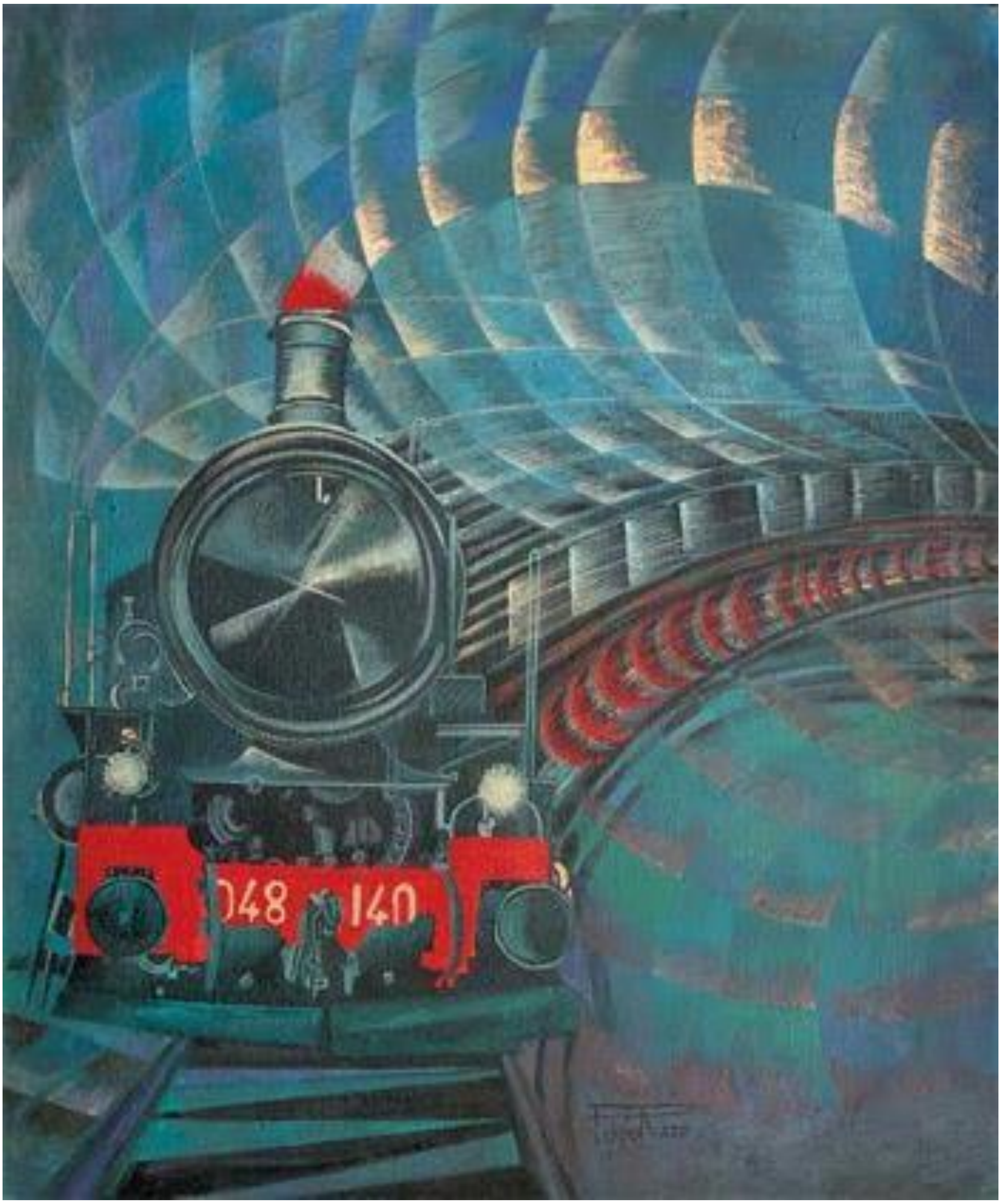
Egidio Filetto (Chairman of the Board of Statutory Auditors)

Pierumberto Spanò (Standing Statutory Auditor)

Claudio Schettini (Standing Statutory Auditor)

This report has been translated into English from the Italian original solely for the convenience of international readers. We have not examined the translation of the financial statements referred to in this report.

TITAGARH FIREMA S.p.A.



FINANCIAL STATEMENTS AT 31/03/2018

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CORPORATE INFORMATION

COMPANY DATA

REGISTERED OFFICE	CASERTA (CE)	STRADA PROV.LE APPIA 8/10
TAX CODE	09135960962	
REA	CE-297666	
LEGAL STATUS	SPA	
SHARE CAPITAL:	10,000,000	FULLY PAID UP

OWNERSHIP[1]

SHAREHOLDER	SHARE CAPITAL (EUR)	% HELD
TITAGARH SING. PTE (TSPL)	9,820,000	98.2%
TITAGARH WAGONS LIM. (TWL)	180,000	1.8%

BOARD OF DIRECTORS AND AUDITOR IN OFFICE

BOARD OF DIRECTORS

APPOINTMENT	BY NAME	DATE OF APPOINTMENT
CHAIRMAN OF THE BOARD OF DIRECTORS	U. CHOWDHARY	25/07/2016
CEO	V.SOPRANO	04/09/2017
DIRECTOR	A.K. AGARWAL	03/08/2015
DIRECTOR	M. MOHANKA	03/08/2015
DIRECTOR	G.MOISE	03/08/2015

BOARD OF AUDITORS

APPOINTMENT	BY NAME	DATE OF APPOINTMENT
CHAIRMAN	E. FILETTO	26/06/2015
AUDITOR	P.SPANO’	20/07/2017
AUDITOR	C.SCHETTINI	20/07/2017
ALTERNATE AUDITOR	C.FERONE	26/06/2015
ALTERNATE AUDITOR	M. RENDO	26/06/2015

AUDITING FIRM: PRICEWATERHOUSECOOPERS SPA from July 20, 2017 until approval of the financial statements dated 31/03/2020

[1] 88% of TSPL shareholdings is subjected to security

BOARD OF DIRECTORS AND AUDITOR NO LONGER IN OFFICE IN THE FISCAL YEAR

BOARD OF DIRECTORS

APPOINTMENT	BY NAME	RESIGNATION DATE
DIRECTOR	P.SCUDIERI	14/06/2017
DIRECTOR	S.DUTTA	14/08/2017

BOARD OF AUDITORS

APPOINTMENT	BY NAME	RESIGNATION DATE
AUDITOR	M.RUSSO	22/06/2018
AUDITOR	P.DE CONCILIIS	22/06/2018

AUDITING FIRM: EY SPA until 20/7/2017

OVERSIGHT BODY

APPOINTMENT	BY NAME	DATE OF APPOINTMENT
CHAIRMAN	G.LEPORE	13/02/2018
MEMBER	M.NAPPO	13/02/2018
MEMBER	V.IZZO	13/02/2018

LETTER FROM THE CHAIRMAN

Dear Shareholders:

the 2017/2018 fiscal year called for, in summary, to complete the implementation of the last batch of contracts deriving from the acquisition of the 2015 business branch by FIREMA AS (Campania Region/EAV Clients; SEPSA, and T21 projects)

In particular, these contracts were characterised by:

1. a substantially lower margin than the average recorded in the previous two-year period;
2. a product approval, comprising the approval of the supply chain concerned, which occurred before the transfer of the business branch;
3. a substantial impossibility to implement the efforts to optimise the supply chain, without impacting again the approval processes with significant additional costs.

These elements, which are presented in detail below, also concerning their timeline, are the core of the exogenous reasons that led both to the critical performance of the Net Result (loss of EUR 10.5 million) and to the impact on the order portfolio (loss of approx. EUR 30 million compared to the previous year).

Even though you were substantially already given this information in the Quarterly Report of December 2017 (in particular, there was a loss of about EUR 4 million, and a disclosure request on penalties, which amounted to about EUR 6.6 million euros owed to the Campania Region), it is appropriate to detail in a structured manner the reasons for the negative performance, and to explain the corrective measures identified in the Business Plan approved by the Board of Directors in March 2018.

With reference to the Operating Result, as you are aware, the dynamics of Economic and Financial Results is a direct consequence of the operating performance, which, given the nature of the business, consists of the ability to meet the contractual commitments (deliveries) with clients, within the planned deadlines (deadlines, technical compliance).

In the TFA Business model, the operating performance trend reflects the ability to combine internal inputs (essentially, labour) and external inputs (essentially, semi-finished products and components to be installed) in order to provide the client with timely and high-quality deliveries. This ability to effectively combine inputs is guaranteed by a shared programming between TFA and suppliers, with limited flexibility and correction margins.

This business model includes critical aspects that severely affect the external input side (suppliers) and that have a direct impact on the production process, and the latter on deliveries. Therefore, it is clear that, in case of severe critical elements within the supply chain, there is also a consequential chain of economic-financial critical consequences, and namely:

1. Slowed production volumes translate into a decline in Revenues and Operating Margins;

2. Delays in deliveries, resulting from the slowed production, translate into penalties owed to the client, which can reach up to 10% of the contractual consideration;
3. Slowed production volumes translate into underutilised internal production inputs (especially labour) with limited possibility of absorbing diseconomies that are in turn created in particular in labour costs;
4. The combination of the phenomena described above leads to an anomalous stagnation of working capital, driven by the slowdown in deliveries, with a consequent growth in debt, whose incremental flows offset non-payments originated by deferred deliveries.

In light of this, it is therefore appropriate to explain in details the operating performance of the year, focusing in particular on the two major projects of the Campania Region (SEPSA-T21), which represented the most significant and critical portion of the annual program.

With reference to Project T21, the program defined with the EAV Client, accompanied by the Additional Deed of July 2016, established the start of deliveries in March 2017, the achievement of 13 units by December 2017, and the completion of the supply by March 2018.
Compliance with this program assumed the availability of all components in accordance with the Production Plan; in particular, an essential subsystem such as the converter/battery charger, whose design and realisation had been entrusted to an external supplier, would have had to pass the required tests and be available at the latest by January 2017. The subsystem in question, included in the project approved by the client, has instead failed several tests starting from January 2017. In September 2017, even the third test, at the presence of the EAV Client, had a negative result, so it was decided to look for an alternative solution, even though it was expensive.
In any case, the original supplier was asked to setup a final test, which in case of a positive outcome, would have allowed the first train to be delivered by December 2017, although the penalties would have reached the 10% contracted cap (EUR 4 MIL). The identified alternative (the use of a similar subsystem, already accepted by EAV on the same vehicle type and manufactured by another supplier) was not of certain feasibility and, in addition to posing various technical risks for the important design changes required, would have involved additional seven/nine months to be implemented.
The test of the subsystem carried out on 27 November 2017 at the presence of the EAV Client was unsuccessful and therefore it was decided, in agreement with the client, to use the new converter, with a further postponement of at least seven months. A legal action has been initiated against the original supplier for the damages suffered.
Further significant external critical elements have also affected:

1. The supplier of the door sub-system, whose deliveries in 2017 have been substantially stopped due the job site workers' strike, who were in charge of the design and supply;
2. The ATI responsible for the design and supply of furnishings.

All contracts with these suppliers were entered into prior to 2016, and characterised by a setup and terms that made them difficult to enforce in the event of default by the supplier (performance guarantees).

Concerning the SEPSA Project, the delivery program defined with the EAV Client, with the Private Agreement dated 5 August 2016, comprising the 45-day extension granted in June 2017, established the delivery of 8 units from September 2017 to February 2018. From the operating returns of the first trains delivered at the end of 2017, four major critical aspects of the original project were identified, with potentially extremely negative impacts on the progress of the project and on the possible extensions of the contract. In particular, there were reports of:

- an anomalous wear of the wheels on some trains, such as to force, for safety reasons, the termination of commercial service and the replacement of the components;
- the level of noise generated during braking, which was considered not in compliance with the Municipal Regulations in some urban areas;
- the door system, which was characterised by opening and closing times not suitable for commercial use, and also by problems due to poor waterproofing;
- the quality level of the furnishings project, deemed unacceptable and consequently subject to significant retrofits.

Given this scenario, the deliveries of the door subsystem supplier during 2017 were substantially stopped due to the job site workers' strike, who were responsible for the design and supply.

This supplier resumed operations only in January 2018, but starting from mid-January, the client suspended all train acceptance tests, pending the implementation of the changes aimed to find a solution for the structural issues described above.

With regard to the anomalous energy consumption, since the end of 2017, monitoring was performed on operative trains, which allowed to demonstrate how the anomalous consumption found on the first train had not been repeated, excluding the brake project and its related installation as causes of the problem.

For the purpose of noise reduction in braking, the brake supplier was involved and several possible solutions were identified; following several tests, the optimal solution, accepted by the client, was identified and is being implemented. Also with regard to doors, design and construction changes that were approved by the client have been designed and tested. The train acceptance tests by the client consequently resumed in March 2018.

Concerning the furnishings, the supplier in charge had to carry out a substantial redesign of several components, whose new solutions, validated together with the client in the early months of 2018, determined and are determining retrofits, both on trains under production and on those already transferred.
In short, important critical issues were noted also in this project by the supplier system, whose contracts, dating back a few years ago, have a setup and terms that are difficult to execute. The total delay in deliveries respect to the contractual commitments will amount to about 5 months, with penalties for EUR 5 million.

In light of the above, a simplified representation of the economic and financial impact of the supplier system malfunctions measured in 2017/2018 is described below:

1. at least EUR/thousand 5 million of lower EBITDA, caused by the postponement of the production and under-use of internal production factors;
2. at least EUR 9 million in penalties for the delays accrued;
3. at least EUR 15 million of blocked working capital, with consequent growth in the need for funding by the Group.

The aforementioned critical issues were addressed in the Business Plan by identifying three main risk mitigation strategies, which appear as necessary in a Business model where the quality of the supplier and the correlation of the reciprocal scheduling is vital to respect the deliveries to the client:

1. critical review of the SUPPLY CHAIN, in particular of the SUPPLY CHAIN selected before the creation of TFA, and migrated within it at the acquisition of the business branch along with the projects transferred (as occurred in SEPSA and T21);
2. strengthening of the internal control structure of the SUPPLY CHAIN, and in particular of the use of integrated programming IT supports;
3. review of the standard contractual setups, guaranteeing greater protection for the company respect to the existing model.

With reference to the performance of the order portfolio, the second major weakness of the fiscal year ended, it is clear that the recorded downward trend is related to an ambitious positioning, but not to the effective ability to compete on each segment, client type and geographical area, in a stand-alone formula, given the product portfolio available.
This positioning, which did not take into account a realistic acknowledgement of the existing product portfolio, timing and costs of its adjustment, defocused the sales force from the niches in which the TFA's offer has potentially competitive characteristics, pushing it towards areas in which this competitiveness is currently reduced, with the achievement of inevitably modest results.

The issue was reflected in the Business Plan of February 2018, with a complete overhaul of the company's positioning and of the differentiated and flexible formulas on which to compete effectively for product, geographical area, and client type.
With regard to this, the achievement of an additional order of two SEPSA units for EUR 13.2 million obtained in May 2018 can be considered as a first significant success, despite the aforementioned critical issues of the Project.
The market focus strategy currently urges the Company to pay particular attention to the proximity markets (Italy, North Africa, India) and local transport clients, in which important results are expected from the ongoing tenders.

With reference to the other aspects that characterised the fiscal year, it seems appropriate to bring to your attention the following additional matters:

1 The approval of the Business Plan took place in March 2018; in addition to the aforementioned actions, an important concentration of activities is planned at the Caserta site, as well as the consequent optimisation of redundant sites;
2 The execution of the NETTING agreement, and in particular the settlement of its tax effects which, although generating non-recurring costs for EUR 1 million, guarantee the company a higher and adequate level of comfort;
3 The approval of the Organisation and Control Model, in accordance with Legislative Decree No. 231 with inherent risk mitigation;
4 The change in the shareholding structure, with the exit of Shareholder ADLER PLASTICS, and the strengthening of the Shareholder TSPL at 98.2% of the share capital;
5 The important financial effort implemented by the shareholders (funds for about EUR 20 million, of which EUR 15 million in shareholders' equity) in supporting the company in a highly critical fiscal year due to the aforementioned dynamics.

Dear Shareholders, with reference to the short and medium-term outlook, the company is fully confident that the dynamics of the 2018/2019 and subsequent fiscal years will fully reflect the objectives of the Plan, with significant profits from 2019/2020 and a net earnings position in 2018/2019.
It should be noted that the achievement of these objectives is strictly dependent on an active agreement with you, in particular on the commitment to strengthen the assets of the company, already activated pro quota, and on the provision of funds to support temporary deficits, expected in the course of the 2018 summer and autumn season.
These deficits, in their non-structural part (physiological growth of the working capital and VAT balance) also reflect the backlash of the critical issues tied to the supply chain described in this letter, and could present economic effects in advance throughout the first two quarters of the fiscal year.
In light of the above, I do think that the critical issues of the past year, despite having imposed a high price on the company, and despite deriving from factors outside its

control and from choices made before the existence of the company itself, have allowed us to identify, and prompted to activate, a virtuous cycle of improvement based on realistic and feasible initiatives from which each Stakeholder will benefit.

MANAGEMENT REPORT

NATURE OF THE BUSINESS AND OPERATIVE STRUCTURE

Pursuant to the Articles of Association, the Company mainly operates in the management of facilities for the construction, transformation and repair of railway and tramway rolling stock and of electrical equipment for rolling stock, of which in some cases the Company also carries out the design.

The work is carried out directly, or as a member of Consortia, in the facilities located in Caserta and Tito (Components). The company also carries out Maintenance, Spare Parts Manufacturing and Support. These activities, when not directly carried out at the client's premises (the so-called construction sites), essentially use the Spello facility.

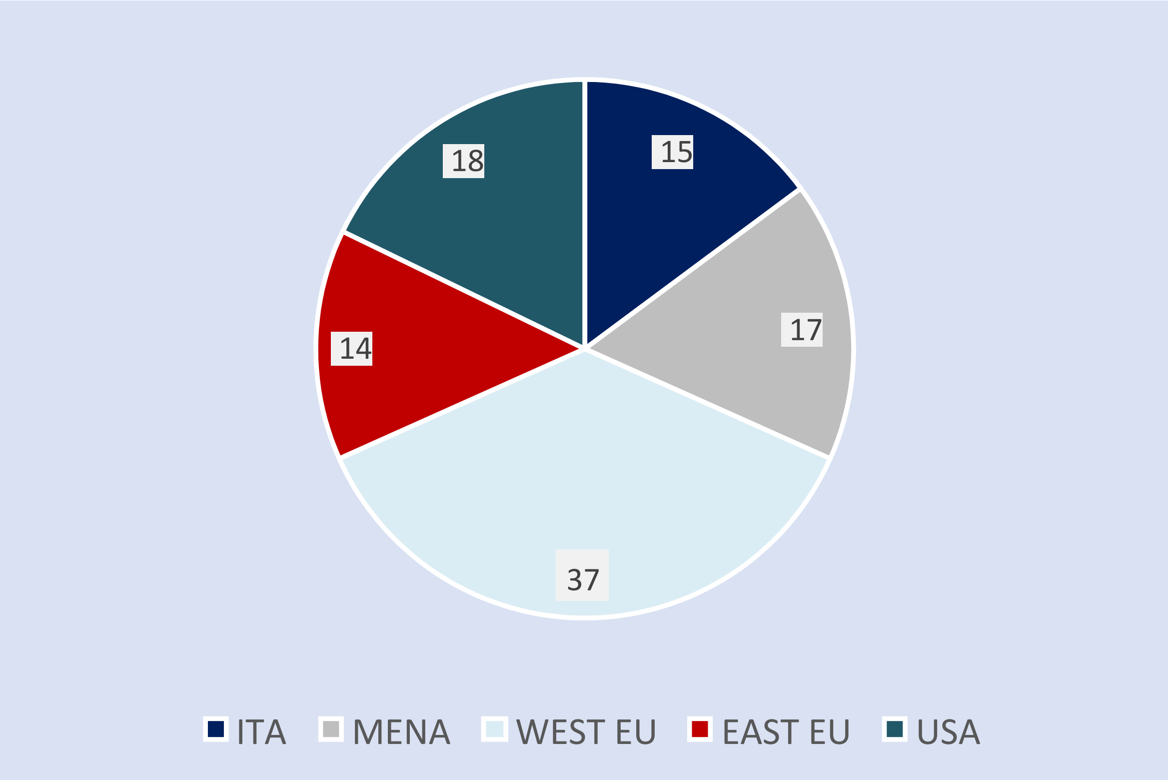
The Design and Research & Development activities are under the responsibility of the Technical Department, located in Milan. Manufacturing and Support activities are also carried out in Oslo (Norway), where the company operates as a Permanent Establishment through its Titagarh Firema Spa NUF “branch” (hereinafter also referred to as “TFA NUF”).

The following table shows the complete list of the local facilities and units of the Company:

Category	**City**	**Address**
Local Unit, Registered Office, and Administrative Headquarters	Caserta	Strada Prov.le Appia - 81100
Design and R&D	Milan	Via Triboniano 220 - 20156
Secondary Office	Heimdal (Norway)	Vestre Rosten 69 - 7072
Local Unit	Spello (PG)	Via San Claudio, 16 - 06038
Local Unit	Tito (PZ)	Zona Industriale Scalo - 85050

MARKET AND POSITIONING

The Company's reference market (Production of Rolling Stocks, Maintenance, Rail Carriers support) is characterised by potentially global demand and supply. The demand is mainly, though not exclusively, represented by public entities. The graph below shows an internal estimate of the current market value potentially contestable (EUR 25 billion) and its geographical distribution in percentage.



However, there are factors affecting the effective contestability, and in particular the existence of at least two de facto barriers, consisting of technological adaptation and financial sustainability.

Particularly, the difference in technical and safety regulations and the constant growth of their requirements has imposed and still imposes high development costs on manufacturers in order to maintain their presence in the most advanced markets (essentially, Western Europe), creating a technological barrier to access and stay in them. This barrier is coupled with the polarisation of the offer on large groups, which are able to sustain the high costs of developing new platforms and to benefit from economies of scale in their mass production. This leads to significant capital consumption and the presence of a substantial financial barrier.

In this regard, attention is drawn to the ranking of the main operators, and the merger processes among them that occurred in the recent past, in order to align technological and financial capabilities (chart below).

On the basis of these elements, TFA defined its objective positioning by identifying a matrix of products and geographical areas on which its competitiveness is to be progressively extended, targeting proximity markets (Italy, North Africa and India) and adopting a flexible approach (stand-alone or JV offer) to serve them better.

The table below (part of the 2018 Business Plan) analytically details the "objective" positioning of TFA, correlating it with the technological adjustment of the product portfolio.

MARKETS	EMU DD	EMU SD	DMU	COACH	OTHER	METRO	ELECTR. COMP.	HI_TECH COMP.
ITALY LARGE CUSTOMERS	HEAVY UPDATE	HEAVY UPDATE	NEW PRODUCT	READY TO MARKET	NEW PRODUCT		READY TO MARKET	
ITALY SMALL NETWORKS	LARGE UPDATE	LARGE UPDATE	NEW PRODUCT	READY TO MARKET	NEW PRODUCT		READY TO MARKET	
NORTH AFRICA MIDDLE EAST	MINOR UPDATE	MINOR UPDATE	NEW PRODUCT	READY TO MARKET	NEW PRODUCT			
WESTERN EUROPE								
OTHER EUROPE	LARGE UPDATE	LARGE UPDATE	NEW PRODUCT		NEW PRODUCT			
AMERICA								
INDIA								

PRESENT ON THE MARKET — MARKET TO BE DEVELOPED — MARKET TO BE MONITORED

CORPORATE EVENTS OCCURRED IN THE FISCAL YEAR

The main events occurred during the fiscal year concerned:

- The acquisition by TSPL of 10% of the share capital held by ADLER PLASTIC SPA. This acquisition took place on June 14, 2017, consolidating therefore the control in TSPL with 98.2% of the total shares, while TWL (the parent company of TSPL) maintained its share of 1.8% unchanged;

- Change of registered office and corporate name approved by the Shareholders' Meeting held on 20 July 2017. The registered office has been transferred from Milan to Caserta, while the company name has been changed from TITAGARH FIREMA ADLER SPA to TITAGARH FIREMA SPA. For the purposes of business use, the acronym TFA has nevertheless remained unchanged;

- Changes within the internal organisation, with the unification in a single natural person of the distinct positions of CEO and General Manager; the changes result from the combined resolutions of the Board of Directors held on 4 September 2017 and 6 October 2017, in which Vincenzo Soprano, Engineer, has taken on, at different times, both roles;

- Fulfilment of the NETTING agreement with FAS with the settlement of all remaining payables (EUR 12.5 million and EUR 0.5 million for the acquisition of the EXCESS warehouse and simultaneous release of the guarantees given in this regard) at the end of December 2017. Regarding the tax issue mentioned in the Financial Statements of the previous fiscal year, the parties have acknowledged, unlike the provisions agreed at the sale of the business unit, the subjection of the NETTING shop to registration tax. Thus, TFA and FAS proceeded to regularise the reciprocal VAT positions previously generated, and TFA paid the registry tax difference through a transaction with the Revenue Agency finalised in January 2018. All the aforementioned operations have affected the Income Statement for the fiscal year as penalties for approximately EUR 1 million;

- Approval of the Organisation and Control Model (as per Legislative Decree No. 231) by the Board of Directors' meeting held on February 13, 2018 and appointment of the Supervisory Board;

- approval of the Business Plan on March 7, 2018;

- conversion into Shareholders' Equity (Reserve) of EUR 15 million for an intercompany loan, as per notification dated 28 March 2018, of the Shareholder and lender TSPL.

KEY PERFORMANCE INDICATORS (KPI)

The management of TFA assesses the economic and financial performance of the Company on the basis of some indicators, not envisaged by Italian accounting standards.
These indicators and their components are described below:

Orders acquired during the year: this is the sum of the contracts signed with the client during the year, given that they have the contractual characteristics to be entered in the order book.

Order portfolio: it represents the value of the orders from clients to be completed by the reference date, including those acquired during the year.

EBITDA: it is equal to the result before taxes and before financial income and charges and before amortisation and , depreciation.

EBIT: it is equal to the result before taxes and before financial income and charges.

Net Financial Debt (liquidity): the table for the calculation is reported in the following section.

Staff: it is given by the number of employees registered in the employees' register as of the last day of the period being reviewed. This includes temporary workers.

Direct hours on Projects (DLH): it represents the number of hours of work by direct employees (blue-collar employees and engineering employees) spent on construction contracts during the period being reviewed.

The KPIs described above at 31 March 2018 and the comparison with the previous fiscal year are detailed below:

KPI (€/thousands)	31/03/2018	31/03/2017
Orders acquired in the fiscal year	15,150	60,670
Order portfolio	131,812	164,209
EBITDA	5,912	12,711
EBIT	(9,523)	7,389
Net debt	36,663	32,912
Staff (units)	422	421
Direct hours on Projects (DLH)	355,376 hours	397,585 hours

Regarding the dynamics of the individual KPIs, the Company points out the following:

1 orders acquired during the fiscal year do not include the extension of 2 additional SEPSA units, requested by the EAV Client on 2 May 2018; this extension, although producing retroactive effects in the financial statements at 31 March 2018, has in fact occurred later; the portfolio actually acquired during the year (EUR 15 million) reflects a component of around 30% consisting of new acquisitions and approximately 70% of increases in the scope of the supply for existing contracts;
2 therefore, the order portfolio reflects the negative difference between orders acquired and orders placed (essentially the majority of the 2017/2018 Production Value);
3 EBITDA and EBIT show, albeit in a segmented way, the critical aspects of the fiscal year ended. In particular, the EBITDA shows the decline in production volumes, caused by delays in the delivery of materials by the supply chain and the consequent absorption of internal production factors (labour and other indirect costs), made available to guarantee the planned activities, but underused due to the unavailability of the parts to be installed. The EBIT incorporates, in addition, the effects that these delays cause presumptively on the delivery programs in terms of penalties due to clients. In summary, the decline in profitability caused by the default of some suppliers amounted to approximately 5 million euros at the EBITDA level and 14 million euros at the EBIT level. To this exogenous critical element, a further 1 million must be added, due to the NETTING tax settlement to be included in non-recurring costs;
4 The trend described above is similarly reflected by the change in net debt, where to the year-on-year increase of approximately 5 million euros should be added the increase in the amount of debt, converted into net equity in the amount of 15 million. The cumulative variation, at net of guarantees provided for 6 million euro (FNM tenders) is almost entirely linked to the postponement of contractual deliveries and related net cash flows;
5 Staff and Volumes of the production hours show an asymmetric trend (unchanged staff, reduced production hours by about 10%) which reflects what already described in point 3 and in particular the under-utilisation of the labour force made available on the basis of the "standard" job planning process (that is, excluding abnormal malfunctions from the supply chain).

ECONOMIC-EQUITY-FINANCIAL RESULTS - COMBINED INDEXES

The following tables summarize the Company's Economic-Equity-Financial Results and the related combined indexes at 31 March 2018 and the comparison with 31 March 2017. For more details on the composition and comparison, please refer to the Explanatory Notes.

Reclassified Income Statement	31/03/2018	Incidence % on Production value	31/03/2017	Incidence % on Production value
Revenues from sale	104,020		86,501	
Increase (decrease) work in progress	(33,189)		21,549	
Production value	**70,831**	**100%**	**108,050**	**100%**
External operating expenses	46,812	66.1%	74,133	68.6%
VALUE ADDED	**24,019**	**33.9%**	**33,918**	**31.4%**
Personnel expenses	19,071	26.9%	17,417	16.1%
GROSS OPERATING MARGIN (M.O.L.)	**4,948**	**7.0%**	**16,501**	**15.3%**
Amortizations and provisions	15,436	21.8%	5,322	4.9%
OPERATING PROFIT	**(10,488)**	**-14.8%**	**11,179**	**10.3%**
Result in ancillary segments	965	1.4%	(3,790)	-3.5%
EBIT	**(9,523)**	**-13.4%**	**7,389**	**6.8%**
Financial management	(2,877)	-4.1%	(916)	-0.8%
GROSS OPERATING PROFIT	**(12,400)**	**-17.5%**	**6,472**	**6.0%**
Income taxes	1,894	2.7%	2,478	2.3%
NET OPERATING PROFIT	**(10,506)**	**-14.8%**	**3,994**	**3.7%**

Reclassified balance sheet	31/03/2018	31/03/2017
Trade receivables	13,807	17,002
Inventories	64,600	112,170
Other assets	25,429	30,565
Trade payables	(19,627)	(56,378)
Deposits from clients	(41,899)	(68,689)
Other liabilities	(8,379)	(12,651)
Net working capital	***33,930***	***22,019***
Net tangible fixed assets	***32,637***	***35,046***
L/T Liabilities and Provisions	***(10,279)***	***(9,020)***
NET WORKING CAPITAL INVESTED	***56,289***	***48,045***
Net financial position	36,662	32,912
Net Equity	19,627	15,133
TOTAL SOURCES	***56,289***	***48,045***

Net financial position	***36,662***	***32,912***
Cash and cash equivalents	(4,507)	(1,213)
Payables to parent companies	28,282	22,117
Payables to banks	12,887	12,008

Equity Index	**31/03/2018**	**31/03/2017**
DOP - Day of payment (Trade Payables/External operating costs*365) at 31.03.2017 *261	153	198
ROE (Net Profit/Net Equity)	-53.5%	26.4%
ROI (EBIT/Net Invested Capital)	-16.9%	15.4%
ROS (Net Profit/Production Value)	-14.8%	3.7%
TURNOVER CAPITAL INVESTED (Production value/Net Invested Capital)	1.3	2.2

For interpretation purposes, the Company wishes to highlight the following:

1 The economic performance reflects a penalisation due to external factors that are beyond the company's control, or however non-recurring, in the amount of 15 million euros overall. This amount includes the lower production turnover caused by the default of some suppliers in its lower added value areas and the underutilisation of the production capacity (about 5 million euros), the allocation of funds for a Penalty Risk Provision in the amount of 9 million euros caused by said default, and the tax effects of the NETTING agreement for 1 million euros;

2 Without said penalties, the result for the period would have been close to break even, however, with a significant worsening compared to the previous fiscal year, but essentially connected to the profitability difference originating from the respective contract portfolios implemented;

3 The increase in Net Working Capital of about 12 million euros, while reflecting the resetting FAS' debit/credit entries (the so-called NETTING) also includes a non-physiological surplus of at least 15 million euros, which expresses the capital impact of the missed deliveries due to the default of the suppliers;

4 The majority of the funds made available by the shareholder TSPL both as a financing and equity swap, have consequently been substantially dependent on the balancing originating from a non-physiological surplus of working capital due to exogenous factors.

R&D INVESTMENTS

During the fiscal year ended on 31 March 2018, the Company's investments in tangible fixed assets (increases of 337 EUR/thousand) concerned mainly equipment and machinery necessary for optimising the production activities and (decreases of 448 EUR/thousand) related to the sale of the leased power head.
Concerning the intangible assets, investments focused on the purchase of software for 121 EUR/thousand , while the research and development activities were substantially frozen in order to review specific objectives consistent with the objectives of the Business Plan.

EMPLOYMENT STATUS

The table below summarises the employment status at 31 March 2018 compared with the same period of the previous fiscal year:

Employees (No. Units)	Category	CASERTA	MILAN	TITO	SPELLO	JOB SITES	TOTAL
Employees at 31/03/2017	*Labourers*	226	0	54	16	3	299
	Office clerks	64	28	6	1		99
	Middle Management	10	3	1			14
	Top Management	6	3				9
	Total	**306**	**34**	**61**	**17**	**3**	**421**
Increases/decreases in the fiscal year	*Labourers*	5	0	0	-7	4	2
	Office clerks	-1	-6	-1	0	3	-5
	Middle Management	2	0	-1	0	0	1
	Top Management	4	-1	0	0	0	3
	Total	10	-7	-2	-7	7	1
Employees at 31/03/2018	*Labourers*	231	0	54	9	7	301
	Office clerks	63	22	5	1	3	94
	Middle Management	12	3				15
	Top Management	10	2				12
	Total	**316**	**27**	**59**	**10**	**10**	**422**

The results show a substantial stability, due to a strengthening of the workforce at the main office (Caserta) and at the units located at the Client sites (Construction Sites) almost totally offset by the drop at the facilities and peripheral units (Milan, Tito, and Spello). The comparison shows, however, an incremental variation in the average operating employee force of 25 units (mainly labourers), due in large part to the full-year effects of the hiring of 45 units from the former FAS company, as implementation of the October 2016 agreement.

QUALITY AND ENVIRONMENT

The Company holds an ISO 9001 quality certifications and in the current year it has completed the transition to the new ISO 9001: 2015 standard; TFA also holds a ISO 14001: 2004 environmental management standards (EMS) certification and the transition to ISO 14001: 2015 is under way. The Company then received the certification of its Railway Industry Management System according to IRIS - International Railway Industry Standard, now ISO TS 22163: 2017; the company holds a Certification for its Occupational Health and Safety Management System according to the international standard OHSAS 18001: 2007 (Occupational Health and Safety Assessment Series). The procedure, started last year, for TFA's certification as SRM also known as ECM (Entity in Charge of Maintenance) to oversee the fleet management and maintenance processes, has been completed and the certification was issued in July. In 2017, the preparation and implementation of an organisational, management and control model pursuant to Legislative Decree 231/01 was completed.

EVENTS SUBSEQUENT TO THE END OF THE FISCAL YEAR

On the date of preparation of these financial statements, the events subsequent to the end of the fiscal year and having significant equity and financial effects include:

1. implementation by EAV on 6 May 2018 of Resolution No. 55 dated 6 February 2018 of the Campania Region for the supply of 2 Alpha 3 Units (SEPSA) for a consideration of 6.6 million euros per unit and 13.2 million euros total;
2. consequent adjustment of the Economic Assessment for the SEPSA Project, with an increase in total profitability of 4 million euros (BOD meeting dated 11 May 2018).
3. availability, by means of a signed letter, by the majority shareholder, Titagarh Singapore PTE LTD, of the financial support necessary to guarantee business continuity, allowing fulfilment of the company's obligations;
4. signature of a long-term financial facilitation contract with the Bank of Baroda Global Syndicaton Center, amounting to 100 million euros (of which 50 million euros for cash and 50 million euros as credit) guaranteed by the Parent Company TWL. The repayment of the principal amount is expected from the 39th month from the first use of the cash.

BUSINESS CONTINUITY

These financial statements, even if reporting a loss of Euro 10,506,000 mainly due to the penalties suffered as a result of delays in deliveries, highlights a net equity of € 19,627,000 and a positive net working capital of € 33,390,000.

The current fiscal year, also, shows an improvement in the debt ratio (1.9x) compared to the previous fiscal year (2.2x) and a Net Indebtedness/Gross Operating Margin ratio adjusted for non-recurring penalties equal to 2.5x .

These financial statements have been prepared on the basis of the business continuity principle that is essentially based on:

- on the equity and financial support offered by the majority shareholder, Titagarh Singapore PTE LTD, confirmed by the letter of commitment received in May 2018 as described in the previous paragraph "Significant events after the end of the fiscal year";
- on the future implementation of the Business Plan (fiscal years 2018/ 2019 and 2022/2023) which forecasts significant profits effective from 2019/2020 and a balanced result for the 2018/2019 year.

FORESEABLE EVOLUTION OF MANAGEMENT

As pointed out in the letter to the Shareholders, the element of greatest impact on the profitability of the past fiscal year was the poor performance of some suppliers and the consequent penalisation in terms of postponement of volumes produced, sub-absorption of available internal factors and penalties from clients.

Concerning the future, the company is confident that:

1. the interventions on the supply chain will have positive effects effective from the first quarter of the fiscal year, reaching full stabilisation at the end of the second quarter;
2. in light of the Business Plan, the rationalisation projects of the production sites will be completed at the end of the first quarter, providing full benefits effective from the following quarter;
3. the acquisition of the two additional SEPSA units, already mentioned in the Report, is integrated by further and greater acquisitions with the first effects starting from the last quarter of the fiscal year.

On the basis of these elements, the company confirms the positive EBIT forecast anticipated in the Business Plan, noting that this objective does not include any non-recurring benefits connected to the legal actions in progress against certain suppliers. The company also specifies that the goal will be achieved thanks to the dynamics expected in the second half of the year, while the first portion, structurally already weaker due to the seasonal effect will be penalised again from the lingering effects of critical issues with

some of the suppliers.

The company also wishes to specify that a similar dynamic will affect the working capital showing an increase and consequent drawing of liquidity, in the first three quarters, and a drop in the last quarter with consequent release of additional liquidity.

TRANSACTIONS WITH RELATED PARTIES

According to the provisions of art. 2427 paragraph 22 bis of the Civil Code regarding transactions with related parties, it is confirmed that significant transactions were carried out during the fiscal year ended on 31 March 2018, which were carried out under normal market terms both regarding prices and commercial conditions as well as regarding the underlying reasons that originated them.
For more details, please refer to the same paragraph in the Explanatory Notes.

RISK ANALYSIS

OPERATING RISK

The Company's activities involve the assumption of risks, which, if not properly managed, may lead to economic and financial losses and/or damage to the Company or to third parties.
Risks of losses or damage may arise from both endogenous and exogenous accidental events. Where appropriate, adequate risk management policies and specific insurance coverage help in minimising the potential consequences of such damage.
In the context of operational risks, in addition to the critical issues caused by the external supply chain, which has been widely detailed above, it seems appropriate to mention the IT systems that support the company's operations, in particular regarding the technical, commercial and administrative aspects. In order to limit the risk of business interruption in the event of system malfunctions, the Company has implemented highly reliable hardware and software architectures for those applications that support critical activities.

MARKET RISK

Market risk, in this case, is a risk inherent in the business of railway trains manufacturing, which in the last decade has recorded a substantial decrease in consumption. To face this risk, the Company intends to pursue a policy of investments in research and development, to continuously innovate its products, and an optimisation policy for its general and administrative costs, in order to improve its competitiveness.

CREDIT RISK

Credit risk represents the Company's exposure to potential losses deriving from the non-fulfilment of the obligations undertaken by the counterparty.

The Company's credit risk is limited, due to the characteristics and creditworthiness of the clients served. Furthermore, the portfolio of receivables becoming due is constantly monitored by the departments in charge and the main clients are subject to factoring.

LIQUIDITY RISK

The liquidity risk is linked to the possibility kf the Company finding itself having difficulty in coping with financial obligations, which derive from contractual commitments and, more generally, from its liabilities. Consequently, the Company constantly monitors actual and prospective Cash Flow in order to maintain constant oversight for significant time periods. Corrective actions, such as the use of external financing sources (e.g. factoring advances) are planned and implemented before actual financial needs occur.

CURRENCY EXCHANGE RISK

Currency exchange risk is a type of market risk associated to the possibility that variations in exchange rates between two currencies lead to a loss of purchasing power of the currency held and to the consequent loss receivables value. This risk is substantially limited to the credit and debit items of the Norwegian TFA NUF branch and, due to a moderate fluctuation in the Euro/NOK exchange rate it has no significant impact on the Company's financial statements.

INTEREST RATES RISK

The Company has no financial assets linked to interest rate fluctuations; loans due to shareholders existing at 31 March 31, 2018 are at a fixed interest rate and substantially independent of the interest rates fluctuations of the market.

Pursuant to Article 2428, paragraph 2, point 6 bis of the Civil Code, it is hereby certified that the Company does not make use of financial instruments.

Caserta, 25 May 2018

Signed by
Umesh Chowdhary
Chairman of the Board of Directors

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

FINANCIAL STATEMENTS AT 31/03/2018

BALANCE SHEET - ASSETS	31/03/2018		31/03/2017	
FIXED ASSETS				
I Intangible fixed assets				
4) Franchises, licenses, trademarks and similar rights	412,054		468,393	
6) current intangible fixed assets	140,611		113,772	
7) Other	97,772		103,204	
Total I		**650,436**		**685,369**
II Tangible fixed assets				
1) Land and buildings	28,548,922		29,300,825	
2) Plants and machinery	2,332,766		2,716,489	
3) Industrial and commercial equipment	667,507		787,305	
4) Sundry assets	251,126		524,836	
5) Current tangible assets and advance payments	186,060		30,679	
TOTAL II		**31,986,382**		**33,360,133**
III - Financial assets				
2) receivables beyond 12 months:				
d) toward others	-		1,000,000	
Total III		**-**		**1,000,000**
TOTAL FIXED ASSETS (B)		**32,636,818**		**35,045,502**
CURRENT ASSETS				
I Inventories:				
1) Raw, subsidiary materials and consumables	19,403,223		21,430,957	
3) Work in progress for orders in hand	38,988,262		84,049,802	
5) advance payments	6,208,072		6,688,828	
Total I		**64,599,557**		**112,169,586**
II Receivables:				
1) towards clients within 12 months	13,604,355		16,811,873	
1) towards clients past 12 months	203,017		190,238	
4) towards taxes	9,063,294		13,651,827	
4 bis) prepaid taxes	3,912,867		1,140,356	
5-quater) towards others	11,557,090		15,497,171	
Total II		**38,340,624**		**47,291,464**
IV Cash assets				
1) Bank and postal deposits	4,503,232		1,213,001	
3) Cash and cash equivalents in hand	3,430		434	
Total IV		**4,506,662**		**1,213,435**
TOTAL CURRENT ASSETS (C)		**107,446,843**		**160,674,485**
ACCRUALS AND DEFERRALS				
Accrued income	281,619		-	
Prepaid expenses	613,830		276,022	
TOTAL ACCRUED INCOME AND PREPAID EXPENSES (D)		**895,449**		**276,022**
TOTAL ASSETS		**140,979,110**		**195,996,010**

NEGATIVE NET WORTH	31/03/2018		31/03/2017	
A) SHAREHOLDERS' EQUITY				
I CAPITAL	10,000,000		10,000,000	
IV - LEGAL RESERVE	256,636		56,924	
VI OTHER RESERVES:				
- CAPITAL RESERVE FROM CONVERSION VS. PARENT COMPANY	15,000,000		-	
VIII - PROFITS (LOSSES) CARRIED FORWARD	4,876,085		1,081,565	
IX PROFIT (LOSS) FOR THE FISCAL YEAR	(10,506,142)		3,994,231	
TOTAL (A)		**19,626,579**		**15,132,721**
B) RISK AND CONTINGENCY PROVISIONS				
2) for taxes, including deferred taxes	82,532		45,000	
3) others	6,196,096		2,974,962	
TOTAL (B)		**6,278,628**		**3,019,962**
C) EMPLOYEES' END OF SERVICE INDEMNITIES	-		-	
TOTAL (C)		**-**		**-**
D) PAYABLES				
3) Payables to Shareholders for financing within 12 months	23,090,760		4,117,000	
3) Payables to Shareholders for financing beyond12 months	5,191,452		18,000,001	
4) payables to banks within the fiscal year	12,886,553		12,008,275	
6) advance payments	41,899,339		68,689,013	
7) payables to suppliers	19,177,205		56,215,861	
11) payables to parent companies	416,704		158,768	
11-bis) due to companies subjected to the control of parent companies	32,894		3,352	
12) tax debts	3,394,028		5,923,666	
13) payables to social security and pension institutes	1,183,325		982,902	
14) other payables within 12 months	3,801,643		5,744,489	
14) other payables beyond 12 months	4,000,000		6,000,000	
TOTAL (D)		**115,073,903**		**177,843,327**
E) DEFERRED INCOME AND ACCRUED EXPENSES	**-**		-	
TOTAL (E)		**-**		**-**
Total LIABILITIES		**140,979,110**		**195,996,010**

INCOME STATEMENT	31/03/2018		31/03/2017	
A) PRODUCTION VALUE				
1) revenue from sales and services	104,019,584		86,500,954	
3) variation of work in progress for orders in hand	(33,189,084)		21,549,288	
5) Other income and proceeds	3,515,224		686,487	
Total (A)		**74,345,724**		**108,736,729**
B) PRODUCTION COSTS				
6) costs for raw and subsidiary materials, consumables and goods	32,589,034		61,152,594	
7) costs for services	13,148,808		14,851,832	
8) leasing costs for third-party assets	469,084		328,402	
9) personnel costs				
a) salaries and wages	13,285,927		12,331,996	
b) social security expenses	4,696,935		4,185,283	
c) severance Indemnity	931,856		836,494	
e) other expenses	156,259		62,827	
10) amortisation and depreciation				
a) depreciation of intangible fixed assets	156,106		87,510	
b) depreciation of tangible fixed assets	2,013,951		2,473,506	
d) depreciation of receivables included in current assets	20,203		29,700	
11) variations of inventories for raw materials, ancillary materials, consumables and goods	604,655		(2,200,166)	
12) risk provision	11,714,550		1,168,826	
13) other provisions	1,530,710		1,562,083	
14) sundry operating expenses	2,550,607		4,476,875	
TOTAL (B)		**83,868,686**		**101,347,762**
(A-B)		**(9,522,962)**		**7,388,967**
C) FINANCIAL INCOME AND CHARGES				
16) other financial income:				
d) financial income other than from:				
- other companies	183		69	
17) Interest and other financial expenses from:				
- Parent companies	(2,047,265)		(825,142)	
- other companies	(705,676)		(140,730)	
17 bis) Foreign exchange gains and losses	(124,355)		49,303	
Total income and financial expenses (16 - 17 - 17-bis)		**(2,877,114)**		**(916,500)**
PRE-TAX RESULT (A - B + - C + - D)		**(12,400,075)**		**6,472,467**
22) Current and deferred taxes on fiscal year's income				
a) - current taxes	630,759		3,334,732	
b) - advanced taxes	(2,772,511)		(856,496)	
c) - previous years taxes	247,819		-	
23) PROFITS (LOSSES) FOR THE YEAR		**(10,506,142)**		**3,994,231**

CASH FLOW STATEMENT	31/03/2018	31/03/2017
A) Cash flow from asset management		
Profit (loss) for the year	**(10,506,142)**	**3,994,231**
Income taxes	(1,893,933)	2,478,236
Interest payable/receivable	2,877,114	916,500
1) Pre-tax and Interest Profit (loss) for the year	**(9,522,962)**	**7,388,967**
Corrections for elements without corresponding items in net working capital		
Provisions	13,245,260	2,730,909
Tangible fixed asset amortisations and depreciations	2,170,057	2,561,016
2) Cash flow before cnn variations	***5,892,356***	***12,680,891***
Variations of net working capital		
Inventories decreases/(increases)	47,570,029	(32,551,277)
Receivables from clients decreases/(increases)	3,157,872	7,416,952
Other short term assets decreases/(increases)	5,136,675	(8,805,697)
Other long term assets decreases/(increases)	1,000,000	0
Payables to suppliers Increases/(decreases)	(37,045,841)	19,637,367
Increases / (Decreases) Payables to Group Companies	287,480	(141,181)
Increases / (Decreases) Client Accounts	(26,789,673)	(31,292,941)
Increases / (Decreases) Other Liabilities	(2,492,843)	2,067,722
3) Cash flow after net working capital adjustments	***(3,283,946)***	***(30,988,164)***
Other write-downs		
Interest (paid)/received	(3,408,417)	(807,366)
(Income taxes paid)	(1,885,285)	(468,269)
(Use) of Provisions	(9,986,595)	253,053
4) Cash flow after adjustments	***(18,564,242)***	***(32,010,745)***
Cash flow from asset management (A)	**(18,564,242)**	**(32,010,745)**
B) Cash flow deriving from investment activities		
Intangible assets		
(Investments)/disinvestments and other transactions	(121,173)	(529,827)
Tangible assets		
(Investments)/disinvestments and other transactions	(640,200)	(427,396)
Investment cash flow (B)	**(761,373)**	**(957,223)**
C) Cash flow deriving from financing activities		
Increase/(Decrease) banks short-term liabilities payables	878,278	12,000,000
Increase (decrease) payable to Shareholders for financing	6,758,142	18,000,000
Advance payment for share capital increase	15,000,000	0
Investments cash flow (C)	**22,636,420**	**30,000,000**
Total cash flow for the period (A+B+C)	**3,310,805**	**(2,967,967)**
Effect on exchange rates on cash	**(17,578)**	**1,770**
Starting balance of cash and cash equivalents	**1,213,435**	**4,179,633**
Ending balance of cash and cash equivalents	**4,506,662**	**1,213,435**

Caserta, 25 May 2018

Signed by
Umesh Chowdhary
Chairman of the Board of Directors

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

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2018

INTRODUCTION

The financial statements for the year ended March 31, 2018, approved by the Board of Directors on 25 May 2018, submitted for your examination and approval, show a negative result for the year of EUR 10,506,142, at net of current taxes and deferred receivables amounting to EUR 1,893,933 and amortisation of EUR 2,190,260.

The Financial Statements have been drawn up according to the rules indicated in the IV European Directive, Legislative Decree No. 127 dated 9 April 1991 with the amendments applied by corporate law reform on the subject of the corporate financial statements introduced by Legislative Decree No. 6 dated 17 January 2003 and Legislative Decree No. 310 dated 28 December 2004, and it complies with the provisions of articles 2423 et seq. of the Civil Code, amended by Legislative Decree 139/2015 (the "Decree"), interpreted and supplemented by the Italian accounting principles issued by the Italian Accounting Body ("OIC") in force from financial statements with a fiscal year starting on 1 January 2016. In this regard, it is specified that in 2016 various accounting standards were amended and updated as part of the review process specified by the OIC following the implementation of EU Directive 2013/34, and national legislation (the so-called "Accounting Directive") as shown in the following Explanatory Notes, which details the assessment criteria adopted, the composition of the financial statement items and the main changes that occurred in their values.

The Financial Statements consist of the Balance Sheet (prepared in accordance with articles 2424 and 2424 bis of the Civil Code), the Income Statement (prepared in accordance with articles 2425 and 2425 bis of the Civil Code), and Cash Flow Statement (the content of which, pursuant to Article 2425-ter of the Civil Code, is presented in accordance with the provisions of accounting standard OIC 10) and by these Explanatory Notes, prepared in accordance with the provisions of Articles 2427 and 2427-bis of the Civil Code.

The entries not expressly reported in the Balance Sheet and Income Statement, established by articles 2424 and 2425 of the Civil Code and in the Cash Flow Statement submitted in compliance with accounting standard OIC 10, must be considered as zero balance. The right not to report such entries refers only to the case in which they are zero in both the current and the previous fiscal year.

Regarding additional information on the situation of the Company and on the performance and results of its operations as a whole and in the various sectors in which it has operated with particular regard to costs, revenues and investments, as well as a description of the main risks and uncertainties to which the Company is exposed, please refer to the Management Report.

The economic result for the year refers to costs and revenues accrued in the period from 1 April 2017 to 31 March 2018 and the comparison refers to the period from 1 April 2016 to 31 March 2017.

At the time of writing of this document, Titagarh Firema S.p.A. was not subjected to the management and coordination of any company.

CORPORATE EVENTS OCCURRED IN THE FISCAL YEAR

For details, please refer to the same section in the Management Report.

MAJOR EVENTS SUBSEQUENT TO THE END OF THE FISCAL YEAR

For details, please refer to the same section in the Management Report.

BUSINESS CONTINUITY

For details, please refer to the same section in the Management Report.

ASSESSMENT CRITERIA ADOPTED

The entries in the Balance Sheet and in the Income Statement have been reported according to the criteria established by the current provisions of the law, supplemented by the accounting standards drawn up by the National Council of Accountants and Bookkeepers and updated by the OIC documents published.

The assessment of financial statements entries was based on the general criteria of prudence and competence, in view of the continuation of the business, and taking into account the economic function of the asset or liability entry considered.

The economic function is an expression of the principle of prevalence of substance over form which, if not explicitly in contrast with other specific financial statements rules, allows the representation of the transactions according to the economic circumstances behind the formal aspects.

The application of the principle of prudence has led to the individual assessment of the elements that make up the individual entries or assets and liabilities, to avoid compensations between losses that had to be recognised and profits not to be recognised since not yet realised.

In compliance with the accrual principle, the effect of the transactions and other events was recorded in the financial statements and attributed to the fiscal year to which these transactions and events occurred and not to the one in which the related account transactions take place (collections and payments).

There were no extraordinary circumstances that made it necessary to resort to the exemptions provided for by the Civil Code, in the fourth paragraph of article 2423 of the Civil Code and the second paragraph of art. 2423 - bis of the Civil Code.

The following are the assessment criteria adopted for the preparation of the financial statements at 31 March 2018 in compliance with art. 2426 of the Civil Code.

Intangible and tangible fixed assets

Intangible fixed assets are recorded at purchase or production cost, including any ancillary charges and are shown at net of the related accumulated amortisation. They are systematically amortised according to the type of items and their expected residual usefulness.

Multi-year expenses have been recorded in the assets of the Balance Sheet since:

- their future usefulness is demonstrated;
- there is an objective correlation with the related future benefits that the Company will enjoy;
- their collection can be assessed with reasonable certainty.

Start-up and expansion costs and development costs have been recorded with the consent of the Board of Statutory Auditors and are amortised over a period of 5 years.

Until the amortisation of development, start-up and expansion costs is not completed, dividends may be distributed only if sufficient reserves are available to cover the amount of the costs not yet amortised.

Tangible Fixed Assets are recorded at purchase or production cost, including directly attributable ancillary charges, increased for some of the entries by monetary revaluations carried out within the limits and in compliance with the specific provisions of the law that have established and allowed them.

Tangible fixed assets are initially recognised on the date when the risks and benefits associated with the asset are transferred, specifying that the transfer of the risks and benefits usually takes place when the ownership title is transferred. In any case if, by virtue of specific contractual clauses, there is no matching between the date in which the transfer of the risks and benefits takes place and the date in which the ownership title is transferred, the date in which the transfer of risks and benefits occurred prevails and anyway in carrying out this analysis all the contractual clauses must be analysed.

Tangible fixed assets are shown at net of the related amortisation provisions, calculated according to a systematic plan with constant rates taking into account the economic-technical deterioration of the assets and their residual usefulness. For the fiscal year increases, the amortisation was calculated starting from the day of completion of the asset.

The following are the depreciation rates applied to the assets included in the acquisition of the Business Branch and those newly acquired:

Category	Rate
Software and Licenses	20%
Other Intangible Fixed assets (e.g.. multi-year expenses)	20%
Buildings	3%
Plant and machinery	10%
Miscellaneous equipment:	25%
Electronic equipment	20%
Furniture and furnishings	12%

Concerning the assets included in the acquisition of the FAS Business Branch, which were subjected to a Purchase Price Allocation (PPA), the useful life was defined and, consequently, the related amortisation rates based on the appraisal carried out by the expert in charge.

The real estate properties, which fall within the scope of the acquisition of the Business Branch, have been acquired with reserve of ownership until the payment of the last instalment of the related payable, expected in 2020. All the risks and benefits related to these real estate properties have been transferred to the Company.

Even temporarily unused assets are subject to amortisation.

Ordinary maintenance costs are fully charged to the income statement for the year in which they were incurred. Maintenance costs of an incremental nature of the assets to which they refer are attributed to these assets and amortised in relation to their residual possibility of use.

At each financial statements date, the Company assesses the presence of indicators related to permanent losses in value and if such indicators exist, the Company assesses the recoverable value of the asset and performs a depreciation whenever the value of the asset results to be consistently lower than the net book value. Please refer to the section "Write-downs for permanent losses in value for tangible and intangible fixed assets".

If, regardless of the depreciation already posted, there is a permanent loss in value, the asset is correspondingly depreciated; if the requirements for the depreciation no longer apply in the following fiscal years, the original value is restored.

Tangible fixed assets are revalued only in those cases where the law allows it.

Write-downs for permanent losses in value for tangible and intangible fixed assets.

On the basis of the OIC 9, at each financial statements date, the recoverability of the accounting value for tangible and intangible assets is verified in order to determine whether there is any sign that they may have suffered a loss in value. If such a sign exists, it is necessary to estimate the recoverable value of the asset to determine any loss in value.

The recoverable value of an asset is the greater of its fair market value and its value in use determined as the current value of the future cash flows forecast.

A loss of value is recorded if the recoverable amount of the asset is lower than its accounting value. When, subsequently, a loss over an assets is missing or reduced, the accounting value of the asset is increased until a new assessment on the recoverable value without exceeding the value that would have been calculated if no loss had been recognised. This does not apply to goodwill.

Financial Assets

Financial Fixed Assets refer to ultra-annual assets such as security deposits and similar recorded in the financial statements at nominal value.

Inventories

Inventories refer to inventories of raw, ancillary and consumable materials and are posted at the lower value between cost and market value. The cost is determined using the unit cost method with moving average (the so-called MAUC). The cost includes, in addition to the invoice price, ancillary costs such as duties, transportation and other taxes directly attributable to that material, at net of returns, commercial discounts, allowances and premiums.

The value of the inventories thus obtained is depreciated in order to take into account the obsolescence of the goods, as well as the actual sales on the basis of the movements of said goods.

The value of inventories is restored in the fiscal year in which the reasons for the previous depreciation no longer exist within the limits of the cost originally incurred.

Advanced Payments

The item "Advanced payments" includes amounts paid to suppliers before the delivery of the related assets.

Work in progress for orders in hand

Work in progress for orders in hand is assessed by applying the percentage of completion criterion if all the requirements of the OIC 23 are met, as follows:

- there is a binding contract for the parties that clearly defines the obligations and, in particular, the right to the fee for the contractor;
- there is the right to payment for the company that carries out the work, which accrues with reasonable certainty as the work is carried out;
- there are no situations of uncertainty related to the contractual conditions or external factors of such magnitude as to make it doubtful whether the parties are able to meet their obligations;
- the result of the order can be reliably measured.

If the aforementioned requirements do not apply, the criterion of completed contract applies.

Based on the percentage of completion criterion, the assessment of inventories for work in progress for orders in hand is carried out to the extent of the revenue accrued at the end of each fiscal year, calculated with reference to the progress status of the works, which gives the certainty that the accrued income is definitively recognised to the contractor as remuneration for the value of the work performed. The value of the works or services performed during the fiscal year is shown in the production value, calculated as the sum of the revenues from sales and services (entry A1), which reflect the work fully paid in the fiscal year, and the variations in work in progress for orders in hand (entry A3), equal to the variation in inventories for works carried out and not yet fully paid at the beginning and end of the fiscal year respectively.

At the time of initial calculation, advanced payments and deposits are recorded under the liabilities in entry D6 "advanced payments". In the case of final invoicing of the works, against payments acquired on a final basis, advances and deposits are reversed from the liabilities as a contra-entry at the time of posting of the revenue in entry A1 "revenues from sales and services". Revenue recognition is carried out only when there is the certainty that the accrued revenue is fully recognised as remuneration for the value of the works carried out, on the basis of the progress of works prepared in cooperation with the client and accepted by the client. In any case, with reference to the single job order, if the invoicing is higher than the amount of the remuneration accrued according to the progress of the works, the excess amount is posted under liabilities in entry D6 "Advanced payments".

In the absence of disputes, price revision surcharges, if they can be reliably calculated and based on clear calculation terms, are posted among revenues as the works to which they refer are carried out. Similarly, any official project variants are recognised as a variation in revenues (in this case as an increase or decrease). Any claims or incentives are included in the revenue if by the date of the financial statements there is formal acceptance by the client or, even if there is no formal acceptance, on the financial statements date the incentive or request for additional remunerations are accepted on the basis of the most recent information and historical experience.

The pre-operational costs (e.g. design costs and those costs for specific analyses for the job order) incurred after the acquisition of the contract are recorded under contract costs. The costs incurred prior to the acquisition of the job order are instead included in the related costs only if specifically chargeable to it and the acquisition of the job order takes place, or becomes reasonably certain, in the same fiscal year in which the costs are incurred or between the closing date of the financial statements and the date of preparation of the financial statements, and these costs are reliably measurable and recoverable through the job order margin.

The costs to be incurred after the end of the job order are included in the related costs and in the cost estimate; after the completion of the job order, for the amount of these costs not yet incurred then appropriate adjustments to risks and contingencies provision are applied.

If the conditions for the application of the percentage of completion criterion are not met, the completed job order criterion is adopted. In this case, the job orders in progress at the end of the fiscal year are recorded at the lower between their cost of production, equal to the charges incurred for the works performed but not yet completed, and the realisation value based on the market trend. The recognition of revenues and the related job order margin is entirely deferred to the fiscal year in which the works are completed and delivered.

Regardless of the valuation criterion adopted, if it is likely that the total costs assessed for an individual job order exceed the total revenues assessed, the likely loss for completion of the contract is recorded as a decrease in work in progress for orders in hand in the fiscal year in question. If this loss is greater than the value of the work in progress posted, a specific provision for risks and contingencies equal to the surplus is recorded in the financial statements.

The risks and contingencies provision related to job order losses (including penalties) have been posted at net of entry C.I.3 - Inventories for contract work in progress for orders in hand. Please refer to the specific comment section for more information.

Receivables

Receivables arising from revenues originating from the sale of goods or services are recognised under current assets on an accruals basis when the conditions for the recognition of the related revenues are met.

Receivables originating for different reasons are posted if there is a "title" to the receivable and thus when they actually represent a third party obligation towards the company; if they are of a financial nature, they are posted as financial fixed assets, specifying the portion due within the next fiscal year).

Receivables are assessed at their amortized cost, taking the temporal factor into account, and within the limits of their estimated realisable value and, therefore, are shown in the balance sheet at net of the related depreciation provision deemed adequate to cover the losses due to reasonably predictable bad debts.

If the interest rate of the transaction is not significantly different from the market rate, the receivable is initially posted at the nominal value at net of all premiums, discounts, rebates and inclusive of any costs directly attributable to the transaction that generated the receivable. These transaction costs, any commission income and expenses and any difference between the initial value and the nominal value at maturity are subdivided over the term of the receivable using the effective interest criterion.

Instead when it appears that the interest rate of the transaction based on contractual conditions is significantly different from the market rate, the receivable (and the corresponding revenue in the case of commercial transactions) is initially recognised at a value equal to the present value of future cash flows, plus any transaction costs. The rate used to discount future cash flows is the market rate.

In the case of receivables arising from commercial transactions, the difference between the initial recognition value of the receivable thus determined and the maturity value at term is posted in the income statement as financial income over the term of the receivable using the effective interest rate criterion.

In the case of financial receivables, the difference between the cash and cash equivalents provided and the present value of future cash flows, calculated using the market interest rate, is recorded under financial charges or financial income in the income statement at the time of its initial recognition, unless the transaction or contract leads to assigning it to a different entry. Subsequently, interest income accrued on the transaction is calculated at the effective interest rate and charged to the income statement with a contra-entry to the value of the receivable.

The value of receivables is subsequently decreased by the amounts received, both in terms of principal and interest, as well as for any depreciation to bring the receivables back to their presumed realisable value or for losses.

The Company deems irrelevant the effects deriving from the application of amortised cost and discounting when the maturity of the receivables is within 12 months, also taking into account all the contractual and substantial considerations in force when the receivable is recognised, and the transaction costs and any difference between the initial value and the nominal value at maturity is not significant. In this case, discounting is omitted, interest is calculated at the nominal value and transaction costs recorded as deferred income and amortised at a constant rate over the term of the receivable to adjust nominal interest income.

Write-off of Receivables

A receivable is written off from the financial statements when:

- the contractual rights on the cash flows deriving from the receivables are extinguished; or
- the ownership of the contractual rights on the cash flows deriving from the receivables is transferred and substantially all the risks inherent in the receivable are transferred with it.

For the purposes of assessing the transfer of risks, all the contractual clauses are taken into account, such as repurchase obligations when certain events occur or the existence of commissions, deductibles and penalties exist due to non-payment.

When the receivable is written-off from the financial statements following a sale that leads to the substantial transfer of all risks, the difference between the remuneration and the recognised value of the receivable at the time of the sale is recorded as a loss from disposal to be posted under item B14 of the Income Statement, unless the contract allows the identification of economic elements of a different nature, including financial ones.

When the transfer of receivable does not involve the substantial transfer of all risks (e.g. contracts with recourse), the receivable is kept in the financial statements. In case of advance of a portion of the remuneration agreed by the transferee, a payable is recorded as a contra-entry to the advance payment received. The cost elements, such as interest and commissions, to be paid to the transferee are recorded in the income statement based on their nature.

If, also by virtue of a transfer agreement capable of transferring substantially all risks inherent in the receivable, certain minimal risks are identified by the Company, the existence of the conditions for making a special provision to the risk provision is assessed.

Cash and cash equivalents

Cash and cash equivalents refer to bank deposits, postal deposits and checks (current account, bank drafts and the like) and are assessed according to the general principle of presumable realisation value that matches the nominal value unless in the case of potential bad-debt. Cash and duty stamps in hand are valued at their nominal value.

Accruals and deferrals

These entries include income and charges that are shared between two or more fiscal years, according to the matching and accrual principle. Based on this principle, the recognition of an accrual or deferral occurs when the following conditions are met:

- the contract starts in a fiscal year and ends in a subsequent one;
- the remuneration for services is contractually accrued or deferred respect to services shared between two or more consecutive fiscal years;
- the amount of accruals and deferrals varies over time.

Income and charges are not included among the accruals and deferrals whose maturity falls in full in the fiscal year to which the financial statements refer or in subsequent ones.

At the end of each fiscal year, it is verified whether the conditions that led to the initial recognition of the accrual or deferral are still met; if necessary, the appropriate value adjustments are made. This assessment takes into account not only the passage of time but also the likelihood of collection of the amount recorded in the financial statements. Any losses in value are recorded in entry b.10.d) "depreciation of receivables included in current assets and cash and cash equivalents".

Risk and Contingency provisions

The Risks and Contingency provisions are posted as liabilities of a specific nature and likely existence, whose values are estimated. Therefore, they are potential liabilities connected to situations already existing at the financial statements date, but characterised by a state of uncertainty whose outcome depends on the occurrence or absence of one or more future events.

Contingency provisions are posted as liabilities of a specific nature and a certain existence, estimated in the amount or date of occurrence, connected to obligations already undertaken at the financial statements date, but which will have numerical expression in subsequent fiscal years.

The provisions are quantified on the basis of estimates that take into account all the elements available, in compliance with the accrual principle and the principle of prudence. These elements also include the time when at the posting date there is a certain obligation, by virtue of a binding contract or law obligation, whose disbursement can be reliably assessed and date of occurrence, reasonably identified, is sufficiently distant in time to make the current value of the obligation at the financial statements date significantly different from the value assessed at the time of disbursement.

No generic risk provisions were set up without financial justification.

The potential liabilities, if existing, are posted in the financial statements and in the provisions only if deemed likely and if the amount of the related charge can be reasonably estimated. Therefore, remote risks were not taken into account, while in the case of potential liabilities deemed possible, even if not probable, information was provided in the explanatory notes regarding the uncertainty, where relevant, that would lead to the loss, the estimated amount or information that the same could not be calculated, as well as other possible effects if not evident, the opinion of the company's top management and its legal advisers and other experts, where available.

Regarding the classification, risks and contingencies provisions are posted primarily in the cost entries in the income statement for the relevant classes (B, C or D) according to their nature. When the correlation between the nature of the provision and one of the entries in the aforementioned classes is not immediately applicable, risks and contingencies are recorded under entries B12 and B13 of the Income Statement.

Advanced Payments

Under the entry "Advanced payments" are posted all advanced payments received from clients for supplies of goods or services not yet carried out.

Payables

Payables arising from the acquisitions of assets are recorded in the balance sheet when significant risks, charges and benefits associated with ownership have been substantially transferred. Payables related to services are recognised when the services have been rendered, that is the service has been performed.

Financial payables arising from financing transactions and payables arising for reasons other than the purchase of goods and services are recognised when the company's obligation to the counterparty exists, identified on the basis of legal and contractual provisions.

Payables are measured in the financial statements at amortised cost, taking the time factor into account. If the interest rate of the transaction is not significantly different from the market rate, the payable is initially recorded at the nominal value at net of all transaction costs and all premiums, discounts and rebates directly deriving from the transaction that generated the payable. Such transaction costs, such as ancillary costs for obtaining financing, any commission income and expenses and any difference between the initial value and the nominal value at maturity is subdivided over the term of the payable using the effective interest criterion.

Instead when it appears that the interest rate of the transaction based on contractual conditions is significantly different from the market rate, the payable (and the corresponding cost in the case of commercial transactions) is initially recognised at a value equal to the present value of future cash flows, and keeping into account any transaction costs. The rate used to discount future cash flows is the market rate.

In the case of payables arising from commercial transactions, the difference between the initial recognition value of the payable thus determined and the maturity value at term is posted in the income statement as financial cost over the term of the payable using the effective interest rate criterion. In the case of financial payables, the difference between the cash and cash equivalents provided and the present value of future cash flows, calculated using the market interest rate, is recorded under financial charges or financial income in the income statement at the time of its initial recognition, unless the transaction or contract leads to assigning it to a different entry. Subsequently, interest charges accrued on the transaction are calculated at the effective interest rate and charged to the income statement with a contra-entry to the value of the payable.
The value of payables is subsequently reduced by the amounts paid, both for principal and interest amounts.

The Company deems irrelevant the effects deriving from the application of amortised cost and discounting when the maturity of the payables is within 12 months, also taking into account all the contractual and substantial considerations in force when the payable is recognised, and the transaction costs and any difference between the initial value and the nominal value at maturity is not significant. In this case, discounting is omitted, interest is calculated at the nominal value and transaction costs recorded as deferred charges and amortised at a constant rate over the term of the payable to adjust nominal interest charges.

Payables to other Group companies
Entries D9, D10 and D11 respectively include payables to subsidiaries, associated companies and parent companies, as defined in accordance with art. 2359 of the Civil Code. These payables have a marked separately in the balance sheet.
Entry D11 also includes payables to parent companies that control the Company indirectly through their intermediary subsidiaries.
Payables to companies subject to common control (the so-called sister companies), other than subsidiaries, associated or parent companies, are recorded under entry D11-bis.

Revenues
Revenues from transactions involving the sale of goods are recognised on an accruals basis when both of the following conditions are met:

- the production process of goods or services has been completed;
- the exchange has already taken place, that is the substantial and non-official transfer of the ownership title has occurred. In the case of sale of goods, this moment is represented by the shipment or delivery of the asset, while for goods for which a public deed is required (immovable and movable property) it is represented by the date of signature of the sale/purchase contract. In the case of services, the exchange is deemed to have taken place when the service is rendered, that is when the service is performed.

Revenues from the provision of services are recognised on the date in which the services are completed or, for those dependent on contracts with periodic fees, on the accrual date of the remuneration.

Revenues from sales are recognised at net of returns, discounts, rebates and premiums, as well as taxes directly connected with the sale of the products and the provision of services and adjustments of revenues pertaining to the fiscal year are directly deducted from the revenues.

The item "other revenues and income" includes income assets of a non-financial nature deriving exclusively from ancillary management.

Costs
Purchase costs are recognised on an accruals basis. Costs for raw materials, ancillary materials, consumables and goods are inclusive of any ancillary purchase costs (transportation, insurance, loading and unloading, etc.) if included by the supplier in their purchase price, otherwise they are entered separately in costs for services based on type.
Posted among the costs there are not only those costs of certain amount, but also those not yet documented for which the transfer of ownership has already occurred or the service has already been received.

Financial income and charges

They include all the positive and negative entries related to fiscal year result related to the company's business and are recognised on an accruals basis.

Income tax on fiscal year profit

Direct taxes for the fiscal year are recorded on the basis of an estimate of taxable income, in accordance with the provisions of the law and the tax rates in force, taking into account any applicable exemptions.

An analysis is also performed to determine the existence of temporary differences between assets and liabilities and the corresponding values relevant for tax purposes and/or between the income entries posted in the Income Statement and those taxable or deductible in future fiscal years for the purpose of recording the relevant taxes, as established by the OIC No. 25.

In the presence of taxable temporary differences, deferred tax liabilities are posted in the financial statements without prejudice to the exceptions established in the OIC No. 25.

If there are temporary deductible differences, deferred tax assets are recognised only if there is a reasonable certainty of their future collection.

If there are tax losses, deferred tax assets are recognised and posted in the amount of future tax benefits associated with them, within the limits of the taxable results that can be realised according to a tax forecast within the reasonable period of 5 years.

Prepaid and deferred taxes are calculated on the cumulative amount of all temporary differences for the fiscal year, applying the tax rates in force in the fiscal year in which the temporary differences will occur, as provided for by the tax regulations in force at the financial statements date.

Prepaid tax assets and deferred tax liabilities are not discounted.

For the purpose of classification in the financial statements, tax receivables and payables are only offset if there is a legal right to do so for the amounts recognised under tax legislation and there is the intention to settle tax payables and receivables on a net basis in a single payment.

Criteria for the conversion of a foreign currency entry

In accordance with art. 2426, paragraph 1, No. 8-bis of the Civil Code, monetary assets and liabilities in currencies other than the operating currency with which the financial statements are submitted (the so-called "Account currency"), after initial recognition, are recorded at the exchange rate on the closing date of the fiscal year. The resulting profit or losses on exchange rates are charged to the income statement under entry C17-bis) "currency exchange profit and losses" and any net profit, which contributes to the result for the fiscal year, is allocated to a specific reserve that cannot be distributed until its realisation.

Non-monetary assets and liabilities in currencies other than the account currency are recorded at the exchange rate in force at the time of their purchase. If the exchange rate in force at the closing date of the fiscal year is significantly different from the one existing at the purchase date, the exchange rate variation is taken into account in the assessment process to determine the value recorded in the financial statements for the individual transactions. In this case, therefore, any exchange differences (positive or negative) contribute to the calculation of the recoverable value.

The following are the exchange rates at 31 March 2018 for the currencies subject to adjustment:

Currency		Exchange
Norwegian krone	NOK	9.64

Use of Estimates

The preparation of the financial statements requires the use of estimates and assumptions that affect the values of the assets and liabilities in the financial statements and on the disclosure related to potential assets and liabilities. The processing of these estimates implies the use of available information, and the adoption of subjective evaluations based on experience. By their nature, the estimates and assumptions used may vary from year to year and, therefore, it is not excluded that in the subsequent fiscal years the current financial statements values may differ following a change in the subjective assessment used. The main estimates for which the majority of subjective assessment is use applies to:

- The assessment for the collection of some asset values (tangible and intangible fixed assets, depreciation of receivables, etc.);
- Risk provision allocations;
- Deferred taxes, whose posting is supported by the prospect of taxation resulting from expected profitability.

The estimates and assumptions are reviewed periodically and the effects of every change is reflected in the income statement for the period in which the change is recorded.

Cash flow statement

The cash flow statement includes all the outgoing and incoming cash flows of cash and cash equivalents in the fiscal year. In the cash flow statement, the individual cash flows entries are presented separately in one of the following categories:

a. income management;

b. investment activities:

c. financing activities.

The cash flows categories are listed in the sequence indicated above. The cash flow for income management is calculated using the indirect method, or by adjusting the profit or loss for the fiscal year reported in the income statement. The sum of the cash flows for each category listed above represents the net variation (increase or decrease) of cash and cash equivalents occurred in the fiscal year.

The OIC 10 establishes that:
The interest paid and received must be posted separately among the cash flows of the income management, except in special cases in which they refer directly to investments (investment activities) or financing (financing activities);

- Dividends received and paid are posted separately, respectively, in the income management and financing activities;
- Cash flows related to income taxes are posted separately and classified under income management.

Changes in accounting principles
Without prejudice to what is specified in the section "Rules of first application", regarding the transition to the rules contained in the new set of accounting principles of the OCI and civil law provisions that have implemented the so-called "Accounting Directive", and to the related choices made by the Company, below are the accounting policies adopted on the occasion of changes in voluntary accounting standards or even mandatory ones if there are no different specific rules.

The change in an accounting principle is recognised in the fiscal year in which it is adopted and the related facts and transactions are processed in accordance with the new principle, which is applied by considering its effects retroactively. This entails the accounting recognition of said effects on the opening balance of the net equity for the fiscal year.

For comparison purposes only, when feasible or not excessively burdensome, the opening balance of the net equity of the previous fiscal year and the comparative data of the previous fiscal year are adjusted as if the new accounting principle had already been applied.

When it is not feasible to calculate the previous cumulative effect of the change of principle or the calculation of the previous effect is excessively burdensome, the Company applies the new accounting principle starting from the first date in which this is feasible. When this date coincides with the beginning of the current fiscal year, the new accounting standard is applied prospectively.

The effects deriving from the adoption of the new principles on the Balance Sheet, Income Statement and Cash Flow Statement, where present, have been highlighted and commented on in these Explanatory Notes in correspondence of the explanatory notes related to the specific entries in the financial statements.

The amounts listed in these Explanatory Notes are in units of Euro, unless otherwise specified.

INFORMATION NOTES

BALANCE SHEET - FIXED ASSETS

At 31 March 2018, the total of Fixed Assets amounted to €/thousand 32,637 (€/thousand 35,046 as of 31 March 2017).

• INTANGIBLE FIXED ASSETS

Intangible fixed assets, amounting to €/thousand 650, relate to the acquisition of software and licenses necessary to carry out industrial and technical activities as well as multi-year costs related to the development of industrial projects.

The following table shows the transactions occurred in the fiscal year:

Intangible assets	Franchises, licences, trademarks and similar rights	Other intangible assets	Current intangible assets	Total
Historical cost at 31/03/2017	577,559	108,636	113,772	799,966
Increases over the year	94,335	-	26,839	121,174
Decreases over the year	-	-	-	-
Historical cost at 31/03/2018	**671,893**	**108,636**	**140,611**	**921,140**
Amortisation provision at 31/03/2017	(109,166)	(5,432)	-	(114,598)
Amortisation over the year	(150,674)	(5,432)	-	(156,106)
Amortisation provision at 31/03/2018	**(259,840)**	**(10,864)**	**-**	**(270,704)**
Balance at 31/03/2017	468,393	103,204	113,772	685,369
Balance at 31/03/2018	**412,054**	**97,772**	**140,611**	**650,436**

The increase in the item "Concessions, licenses, trademarks and similar rights" refers to the acquisition of licenses and software for the development of industrial projects.

The increase in the item "Other intangible fixed assets" refers to long-term costs related to the revision and optimisation of production cycles and the development of Industrial Design processes.

• TANGIBLE FIXED ASSETS

Tangible fixed assets, at net of the related amortisation provision amounting to € / thousand 5,687, are € / thousand 31,986.

The following table shows the transactions occurred in the fiscal year:

Tangible assets	Land	Buildings	Plant and machinery	Commercial and industrial equipment	Other assets	Current tangible assets	Total
Historical cost 31/03/2017	12,030,845	18,554,293	4,849,880	1,606,724	711,704	30,679	37,784,125
Increases over the year	-	-	-	182,137	-	155,380	337,517
Decreases over the year	-	-	(145,442)	-	(302,776)	-	(448,218)
Historical cost 31/03/2018	**12,030,845**	**18,554,293**	**4,704,439**	**1,788,861**	**408,928**	**186,059**	**37,673,424**
Amortisation provision 31/03/2017	-	(1,284,313)	(2,133,392)	(819,419)	(186,868)	-	(4,423,992)
Amortisation over the year	-	(751,902)	(238,281)	(301,935)	(18,933)	-	(1,311,051)
Variation in Amortisation Provision	-	-	-	-	48,000	-	48,000
Amortisation provision 31/03/2018	**-**	**(2,036,215)**	**(2,371,672)**	**(1,121,354)**	**(157,801)**	**-**	**(5,687,043)**
Balance 31/03/2017	12,030,845	17,269,980	2,716,488	787,305	524,836	30,679	33,360,133
Balance 31/03/2018	**12,030,845**	**16,518,078**	**2,332,766**	**667,507**	**251,127**	**186,059**	**31,986,382**

•• Land and buildings amounted to €/ thousand 28,549. The entry includes land for €/thousand 12,031, industrial buildings for €/thousand 16,518 at net of the amortisation provision amoungin to €/thousand 2,036.

•• Plant and machinery amounted to €/thousand 2,333. The entry includes specific plants and machinery for €/thousand 1,264 at net of the amortisation provision amounting to €/thousand 985, and automatic machines for €/thousand 1,068 at net of the amortisation provision amounting to €/ thousand 1,387.

•• Industrial and commercial equipment amounted to €/thousand 668 and refers only to industrial and commercial equipment, at net of the amortisation provision for €/thousand 1,121.

•• Other assets amount to €/thousand 251. The entry includes furniture and furnishings for

€/thousand 108 at net of the amortisation provision amounting to €/thousand 52, Electronic office equipment for €/thousand 122 at net of the amortisation provision for €/thousand 60, Internal transport vehicles for €/thousand 2 at net of the amortisation provision amounting to €/thousand 8 and Passenger Cars and Motor Vehicles for €/thousand 20 at net of the amortisation fund amounting to €/thousand 37.

CURRENT ASSETS

Current assets amounted to €/thousand 107,446 (€/thousand 160,674 at 31 March 2017) and include:

• Inventories, amounting to €/thousand 64,599 (€/thousand 112,170 at 31 March 2017) subdivided as follows:

Inventories	31/03/2018	31/03/2017	Variations
Raw materials, ancillary materials and consumables	**19,403,223**	**21,430,957**	**(2,027,734)**
Work in progress for orders in hand - gross	*52,406,208*	*93,388,737*	*(40,982,529)*
(Provision for job order losses)	*(13,417,945)*	*(9,338,936)*	*(4,079,009)*
Work in progress for orders in hand	**38,988,262**	**84,049,801**	**(45,061,539)**
Advanced Payments	**6,208,072**	**6,688,828**	**(480,756)**
Total	**64,599,557**	**112,169,586**	**(47,570,029)**

•• Raw Materials, ancillary materials and consumables amounted to €/thousand 19,403. The entry broken down by site is shown in details below (amounts shown in €/thousand):

Warehouses	31/03/2018	31/03/2017	Variations
Caserta (construction materials)	16,937	18,557	(1,620)
Caserta (construction materials)	1,291	776	515
Spello (Spare parts)	778	215	564
Goods in transit	397	1,901	(1,504)
Depreciation provision for stock in hand	-	(18)	18
Total	**19,403**	**21,431**	**(2,028)**

•• Work in progress for orders in hand amounted to €/thousand 38,988 (€/thousand 84,050 at 31 March 2017).

As already described above, the balance of the entry is shown at net of probable losses forecast and estimated at 31 March 2018, amounting to €/thousand 13,418, of which €/thousand 10,543 are related to penalties for late delivery and €/thousand 2,875 for future losses on job orders.

The following is a breakdown of the entry and the transactions over the fiscal year:

Risk provision for job orders	31/03/2017	Increases	Decreases	31/03/2018
Penalty provision	1,603,904	10,849,600	(1,910,979)	10,542,525
Future losses provision	7,735,031	-	(4,859,611)	2,875,420
Total	**9,338,936**	**10,849,600**	**(6,770,590)**	**13,417,945**

The penalty provision refers to the costs for delayed delivery that the Company expects to sustain on the basis of the contractual clauses signed with the clients and the delivery time estimated for the products.

The Future Loss provision was originally established at the time of PPA, on the basis of the analyses carried out by the Management on the contracts transferred and on the related outstanding contracts, for a total amount of potential liabilities of € / million
22.8 of which €/thousand 6,900 related to the estimated value of penalties to be received and €/thousand 15,900, related both to the losses forecast for long-term contract budgets and the effect of the "under-absorption" of general, administrative and overhead costs forecast for subsequent years, resulting in additional charges due to the failure to absorb the aforementioned costs in the overall margins deriving from the contracts acquired.
The provision at 31 December 2017 refers in the amount of €/thousand 3,209 to the losses forecast in the Long-Term Contract Budget.

•• Advanced payments amounted to €/thousand 6,208 (€/thousand 6,689 at 31 March 2017) and refer to financial advanced payments made to suppliers for orders issued for goods not yet delivered and/or owned.

• The total amount of receivables at 31 March 2018 is €/thousand 38,341 (€/thousand 47,291 at 31 March 2017). The description of the main entries is included below.

•• Receivables from clients amount to €/thousand 13,807 (€/thousand 17,002 at 31 March 2017). In detail the balance at 31 March 2018 is:

Trade receivables	31/03/2018	31/03/2017	Variation
Receivables for invoices issued - ITALY	10,634,622	14,371,262	(3,736,640)
Receivables for invoices issued - ABROAD	1,731,571	1,719,763	11,808
Receivables for invoices to be issued	1,267,877	750,000	517,877
Depreciation provision for receivables	(30,263)	(29,700)	(563)
TOTAL Trade receivables within 12 months	***13,603,807***	***16,811,325***	***(3,207,518)***
Guarantee withholdings	203,565	190,786	12,780
TOTAL Trade receivables beyond 12 months	***203,565***	***190,786***	***12,780***
Total	**13,807,373**	**17,002,111**	**(3,194,738)**

The decrease in trade receivables compared to 31 March 2017, equal to about €/thousand 3,195, is mainly due to the sale of receivables related to the main clients of the Company to the factoring company with the without recourse clause.
Receivables for invoices issued abroad refer to the receivables claimed by the TFA NUF branch to the Norwegian end client and are all in foreign currency (Norwegian Krona - NOK) adjusted to the exchange rate in Euro at 31 March 2018.

•• Tax receivables amount to €/thousand 9,063 (13,652 at 31 March 2017) and consists exclusively of the VAT receivable resulting from the liquidations at 31 March 2018.

•• Deferred tax receivables amount to €/thousand 3,913 (€ 1,140 thousand at 31 March 2017).

It should be noted that the Credits for Prepaid Taxes have been calculated considering the 24% tax rate, that is the one in force for IRES tax purposes from the next fiscal year.

•• Other receivables amount to €/thousand 11,557 (€ / thousand 15,497 at 31 March 2017) and are as follows:

Other receivables	31/03/2018	31/03/2017	Variations
Receivables from employees	30,538	46,685	(16,147)
Receivables from GSE	124,082	176,268	(52,186)
Security deposits	5,050,479	6,010,334	(959,855)
Receivables from FAS	-	9,263,883	(9,263,883)
Unicredit security account	6,349,990	0	6,349,990
Other	2000	-	2,000
Total	**11,557,090**	**15,497,171**	**(3,940,081)**

The balance of "Receivables from GSE" refers to receivables from the Regulatory Authority for the sale of electricity produced by the photovoltaic plant owned by the Company.

The "Security deposits" balance mainly refers to amounts paid by the Company to guarantee the correct execution of the works already acquired or for works for which the tender process is still in progress. The principal amount refers to the security deposit paid for the TAF job order (€/thousand 5,024).

The "Unicredit security account" balance refers to the amounts financed by the shareholder Titagarh Wagon LTD, previously described in the Management Report, and destined solely to the participation to the FNM tender for the supply of 120 electric trains.

• Cash and cash equivalents amount to €/thousand 4,507 (€/thousand 1,213) and are mainly represented by cash available on bank and postal accounts.

Cash and cash equivalents	31/03/2018	31/03/2017	Variations
Bank deposits	4,503,232	1,213,001	3,290,230
Cash and cash equivalents in hand	3,430	434	2,996
Total	**4,506,662**	**1,213,435**	**3,293,226**

Please refer to the cash flow statement for the analysis of the transactions in the "cash and cash equivalents" balance for the fiscal year.

ACCRUALS AND DEFERRALS

Accruals and deferrals amount to €/thousand 895 (€/thousand 276 at the end of the previous fiscal year). The item consists of prepaid expenses for €/thousand 614 and accrued income for €/thousand 282.

BALANCE SHEET - LIABILITIES NET

EQUITY

Net equity amounts to €/thousand 19,627 of which €/thousand 10,000 from Share Capital, Legal Reserve in the amount of €/thousand 257, capital reserve for equity swap with the parent company in the amount of €/thousand 15,000, Profits (losses) carried forward for €/thousand 4,876 and €/thousand 10,506 from the loss recorded at 31 March 2018.

The transactions for the entry starting from the incorporation date of the Company are shown below:

Net equity	Share Capital	Legal reserve	Other reserves	Profits (losses) carried forward	Profit (Loss) for the fiscal year	Total
TFA incorporation - 26/06/2015	200,000	-	-	-	-	200,000
Capital increase - Extraordinary Shareholder's Meeting dated 08/07/2015	9,800,000	-	-	-	-	9,800,000
Balance at 14/07/2015	**10,000,000**	**-**		**-**	**-**	**10,000,000**
Result for the fiscal year ended on 31/03/2016	-	-	-	-	1,138,489	1,138,489
Balance at 31/03/2016	**10,000,000**	**-**		**-**	**1,138,489**	**11,138,489**
Allocation of profit from the previous fiscal year	-	56,924	-	1,081,565	(1,138,489)	-
Result of the fiscal year ended on 31/03/2017	-	-	-	-	3,994,231	3,994,231
Balance at 31/03/2017	**10,000,000**	**56,924**		**1,081,565**	**3,994,231**	**15,132,721**
Allocation of profit previous Fiscal Year	-	199,712	-	3,794,520	(3,994,231)	-
Capital reserve for debt equity swap with parent company	-	-	15,000,000	-		15,000,000
Result for the fiscal year ended on 31/03/2018	-	-	-	-	(10,506,142)	(10,506,142)
Balance at 31/03/2018	**10,000,000**	**256,636**	**15,000,000**	**4,876,085**	**(10,506,142)**	**19,626,579**

The Share Capital amounts to € 10,000,000 represented by Qty. 10,000,000 ordinary shares with a value of € 1.00 each, owned by the shareholders as follows:

- TITAGARH SINGAPORE PTE LIMITED, qty. of Shares 9,820,000;
- TITAGARH WAGONS LIMITED, qty. of Shares 180,000;

It should be noted that qty. 8,800,000 ordinary shares, equal to the nominal value of EUR 8,800,000 held by the shareholder Titagarh Singapore PTE Limited, have been pledged to ICIC Bank Limited Private Limited and Progress Corporate Service Private Limited.

It should also be noted that during the year there occurred the sale of the shares previously held by Adler Plastic SpA, for qty. 1,000,000 shares to the Company Titagarh Singapore Pte Limited, thereby also triggering the change of company name by Titagarh Firema Adler SpA to its current name.

Lastly, it should be noted that, by means of a notification dated 28 March 2018 from the shareholder and financier TSPL, an equity swap (Reserve) took place for an amount of EUR 15 million as an intercompany loan.

The table below shows the net equity balances at 31 March 2018:

TYPE DESCRIPTION	VALUES AT 31.03.2018	POSSIBILITY OF USE	RATE AVAILABIL ITY
Share capital	10,000,000		
Legal reserve	256,636	A-B	256,636
Other reserves	15,000,000	A-B	15,000,000
Profits (losses) carried forward	4,876,084	A-B-C	4,876,085
Total	**30,132,721**		**20,132,721**
Non-distributable share (multi-year expenses- debt equity swap)			15,238,383
Residual distributable share			4,894,338

<u>Key:</u>
A for capital increase
B to cover losses
C for distribution to shareholders

RISK AND CONTINGENCY PROVISIONS

At 31 March 2018 the provisions for risks and contingencies amount to € / thousand 6,279 (€ / thousand
3,020 dated 31 March 2017). The details of the item and the movement of the year are as follows:

Risk and contingency provisions	31/03/2017	Increases	Decreases	31/03/2018
Taxes, including deferred taxes provisions	**45,000**	**322,820**	**(285,288)**	**82,532**
Product warranty provision	2,944,962	4,584,370	(1,333,236)	6,196,096
Other Provisions	30,000	-	(30,000)	-
Total other risk and contingency provisions	**2,974,962**	**4,584,370**	**(1,363,236)**	**6,196,096**
Total	**3,019,962**	**4,907,190**	**(1,648,524)**	**6,278,628**

As already mentioned in the notes for the entry "Inventories - work in progress for orders in hand" the provisions for risks and contingencies related to job orders (penalties and future losses) have been posted at net of the aforementioned entry in the inventories.

The balance of the entry "Product Guarantee Provision" refers to the charges to be incurred after the completion of the job order due to contractual obligations.

Regarding the other potential liabilities to which the Company may be at risk, it should be noted that lawsuits and labour disputes with former TFA employees and "Firema" employees not included in the hiring plans that the Company has implemented over the year are ongoing. Regarding the aforementioned disputes, the Company, also supported by legal opinions, did not deem it necessary to allocate liabilities to the risks and contingencies provision.

PAYABLES

Payables amount to €/thousand 115,074 (€/thousand 177,843 at 31 March 2017).

- Payables to shareholders for financing, totaling €/thousand 28,282 (€/thousand 22,117 at 31 March 2017) refer to €/thousand 22,251 for the value of loans received from the partner Titagarh Singapore PTE Limited on the basis of the loan agreement dated 30 September 2015, at an interest-bearing rate of 6.5% per year and for €/thousand 6,031 for the value of loans received from the shareholder Titagarh wagons LTD on the basis of the loan agreement dated 8 March 2018 at an interest baring rate of 4%.

- Payables due to banks within the year, amounting to €/thousand 12,887, refer to €/thousand 917 for the financial debt established with Banco di Napoli on 12 February 2018 and €/thousand 11,970 for the financial debt established with the Axis Bank of Singapore, signed on 17 November 2016 and guaranteed by the shareholder Titagarh Wagons Limited. The annual interest rate applied to the loan is equal to the 3M Euribor rate, increased by 2.5%.

• Advanced payments in the amount of €/thousand 41,899 (€/thousand 68,689 at 31 March 2017) refer to contractual advanced payments from clients and advanced payments from clients on work in progress related to remuneration not yet received in full and posted as a contra-entry to the entry Inventories work in progress for orders in hand.

• Payables to Suppliers amounted to €/thousand 19,177 (€/thousand 56,216 as of 31 March 2017). A detailed breakdown of the entry at March 31, 2018 is shown below:

Payables to suppliers	**31/03/2018**	**31/03/2017**	**Variations**
Italian suppliers for invoices received	21,080,597	49,338,818	(28,258,221)
Foreign suppliers for invoices received	240,687	280,255	(39,568)
suppliers for invoices to be received	2,280,025	6,888,712	(4,608,687)
Credit notes to be received	(4,427,321)	(291,924)	(4,135,396)
Guarantee withholding	3,216	-	3,216
Total	**19,177,205**	**56,215,861**	**(37,038,657)**

At 31 March 2018, payables in foreign currency amounted to approximately €/thousand 2 and refer to payables in Norwegian currency established by the TFA NUF branch.

• **Payables due to companies subjected to the control of parent companies**
are respectively in the amount of €/thousand 417 (€/thousand 159 at 31 March 2017) and €/thousand 33 (€/thousand 3 at 31 March 2017), and refer to the reversal of personnel costs for the companies of the Group that managed TFA in the fiscal year ended on 31 March 2018. Please refer to the "additional information" section for more details.

• Taxes amount to €/thousand 3,394 (€/thousand 5,924 at 31 March 2017) and are detailed as follows:

Tax payables	**31/03/2018**	**31/03/2017**	**Variations**
IRES Payables	1,690,555	3,047,197	(1,356,642)
IRAP Payables	611,419	727,100	(115,681)
VAT Split payment	-	1,609,999	(1,609,999)
Payables for personnel compensation withholding	174,850	205,812	(30,962)
Norway VAT payables	283,928	333,558	(49,631)
Other payables	633,277	-	633,277
Total	**3,394,028**	**5,923,666**	**(2,529,638)**

The entry other payables amounts to €/thousand 633 and it is mainly related to the registration tax due for acceptance of the agreement proposal by the Revenue Agency following the private deed dated 11 January 2017 between TFA and Firema Trasporti in A.S. related to events following the registration of the company transfer deed dated 9 July

2015.

• Payables to social security institutions amount to €/thousand 1,183 (€/thousand 983 at 31 March 2017) and are as follows:

Payables to pension and social security institutes	31/03/2018	31/03/2017	Variations
Previdai/Fasi	36,571	19,876	16,694
Inps/Inail Payables	645,849	480,964	164,885
Inps/Inail contributions on vacation days and ROL	384,412	357,995	26,418
Other social security payables	116,493	124,067	(7,574)
Total	**1,183,325**	**982,902**	**200,423**

• Payables to others amount to € / thousand 7,802 (€ / thousand 11,744 as of March 31, 2017) and refer to:

Payables to others	31/03/2018	31/03/2017	Variations
Employees salaries	1,167,088	969,436	197,652
FAS building purchase	2,000,000	2,000,000	-
Local taxes	207,897	182,793	25,105
Photovoltaic plant purchase loan	331,112	1,792,982	(1,461,870)
Other FAS payables	-	710,640	(710,640)
Other payables	95,546	88,639	6,907
Total within the fiscal year	**3,801,643**	**5,744,489**	**(1,942,846)**
FAS building purchase	4,000,000	6,000,000	(2,000,000)
Total beyond the fiscal year	**4,000,000**	**6,000,000**	**(2,000,000)**
Total	**7,801,643**	**11,744,489**	**(3,885,691)**

The balance shown beyond the fiscal year refers to the portion of payables for the purchase of the Business Branch - Real Estate Property from FAS due after 31 March 2018 as reported in the Acquisition Contract for business branch.

INCOME STATEMENT

• PRODUCTION VALUE

The Production Value amounts to €/thousand 74,346 (€/thousand 108,737 for the previous fiscal year) and is as follows:

•• Revenues from sales and services refer to the payments issued by clients in full and amount to €/thousand 104,020 (€/thousand 86,501 at 31 March 2017).

The geographic breakdown of the revenues is as follows:

Revenues	31/03/2018	31/03/2017
Italy	100,538,898	82,442,678
Abroad - Extra EEC (Norway)	3,480,686	4,058,276
Total	**104,019,584**	**86,500,954**

•• The balance of the variation in work in progress for orders in hand at 31 March 2018 is negative for €/thousand 33,189 (positive for €/thousand 21,549 at 31 March 2017).

Please refer to the note on the entry "Work in progress for orders in hand" for more details.

•• Other Revenues and Income amounted to €/thousand 3,515 (€/thousand 686 at 31 March 2017).

• PRODUCTION COSTS

Production costs amounted to €/thousand 83,869 (€/thousand 101,347 as of 31 March 2017). An analysis of the main costs is shown below:

•• Costs for Raw Materials, ancillary materials, consumables and goods amount to €/thousand 32,589 (€/thousand 61,153 at 31 March 2017) and refer essentially to the purchase of components, semi-finished products and ancillary materials used to complete the orders.

•• Costs for Services amounted to €/thousand 13,149 (€/thousand 14,852 at 31 March 2017), as detailed below:

Service costs	31/03/2018	31/03/2017	Variations
Industrial third party services	5,933,522	7,818,812	(1,885,290)
Maintenance	557,853	667,665	(109,812)
Insurance	249,554	206,367	43,187
Consulting services and certifications	1,184,389	1,396,517	(212,128)
Utilities	721,319	863,546	(142,228)
Marketing and transportation costs	1,273,214	1,098,771	174,443
Common expenses and services	1,245,344	1,416,794	(171,450)
Personnel costs	812,784	628,022	184,762
Bank fees and charges	1,002,659	696,127	306,532
Directors and Board of Auditors Remunerations	133,095	59,212	73,883
Reimbursement for travel expenses and vehicles	35,076	-	35076.13
Total	**13,148,808**	**14,851,832**	**(1,703,024)**

•• Costs for the enjoyment of leased third party assets, amounted to €/thousand 469 (€/thousand 328 at 31 March 2017) are as follows:

Costs for the enjoyment of leased third party assets	31/03/2018	31/03/2017	Variations
Industrial equipment rental	243,663	157,805	85,858
Real estate property rental	206,403	147,755	58,648
Other	19,018	22,842	(3,824)
Total	**469,084**	**328,402**	**140,682**

•• Personnel costs amounted to €/thousand 19,071 (€ 17,417 thousand at 31 March 2017) of which €/thousand 13,286 for salaries and wages, €/thousand 4,697 for INPS and INAIL social security fees, €/thousand 932 for end of employment indemnities and complementary funds, and €/thousand 156 for other personnel costs.

•• Amortisations and Depreciations amounted to €/thousand 2,190 (€/thousand 2,591 at 31 March 2017), of which €/thousand 156 relate to the amortisation of intangible fixed assets,
€/thousand 2,014 related to the amortisation of tangible fixed assets and € 20 thousand related to the depreciation of trade receivables.

Please refer to the section "Assessment Criteria Adopted" for details on the depreciation rates used.

Variations to inventories of raw materials, ancillary materials, consumables and goods amount to a negative amount of €/thousand 605 (positive for €/thousand 2,200 at 31 March 2017).

•• Risk Provisions (€/thousand 11,714) and Other provisions (€/thousand 1,531), totalling €/thousand 13,245 refer to provisions for risks and contingencies occurred in the current fiscal year. For details, see the section "Risks and Contingencies Provision".

•• Other operating expenses amounted to €/thousand 2,551 (€/thousand 4,477 at 31 March 2017), as detailed below:

Miscellaneous operating costs	31/03/2018	31/03/2017	Variations
Local taxes and charges	747,496	680,787	66,709
Contributions for associated parties and others	26,806	23,151	3,655
Penalties and fines	1,512,364	3,729,254	(2,216,891)
Miscellaneous expenses	263,941	43,682	220,259
Total	**2,550,607**	**4,476,875**	**(1,926,268)**

• FINANCIAL INCOME AND CHARGES

•• The item "Interest and other financial expenses" shows a negative balance of €/thousand 2,877 (negative in the amount of €/thousand 917 at March 31st 2017). Details are included below:

Interest and other financial expenses	31/03/2018	31/03/2017	Variations
interest received	183	69	114
Total financial income	**183**	**69**	**114**
Interest paid to parent company	(2,078,598)	(825,142)	(1,253,457)
Interest paid to banks	(297,841)	(77,358)	(220,484)
Interest paid on factoring transactions	(264,594)	(62,114)	(202,480)
Other interest expenses	(111,908)	(1,259)	(110,649)
Total financial expenses	**(2,752,941)**	**(965,872)**	**(1,787,069)**
Realised profit (loss) on currency exchange	(64,355)	59,340	(123,695)
Non-realised profit (loss) on currency exchange	(60,000)	(10,038)	(49,963)
Total Profit (loss) on currency exchange	**(124,355)**	**49,303**	**(173,658)**
Total	**(2,877,114)**	**(916,500)**	**(1,960,614)**

For more details on interest rates, please refer to the notes on the balance sheet items "Payables to shareholders for financing" and "Payables to banks".

• CURRENT, DEFERRED AND PREPAID TAXES ON THE FISCAL YEAR'S INCOME

Current, deferred and prepaid taxes on the fiscal year's income amount to €/thousand 1,894. The following table details the breakdown of the balance:

Current, deferred and prepaid income taxes	31/03/2018	31/03/2017	Variations
Current IRES tax	352,306	2,738,126	(2,385,820)
Current IRAP tax	278,453	596,606	(318,153)
Deferred (prepaid) taxes	(2,772,511)	(856,496)	(1,916,016)
Previous fiscal year taxes	247,819	-	247,819
Total	**(1,893,933)**	**2,478,236**	**(4,372,170)**

Current taxes

The reconciliation of notional IRES and IRAP rates with the actual ones related to the fiscal year ended on 31 March 2018 is detailed below:

- ***IRES***

IRES rate reconciliation	31/03/2018
Pre-tax income (A)	**(12,400,075)**
IRES Rate (B)	24.0%
notional tax (A*B)	**(2,976,018)**
Permanent increase variations	3,301,205
Temporary increase variations	13,669,621
Permanent decrease variations	(985,316)
Temporary decrease variations	(2,117,490)
Total variations (C)	**13,868,020**
Total taxable income (D=A+C)	**1,467,945**
Actual tax (E=D*B)	**352,307**
Actual rate (E/A)	**-3%**

- ***IRAP***

IRAP rate reconciliation	**31/03/2018**
Asset components (A)	**74,345,724**
Liability components (B)	**(51,532,246)**
Total	**22,813,478**
Average IRAP rate (C)	*4.70%*
Notional tax (A+B)*C	**1,072,233**
Permanent increase variations	1,271,735
Permanent decrease variations (ded. Tax wedge)	(18,165,631)
Total variations (D)	**(16,893,896)**
Total taxable income (F= A+B+D)	**5,919,582**
Actual tax (H)	278,453
Actual rate H/(A+B)	**1.22%**

•• Prepaid and deferred taxes

For the current fiscal year, prepaid taxes were posted in the amount of €/thousand 2,772 (€/thousand 856 at 31 March 2017). Please refer to the notes under "Prepaid Tax receivables" for more details.

OTHER INFORMATION

• Transactions with related parties

According to the provisions of art. 2427 paragraph 22 bis of the Civil Code regarding transactions with related parties, it is confirmed that significant transactions were carried out during the fiscal year ended on 31 March 2018, which were carried out under normal market terms both regarding prices and commercial conditions as well as regarding the underlying reasons that originated them.

The following is a breakdown of the transactions with related parties at the financial statements data at 31 March 2018 and 31 March 2017:

31/03/2018	**Operatin g Costs**	**Financial Charges**	**Trade Payables**	**Financial Charges**
Titagarh Wagons Limited	416,704	31,333	112,844	6,031,333
Titagarh Singapore PTE Limited	-	2,047,265	-	22,250,878
AFR Titagarh Wagons	32,894	-	32,894	-

31/03/2017	Operating costs	Financial charges	Trade payables	Financial liabilities
Titagarh Wagons Limited	282,529	-	158,768	-
Titagarh Singapore PTE Limited	-	825,142		22,117,000
AFR Titagarh Wagons	3,352	-	3,352	-

• Financial instruments

Neither financial instruments nor other instruments with equity or shareholding rights have been issued by the Company. Furthermore, the Company has no derivative or hedging derivative instruments in place.

• Allocation of assets

There are no assets allocated to or assigned to the completion of a specific business transaction.

• Treasury shares

It is noted that pursuant to art. 2357 of the Civil Code there are neither treasury shares nor shares or quotas of parent companies held by the company even through trust companies or third parties, and that neither treasury shares nor shares or quotas of parent companies have been purchased and/or sold by the company, during the fiscal year, even through a trust company, or through a third party.

• Guarantees, risks and commitments

With regard to the guarantees, risks and commitments, it should be noted that, at the date of preparation of this document, the Company did not provide directly any guarantees and/or securities to third parties or to companies of the Group.
However, it should be noted that the Company at 31 March 2018 received bank guarantees from supplier for the payment of advanced payments in the amount of €/thousand 3,233 (€/thousand 2,541 at 31 March 2017).

REMUNERATIONS TO DIRECTORS AND OVERSIGHT BODIES

At 31 March 2018 the remunerations paid to the members of the Board of Directors amounted to €/thousand 13, those for the members of the Board of Statutory Auditors amounted to €/thousand 115 and the remunerations for the members of the supervisory body amounted to €/thousands 5. Finally, the remunerations for the Auditing Company amounted to €/thousand 20.

ADMINISTRATIVE BODY PROPOSALS

Dear Shareholders:

We submit for your approval the financial statements for the year ended on 31 March 2018, including the Balance Sheet, Income Statement, Explanatory Notes and Cash Flow Statement and accompanied by the Management Report which closes with a loss for the fiscal year equal to EUR 10,506,141.99 proposing to cover these losses through the use of profits from previous fiscal years carried forward in the amount of EUR 4,876,084.58 and for the residual amount of EUR 5,630,057.41 by means of the capital reserve from the equity swap from the parent company.

Caserta, 25 May 2018

Signed by
Umesh Chowdhary
Chairman of the Board of Directors

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