INTEGRATED ANNUAL REPORT 2016

Manufactured capital

Human capital

Natural capital

Financial capital

Intellectual capital

Social and relationship capital

DELLAS GROUP STATEMENTS

DELLAS S.p.A. STATEMENTS

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DANIELE FERRARI

President and
Chief Executive Officer (CEO)

ISIDORO FERRARI

Honorary President

ELISA FERRARI

Vice President

Dear Shareholders and Stakeholders,

The market our company's products are aimed at is the stone market, i.e. quarrying, cutting and working with natural stone.
The Confindustria Marmomacchine Directory 2017, a journal that every year gives a picture of the sector worldwide, for 2016 paints a chiaroscuro image, with the consolidation of some strengths, such as the preference for natural stone at the design state and the growth in numeric sales, but at the same time a drop in the trade in marble and stone, both rough and worked.

Marble and stone had seen, after the crisis of 2009, five years of constant growth, above that of the world economy, with a mean annual increase of 6%. In last few years, however, growth has slowed to around 2%.

As against other sectors connected with the construction industry, the balance of the stone sector remains competitive. World marble quarrying reached 290 million tonnes worldwide gross of processing waste, while the manufactured items arising from the stages subsequent to quarrying have reached 1,500 million square metres.

“The first six countries manufacturing countries in the stone industry, i.e., in the order of importance China, India,Turkey, Brazil, Iran and Italy, which together have 71% of the world's quarries, confirming a historical trend towards concentration in the industry.”

As regards on the breakdown of the kinds of production, save the primacy of limestones, i.e. marble, travertines and onyxes, with about 60%, there has been a marginal recovery of siliceous stone, i.e. granites and similar, thanks above all to China and India.

The first six stone producing countries, i.e. China, India, Turkey, Brazil, Iran and Italy, have 71% of world's quarrying, confirming the historical trend towards steady concentration in the industry.

The emerging markets have great potential, but are, at the same time, areas that are extremely competitive: the optimism about the growth of these economies and their capacity to compensate for the crisis in the advanced economies sometimes results in uncertainty and volatility, which are aspects that need to be carefully weighed up.

In the year 2016, Dellas, in addition to the significant investments in internationalisation and product development, there has been an increase in market share of the leader stone producing countries, an important factor in the light of the statistics presented. The Group, given the slowed growth in the stone sector has also looked to possible investments in other construction-related industries.

The development of foreign subsidiaries of Dellas has continued in this way: while core production is still located at its Italian HQ, the foreign companies aim to develop local markets and fulfil a stable sales and production presence in the region, as well as providing an assistance network for the local markets in which they are located.
There has been confirmation of the good performance of the Group's foreign companies, reaching an increase of 10%, as compared with the previous financial year, with a corresponding volume of business.

“Confirmation of the good performance of the foreign companies of the Group with an increase of 10 %, compared with the previous financial year and the corresponding volume of business.”

The Report "FOCUS ON risks Map 2017" of published in February 2017 presents a picture of the overall risks also for 2017 with respect to growing international instability and high volatility. The analysis shows on the one hand a slight improvement in the credit risk for the developed, while there is an increased risk in the emerging countries of sub Saharan Africa, in the Middle East, North Africa and in Latin America.

These considerations regard risk exposure measurement towards our customers and lead to greater caution and to limit, in some cases, exposure in certain markets even at the expense of turnover. There are no foolproof recipes for success, but am awareness of the dangers is essential for getting past the fear and continuing to grow.

The investment, in Italy and in the foreign subsidiaries, in technological innovation and organisational efficiency is a guarantee for Dellas of success and is fundamental for the company to be able to look cautiously forward to the development of our company over the next few years.

DANIELE FERRARI
President and Chief Executive Officer (CEO)

MARCO PASQUOTTI

Chief Financial Officer (CFO)

Dear Shareholders and Stakeholders,

"The consolidated profit before taxes, normalised to account for extraordinary and non-recurrent events is € 331,231"

In the financial year of 2016 the consolidated turnover of the Dellas Group has been € 18,431,581, with achieved added value of € 6,325,472, while the gross operating margin of EBITDA was € 1,606,509, which in relation to sales amounts to 9%. Although the net results of the group are negative to the extent of € 277,119, the before tax consolidated result, normalised for extraordinary and non-recurrent events is positive to the tune of € 331,231.

While the turnover of the Group's parent company Dellas S.p.A. accounting for the major share, there has nevertheless been a remarkable increase in sales by subsidiaries, achieving and increase of 10% as compared with the previous financial year.

The consolidated net shareholder equity is € 18,297,306 compared with the total invested capital of € 34,682,732, indicates a good level of capitalization and a balanced group debt index.

"The Group has invested in product innovation and the industrial process to the tune of € 1,485,429"

In line with previous financial years, in 2016 the company had a robust policy of investment in capital assets, made directly by the Parent company, with effects driving the whole Group. In particular the Group has invested in product innovation and the industrial process to the amount of € 1,485,429.

The 2016 management of the holding Dellas Spa obtained an EBITDA of € 1,098,665, being equivalent to 8% of the net sales revenues, in line with the income levels of the Group.

Dellas Spa, the lead company, has a high capital standing, together with moderate borrowings and good liquidity, as shown respectively in the Net Financial Position/ Net Equity ratio 0.51, and in the Acid Test Ratio (Current and deferred liquid assets / Current liabilities), with a ratio of 1.18. Such capital and financial characteristics of Dellas Spa have also permitted the company in 2016 to fund the cited projects through the banking system and at reasonable interest rates: consider the fact that the mean third party capital for the financial year 2016 was 1.71%.

"High equity standing coupled with a moderate debt burden and good liquidity"

The international economic and social scenarios do not permit us to affirm that are yet the frequently hoped for signs of greater growth and stability. The uncertainties of international picture undermine the reliability of certain predictive models, which makes it difficult to make economic, financial and business projections.

Dellas, in this scenario, has strengthened its active internationalisation strategy centred on establishing its presents in new markets through investment, local partnerships and insertion in global production chains. Such developments need to carefully monitored, facing up appropriately to the risk they brings with them.

Among the actions Dellas has undertaken in the face of strategic risks should be recalled the Non Financial KPis monitoring Integrated Reporting. The adoption of Integrated Reporting is a big step forward as regards the recognition of organisational resources, depending not only on the financial capital and the production capital but even more the human, intellectual, social and relational capital. We can infer that the impact on environmental and natural resources, as on input and output, notably influences the operation of the business.

G4-1

This awareness leads to integrated thinking, balancing the primacy of financial capital growth with the rendering of account of non-financial as required by EU Directive 2014/95/ EU, assimilated on 30/12/2016 by Legislative Decree n 254, which firstly regards only large groups but also involves small and medium-sized business operating in their supply chain, in terms of discharging the obligations for transparency.

Dellas has witnessed in its own experience evident results in terms of improvements for the image of the company, in its better positioning in the supply chain, in the locating of human resources and in developing those already in house, as well as improved access to the credit market.

It is to be hoped that the Legislative Decree 254/2016 will succeed in stimulating Italian SMEs, as entrepreneurs,managers and accounting professionals, look very closely at the possibility of drawing up and publishing non financial information. In the context of Italy, characterised almost in its entirety by small and medium-sized enterprises, there is the firm conviction that the non Financial communication may amount to a factor of importance to competitiveness.

Marco Pasquotti

MARCO PASQUOTTI
Chief Financial Officer (CFO)

Business Model and Value Creation

Sector of industry: Technical Stone and Marble

Sub-Sector of industry: *Diamond tools*

MISSION

In strict contact with our customers working with marble, granite and stone, we plan, we construct and we offer solutions of the highest quality. We guarantee tool customisation, rapidity, after-sales service, constant quality standards and widespread geographical presence. We demand and receive the maximum commitment and involvement from our team. We operate with respect for people and in compliance with the law to ensure the safety and loyalty of partners, customers, suppliers and of all of the stakeholders.

FACTORS FEATURES

5
Product Families

Manufactured capital
Wide range of products, able to meet all needs in this sector, including those of quarrying, cutting and polishing. **Automated and innovative production processes** that ensure products are of **high quality and highest performance**

30 Assistance Centres
54 Dealers and Agents
12 Technical area - human resources

Human capital
Widespread worldwide presence assured by effective and detailed distribution network
Highly specialised technical personnel able to promptly and professionally respond to customer needs

3
Energy rationalisation initiatives

Natural capital
Priority for health and safety in the workplace, energy efficiency, control of emissions

0.53
Net equity on invested capital

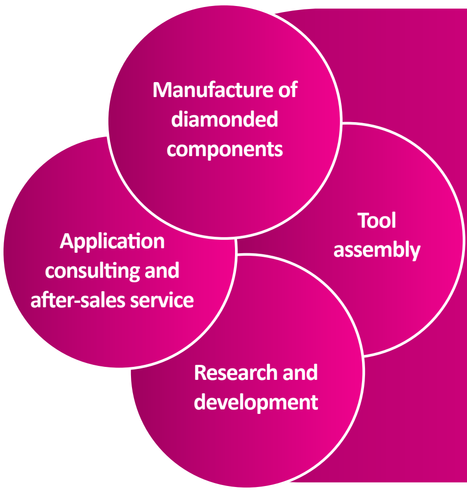
Financial capital
A good level of capitalisation and moderate levels of debt

€ 1,201,302
Investment 2016 R&D

Intellectual capital
Strong propensity for research and development, to find the tool most suited for the work

43
Years of history

Social and relationship capital
Considerable and consolidated work experience ensuring 360° knowledge of sector



€ 18,431,581 Consolidated turnover

€ 34,682,733 Total invested capital

€ 6,325,472 Global gross added value

€ 1,606,509 EBITDA

€ 1,857,414 Operating cash flow

INPUTS | **BUSINESS ACTIVITES** | **OUTPUTS**

G4-2 G4-9
G4-26 G4-27

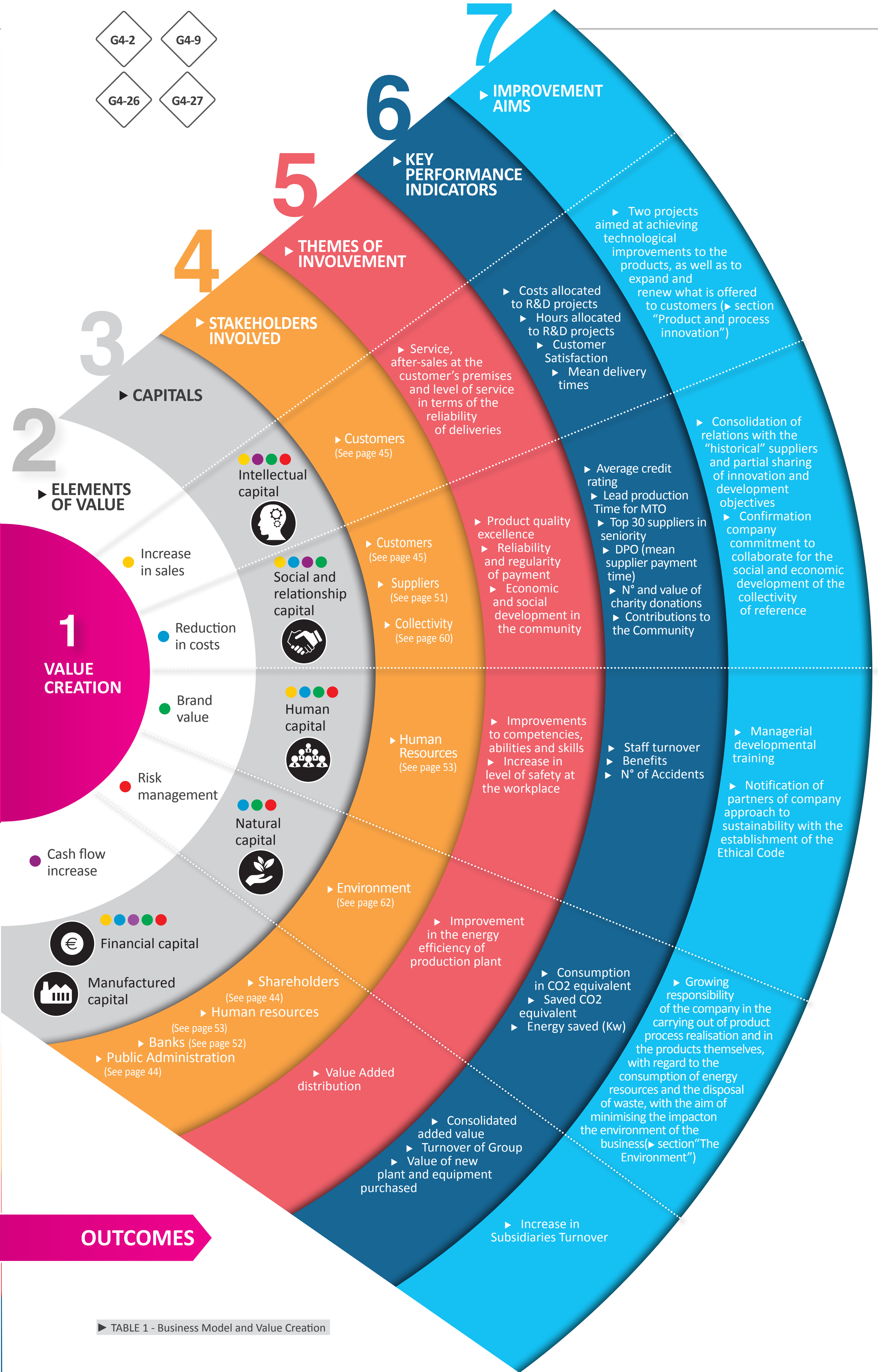


TABLE 1 - Business Model and Value Creation

Dellas is

The Mission

We work in close contact with our customers that work marble, granites and stone as we design, build and offer them the best high quality solutions to their needs.
We guarantee:

- tooling customisation;
- speed;
- after sales service;
- constant quality standards;
- an ubiquitous presence.

We strive to get the utmost commitment and involvement of all those who work for us.
We operate with the greatest respect for individuals and the law, ensuring safety for and loyalty towards employees, customers, suppliers and all of our stakeholders.

G4-56

Company values

Respect
Simplicity of ideas, a commitment to hunting down the best solutions and enthusiasm for turning them into reality all stem from an environment in which individuals are held in the highest esteem, where people are able to express themselves in terms of their professionalism and what they believe in. We are convinced that the prosperity of a company springs from the human and professional growth of its employees and its customers.

Responsibility
The commitment, professionalism and loyalty with which our company is steeped provide the basis for the establishing of relationships founded on trust and the sense of responsibility, with benefits for all persons involved and the community in which we operate.

Honesty
We counsel and warrant the quality and reliability of our products and services. The experience we have gained over forty years of working in this sector of industry means we are able to guide the customer towards transparent purchases characterised by carefully weighed choices designed to satisfy particular needs and requirements.

Willingness to help
We aim to provide an all round service with responses and products that will help our customers satisfy their needs for safety, speed and technological innovation. We listen, we appraise and we decide together with our customers on what is most appropriate to them for the achieving the best possible performance.

A Code of Ethics

Dellas is committed to communicating the principles of the Charter of Values and Behaviours approved by the Board of Directors to its employees and sales staff who in their different ways benefit the company through their professionalism.

“The Charter of Values and Behaviours aimed at all the group's sales staff is the basis for extending the company's values to all its employees and collaborators.”

The company has thought it important to publish the Charter of Values and Behaviours aimed at all the sales personnel of the group and to those who in their various ways have relations with the company's clients or potential clients. These members of staff are called upon to have more frequent contact with Stakeholders outside the company so it is important that they carry out their business with respect for a system of values and behaviours which is coherent with the philosophy and the value system implied by the daily activities of the company.
This document is also the basis for going on to extend the company's values and definitions of desirable behaviour to its employees and those who work for and in the name of Dellas.

The current Charter is divided into three sections:

- **The reference values** that guide Dallas's actions and represent the basic principles inspiring the conduct of the members that operate in the name and on behalf of the company, especially the Group's sales personnel and those who for various reasons have relations with the company's clients or potential clients (from herein “sales staff”);
- **The criteria for behaviour**, which go to identify and define in a clear and precise way the modus operandi of Dallas in relation to its sales staff and its own clients in its business activities, the professionalism and dedication of its personnel to the company's sales;
- **The method of dissemination and revision** of the Charter of Values and Behaviours.

40 years of History

G4-3 G4-7

In 2013 Dellas S.p.A. celebrated its first 40 years which have seen it rise to its current position as an international market leader in the manufacturer and sales of diamond tools for marble, granite and agglomerate.
The enterprise started life in Desenzano del Garda in 1973 and moved to its current home in Lugo di Valpantena in 1982. The valley of Valpantena, like that of the nearby Valpolicella, has always been known for the local skills in the cutting of marbles and granites from this area, from Italy as a whole and from all parts internationally. The move therefore enabled Dellas to get closer to the beating heart of the stone working industry and to be able to constantly test products and obtain immediate feedback on their performance.
Since its very beginnings Dellas has been strongly inclined towards research and development, with the companies surrounding its business having, over the years, acted as an "extended testing laboratory" for its tools.
The experience gained in this community, together with the work of an organization that has grown in size but remained lean and dynamic with highly specialized technical staff, has provided the platform for the company to make its name in new markets and ensure its brand is internationally recognized.

"Dellas is now led by its second generation backed by a Board of Directors with broad experience."

Company milestones

Dellas is now led by its second generation, the children of its founder Isidoro Ferrari. These are Daniele Ferrari, President and Chief Executive Officer, and Elisa Ferrari Vice President, backed by a Board of Directors made up of individuals who are all experienced in their areas of company business and all ready, able and willing to provide strong leadership for a company which is no longer a family business but a world force. The successes achieved year after year have been to a great extent associated with the company's deeply rooted values that put customer assistance first, with a heavy emphasis also on research and development for the solving of challenges as they arise in the field.

1973 The year "Deltas di Sinigaglia&Viazzo Snc" was established and started manufacturing and selling its diamond disks and blades in Italy

1979 The company changed its legal personality from "Deltas di Sinigaglia&Viazzo Snc" to "Dellas SpA"

1984 Isidoro Ferrari appointed President, a role he would continue to hold until 2012

2012 Daniele Ferrari, son of Isidoro, appointed CEO.

▶ TABLE 2 - Main Company Milestones

LOOK AT THE PROFILE WEB PAGE
www.dellasdiamondtools.com/company/company-profile

The main steps in the expansion into international markets

1975	The first contacts with Iran start, a market that will prove always to be essential for the growth of the Company.
1980	Dellas embarks on the countries of the North Africa and the Near East: Egypt, Palestine and the Lebanon.
1985	Dellas starts in South America: Brazil.
1990	Dellas continues with its conquest of the North African markets: Algeria, Morocco, Tunisia.
1996	Dellas sets foot in Saudi Arabia and Turkey.
1997	Dellas enters Portugal.
2001	Dellas opens up in Rumania and from here moves into Russia.
2004	Establishment of the Spanish branch “DELLAS SPAGNA SI" to serve the Spanish market in strong growth.
2011	Establishment of the Ethiopian branch “DELLAS SPA ETHIOPIAN BRANCH”, to serve all the sub-Saharan Africa market.
2012	- Establishment of the Turkey branch “DELLAS ISTANBUL MAKINA SANAYI VE TICARET AS”. - Establishment of the Chinese branch “DELLAS DIAMOND TOOLS SUZHOU CO. LTD"
2014	Acquisition of shareholding through "Cordusio Società Fiduciaria Per Azioni"
2016	Establishment of “DELLAS do BRAZIL Ferramentas Diamantadas LTDA”.

▶ TABLE 3 - The main international markets

The main steps in research and development activities

1995 The specialist laboratory is set up to study stone and other materials at the heart of the company's R & D department.

2004 Dellas begins pouring huge resources into research and the production of diamond wire, a tool with very high volume potential

2008 Confirming our constant commitment to innovation and development, Dallas begins producing a new range of tools for numeric control machines

"Dallas buys the sole patent for Diamond Injection Moulding"

2011 Dallas buys the sole patent for DIM (Diamond Injection Molding), a new molding technology for segments and beads used for cutting stone.

2012 With continuous research fervently seeking to meet all customer needs, the product range is further extended to include calibrating and polishing tools for stone.

2016 The continuous development of the 5 families of Dellas' products offering its clients an all round service covering all the phases of the stone working process, from the extraction in the quarry to finishing

▶ TABLE 4 - The main steps in research and development

LOOK AT THE QUALITY SYSTEM WEB PAGE
www.dellasdiamondtools.com/company/quality

The Products and Markets served

The range of products cover all stone working processes from quarrying through to final polishing and finishing. Dallas came into being as a manufacturer of diamond discs and blades, which are now known and highly regarded all over the world. The diamond blade is Dellas' product par excellence. Depending on the type of material to be cut, Dallas makes diamond blades of various sizes that are able to assure the perfect cutting of marble at relatively low costs. In particular the discs provided by the company have diameters ranging from 200 to 3,000 mm in diameter and their quality gives them high production speeds per hour and excellent finishing quality. Dellas furnishes diamond disks to cut marble, stone, granite, asphalt, ceramics and cement, as well as disks for heading machines, for horizontal cutting, disks for milling cutters, for splitters and for block cutters. Each type may have a standard or silent core which, in the latter case, significantly reduces the noise produced.

"Dellas gives advice on the specific tool to use for every type of machine, material and finishing. Dellas is present with its products in all the main stone extraction markets with its own products"

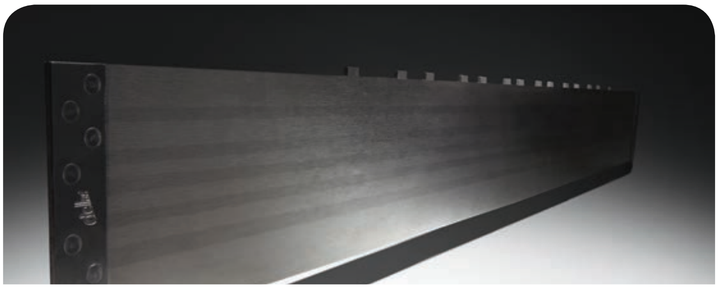
For a number of years now the new frontier embarked upon by Dellas, and one which is forging ahead internationally, is that of diamond wire: these are sintered or electrodeposited beads fixed to a steel carrier cable. The diamond wire is truly the "marbleman's jewel", increasingly used for the quarrying and quarrying of blocks of stone and the cutting of slabs. The technology can be applied in the quarry, on stationary machines, on profiling or multi-wire machines. In all of its applications, diamond wire offers considerable advantages in terms of the precision and the height of the cut, in keeping noise levels down, for high productivity, reductions in costs of labour and of water and energy and also with the absence of dust and vibration and smaller installation footprints for the machinery.

Lastly, the range has been extended to include two new product families: the special uses tools and numerical control machine tools. The first family includes the plane and shaped (both concave and convex) mills, the calibration plates for marble and granite, the fickerts and the frankfurts for marble and granite calibration and the calibrating rollers. The second family, for its part, consists of milling cutters, the splitting mills and the profiling milling sets.

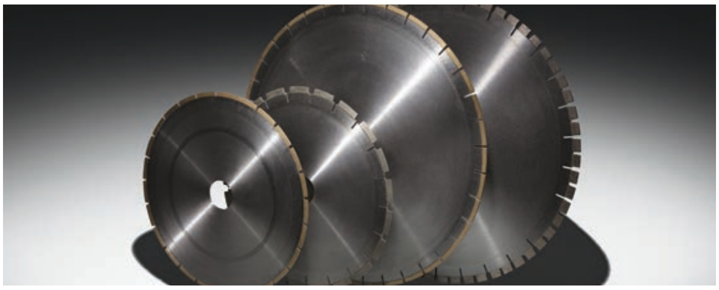
G4-8 G4-9

Thanks to the experience that has accrued to Dellas over all of these years the company is in a good position to give advice on the specific tool to use for every type of machine, material and finishing. Its thorough knowledge of materials and technology enable it to make tailor made tools for any requirement, to help customers find the best approach to their particular problems and provide specific working parameters according to the material and the machine being used.

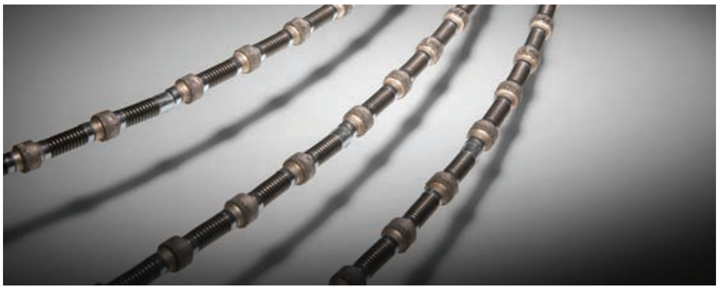
Dellas is present with its products in all the main stone extraction markets with its own products.
China, India, Turkey, Brazil, Iran and Italy account for 70% of total extraction. In all these markets Dellas has either its own branch or its own dealers ensuring immediate and rapid service.



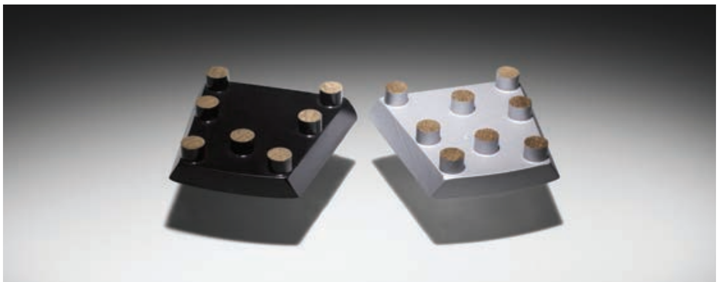
Diamond Blades



Diamond Discs



Diamond Wire



Polishing and
calibrating tools

Numerical control
machine tools

G4-4

Diamond marble cutter blades

Diamond blades are used for natural stones and composite materials, granite excluded. These diamond blades are in particular employed on frames for cutting slabs from the block; the single blade is, on the other hand, principally used for block squaring and the cutting of thicknesses.

A historically very important product the diamond blade is the tool that Dellas has become best known for and which has been most appreciated over the years by its clientele. The high precision and quality of the cut have seen Dellas blades' problem-free use on all marble diamond mounts. Their being correctly mounted on the frame is essential for good performance and long life. To this end Dellas' specialised technical personnel have assisted customers with the start-up process, as well as during actual working, to ensure the tools are used to maximum efficiency.

The long experience Dellas has had worldwide means it has acquired the knowledge necessary to make a very wide range of diamond tools able to meet many different requirements as regards quality, duration and cutting. In addition to this variety in the sectors themselves, the product is itself available in various gauges and sizes of steel with diverse technical specifications suited to the various types of frame and type of materials to cut.

Diamond discs

Diamond discs are used for cutting and working on any kind of stone, whether marble, granite or agglomerates. Disk diameters vary from 200 through to 3,000 mm, with standard of silenced cores, with Dallas disks all offering quality and finishing perfection.

Every material requires a specific sector of product, thanks to sophisticated research laboratory work Dallas succeeds in correctly identifying the stone to cut and selects the most suitable mixture for the customer's specific needs.

Diamond wire

Diamond wire is the more recent and most interesting 'cutting edge' innovation in the field of cutting tools. Constantly growing in importance the wire is used in the extraction process in the quarries, in cutting with mono or multi-wire machines and in the squaring and profiling of natural stones like marble and granite.

The commitment and the research efforts of Dellas have all been directed towards producing a tool that will give an improved surface finish, be vibration free, produce less noise and achieve a high level of precision on fast cutting, all of which translate into a general reduction in costs, in terms of energy, water and labour.

The company can on request offer consultation and also produce, on the basis of customer requirements, rubberised, plasticised or sprung diamond wire, that may also be open or closed through the use of splicing or with copper or steel junction joints.

Polishing and calibrating tools

Polishing and calibrating tools are for the working and finishing of the surfaces of natural stones and agglomerates. The finishing process can be broken down into four stages that take place in the following order:

- **Roughing**: which removes surface imperfections resulting from the cutting of the material.
  Tools used: roughing rollers, roughing plates and fickerts.
- **Calibrating**: preparing the material both superficially and also geometrically while complying the tolerances required by the market. Tools used: rollers, plates and stallite grinders.
- **Smoothing**: removes the roughing and calibrating marks to prepare the material for the upcoming processes of polishing, brushing and satin finishing etc. Tools used: diamond fickerts, resin fickerts, diamond frankfurts, synthetic frankfurts, resign frankfurts, diamond brushes, steel brushes and silicon carbonide brushes.
- **Polishing**: gives the material its colour and shine. Tools used: resin fickerts, synthetic frankfurts, resin frankfurts and polishing materials.

Numerical control machine tools

Tools for work stations and numerical control millers permit very detailed stone working such as the creation of curves, bore holes and specific and special shapes. Dellas offers a complete range of tools:

- electrolytic tools for working on marble and stone;
- sintered tools for granite, abrasive materials or coloured marbles;
- core drills, drilling bits, cutting millers, boring grinders, routers and profiling wheel sets.

Methodological Note to Integrated Reporting

Integrated reporting

G4-28

The relationship between the business, the investors and the company is increasingly subject to attention.
Companies are generally required to produce short term financial reporting focussing on the past, which means it is difficult to explain the situation of the company in a holistic manner.
The result is that, despite growing compliance burdens, companies are not able to provide investors with the information they need, and the capital markets are affected by a short term logic and excessive focus on financial information.
There is however a more advanced approach based on a good dialogue between companies and investors: Integrated reporting. This approach has been adopted by many companies around the world and contributes to the financial stability and sustainable development of the business.
Integrated reporting <IR> is strategic communication oriented towards the future, which describes the way the organisations impinge of the difference resources and capital by creating value over time.
International <IF> Framework **(1)** published by the IIRC, identifies 6 large capital categories:

"Integrated reporting <IR> is strategic communication oriented towards the future, that describes the way organisations impinge on the various resources and capital t create value over time"

Financial capital: together with the funds that the organisation can use to produce goods or to provide services, also obtained by various loans.

Manufactured capital: manufactured physical objects (e.g. buildings, machinery, plant and equipment) that an organisation can use to manufacture goods or to provide services.

Intellectual capital: intangible assets regarding organisational capital and the value of knowledge and expertise (e.g. patents, procedures and organisational expertise).

Human capital: competences, abilities and the experience of persons and their motivation towards innovation.

Social and relationship capital: together with the relations with stakeholder groups and other networks, and the capacity to share information for the purpose of increasing individual and collective well-being.

Natural capital: environmental processes and resources, both renewable and non-renewable, that provide goods or services for success in the past, present and future of an organisation.

The Account rendering the organisation a on the their strategy, in the overview impact of the miscellaneous capital, for decision plus informed and to manage the main risks, the opportunity.
In this way the emphasis is in favour of long term objectives and strengthens the relationship of trust with investors.

"The 2016 report is an essential step towards achieving a complex narrative that is not limited to just reproducing the financial and equity positions but illustrates the prospects of the company's capacity to create value"

GRI and <IR> together for a broader vision of company performance

The sustainability disclosure, following the international GRI **(2)** guidelines offers a broader vision of company performance compared with just financial information. When this analysis of sustainable entered in the in manner substantial, analysis with of value through the six capital. Reporting increases its significance therefore, when using both the GRI standard the International <IR> Framework. ESG energy, social and governance anlysis carried out following the GRI global setter standard indications contributes as part of the Integrated reporting to build up a holistic view of company performance.

The Evolution of Dellas' Corporate Reporting

This Report, relating to financial year 2016, is an essential step (► TABLE 5) of the Dellas Group towards accounting its financial and non-financial results to achieve an overall narrative on the business capable of gathering together the facts we have just described, not limiting ourselves to setting for the capital and financial positions and the performance obtained, but illustrating the ability of the company to create value in a sustainable and lasting way

G4-17

G4-22

G4-23

Report 2011	• First structured notification of the CSR according the first **European Commission Guidelines** (3) • Breakdown of **Business Model, Governance, Risks and Opportunities** • Determination of the **areas of social impact**
Report 2012	• Adoption of the **«Principles for the drafting of the Financial statement Company»** in 2001 from **GBS** • Expansion of **account rendering scope** for the whole Group • Introduction of the **economic-financial, social and environmental framework** of operations, following the **draft Framework** published by the **International Integrated Reporting Council** (1)
Report 2013	• Following the **Framework** of the **International Integrated Reporting Council** (1), having carried out the **integration between the economic-financiall, social and environmental profiles of the company management,** entering **specific connections** between the various sections of the Report • **Performance indicators** of the areas of social impact • **Listening and Dialogue channels** with stakeholders, and improvement objectives
Report 2014	• **Adoption of account rendering standard GRI-G4** (2) • **Stakeholder engagement** for materiality analysis • Communication to partners of the company approach tp sustainability by the **creation of the Ethical Code** • Breakdown of KPIs with reference to **company capitals** as specified in the **IIRC Framework** (1)
Report 2015	• Improvements to the **connectivity of information** within the report and between the report and the website in response to the corresponding guidelines of the IIRC Framework • Having reorganised and added more detail to the section relating to the Business Model most connected with **Value Creation** • **Online survey of Annual Report** information and content • Inclusion of the accounting tables for the **Consolidated Financial Statements.**
Report 2016	• **Analysis of intangibles** for the better representation of the human, intellectual and rational capital on the basis of the **WICI intangible reporting framework** (5) • The section regarding the Business Model and the Value Creatin Process through an **explanation of the principal impacts.** • Review of the **Consolidated Financial Statements.**

▶ TABLE 5 - Evolution of Corporate Reporting at Dellas

Through the 2011 Report, the company has produced its first structure notification of Corporate Social Responsibility according to the first European Commission guide lines (3); the document went well beyond the minimum content regarding the economic, capital and financial information required by civil regulations and national accounting standards to embrace and illustrate also the social and environmental profiles of the company.

From 2012, with the publication if the corresponding Annual Report on 30 May 2014, there was even more effort put in to expand the scope of the account rendering of the company.
A picture of the Dellas Group was given in its entirety, involving in the account rendering all the main economic and financial, social and environmental aspects of the operations of all entities over which Della Spa exerts an influence, that is to say its subsidiaries.
The «Principles for the drafting of the Financial statement Company» were adopted as established in 2001 by the GBS (4).

INTRODUCING <IR>
https://youtu.be/EFm0sKeBLh0

From the year 2013, with the publication of the corresponding Annual Report of 30 May 2014, taking into account the literature which was mainly that of <IR> International Framework, the following is also included in this document:

- indications of the main integration items for the social and environmental, social and environmental management profiles, through inclusion of specific cross references an connections between the various sections of the Report;
- information about the main content:
  - Presentation of the organisation and the external environment
  - Governance and business model
  - Risks and Opportunities
  - Strategy and allocation of resources
  - Performance
  - Prospects

G4-18

In 2014, with the publication of the corresponding Annual Report on 3 June 2015, the company presented the following news:

- the use of GRI International Standard 4.0 (2013) with reference to account rendering of the ESG aspects relating to areas that do not strictly regard accounting matters: such standard has enabled Dellas to identify and report specific indicators relating to social and environmental performance of the company governance.

In 2015, with the publication of the corresponding Annual Report on 31 May 2016, the company introduced the following new elements:

- indications on notifications on the uses of the various areas of company "capital", as in the IR International Framework;
- reorganisation of the Business Model, more closely connected to the concept of Value Creation.

Through this Report 2016 (▶ TABLE 6) the company has continued the communication plans, already begun with the preceding annual accounting, through the use of GRI international standard 4.0 (2013) with reference to international account rendering of ESG aspects within the <IR> International framework.
Furthermore, to better represent the Human, intellectual and relational capital, the Company has further examined the WICI suggestions regarding the Intangible Reporting Framework (5) as recently published. Such document is an important international initiative in the light of the ever growing importance of intangibles to the company value creation processes.

▶ TABLE 6 - Framework, principles and metrics

The part that regards "Company Social Responsibility", has been made possible, as in previous financial years, thanks to the gradual and targeted involvement of some of the most managerial figures of the company (the inclusiveness principle), that through programmed encounters and focus groups designed to identify the most significant accounting information (relevance principle) regarding the actions carried out by Dellas during the year 2015 (completeness principle). In the account rendering of the contents of the Balance sheet it has been our intention to provide an impartial picture of the performance of Dellas, indicating both the positive and negative aspects (principle of balance).

To give correct representation of the company performance the information provided has been directly measurable qualitative and quantitative data, avoiding estimates which, where there are any, have their sources shown and the indication of the methods of calculation used (principle of accuracy).
No significant changes in aims or in material aspects have been reported with respect to the previous Annual Report.

The section of this Annual Report on the “Company Social Responsibility" is in accordance with the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI-G4), according to the "core" option.

The next Report shall be drawn up with a view to improving, increasingly and year on year, the annual information available to ensure the publication of an integrated report that complies with the best international standards, that is fit to truly meet the information needs of all the stakeholders and provide an exhaustive and integrated picture of the impact of the company's activities on its own socio-economic impact.

Communication of non financial information in accordance with Legislative Decree 254/2016, without being subject to supervisory activity

EU Directive 2014/95, assimilated by Legislative Decree 254/2016 establishes new minimum reporting standards on environmental and social matters in relation to the management of Personnel, with respect to human rights and the combating of active and passive corruption. The Directive aims to introduce and reinforce good conduct and has the objective of increasing transparency in the communication of non financial information and increasing investor trust as well as that of the stakeholders in general.

G4-29

The Dellas Group, excluded from application of article 2 of the aforesaid decree, has chosen to make, pursuant to article 7, a voluntary conform non financial information statement.
As provided for in the aforesaid decree, however, Dellas has waived the supervisory activity of article 3 paragraph 10.

Business report of the consolidated financial statements

G4-30

Sections 1, 2, and 3 of the Integrated Annual Report 2016, drawn up on the basis of the International Framework published in the International Integrated Reporting Council (IIRC), represent the Business report of the consolidated financial statements as of 31/12/2016

G4-31

This Integrated Annual Report was drafted on 10th May 2017, was submitted to the attention of the Board of Directors of Dellas for approval on 29th May 2017, and was published on 31 May 2017.

For further information:
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TEL: +39 045 8801522 - MAIL: marco.pasquotti@dellas.it

DANIELE FERRARI
President and Chief Executive Officer (CEO)

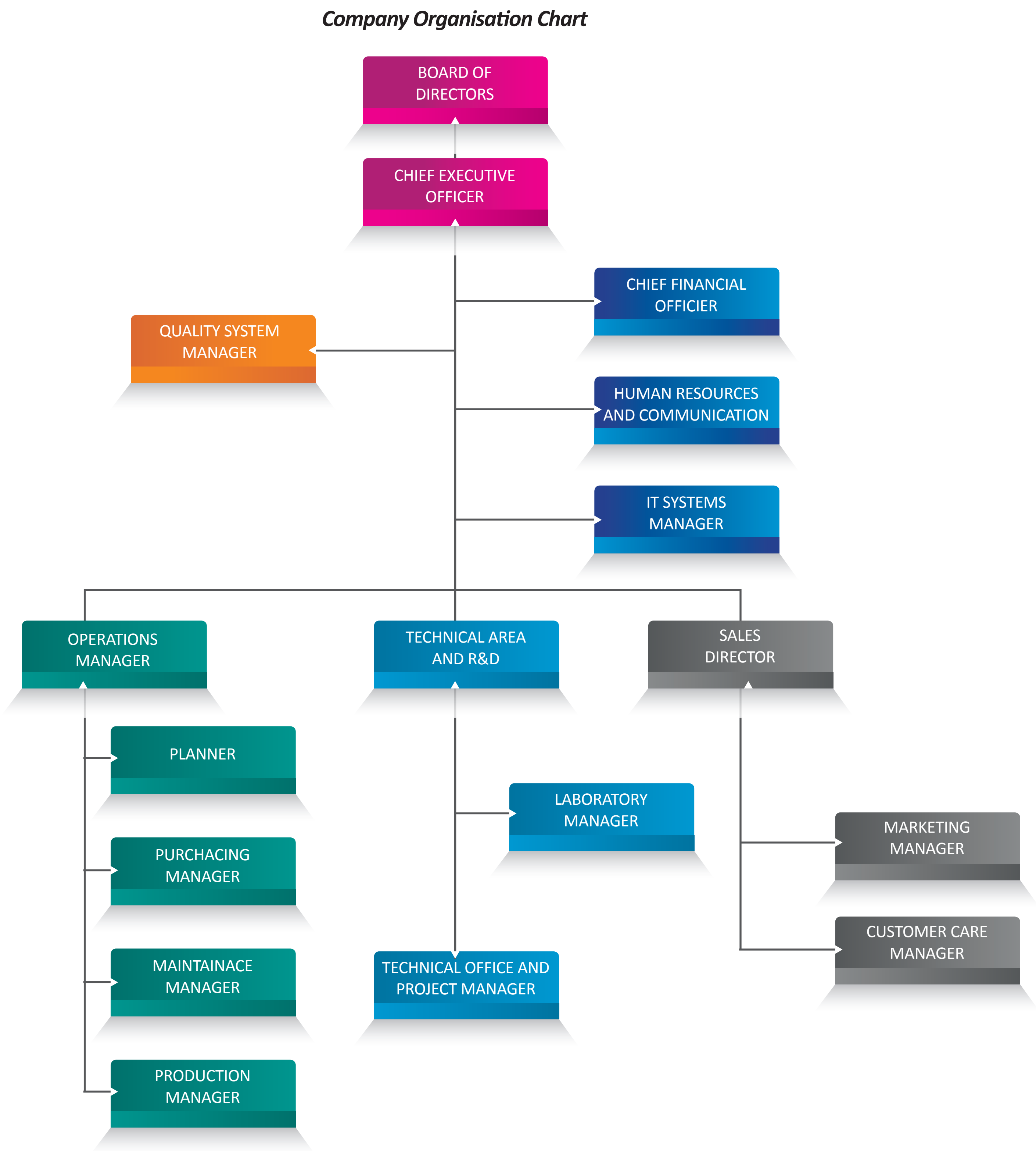
Lugo di Grezzana (VR), 10/04/2017

(1) INTERNATIONAL <IR> FRAMEWORK - Decembre 2013 - International Integrated Reporting Council - www.theiirc.org/international-ir-framework. The International Integrated Reporting Council (IIRC) is a global organisation made up of regulators, investors, companies, governmental entities, professionals working in the field of accounting and NGOs, with the aim of providing guidelines so that notifications on the creation of value is the next step in the evolution of the corporate reporting.
(2) The Guidelines promoted by the Global Reporting Initiative (GRI) represent a standard that is multi-stakeholder, international, and long term, in relation to the development and the global diffusion of the Guidelines for Sustainability Reports. www.globalreporting.org/reporting/g4/
(3) The main documents concerned as regards the guide lines published by the European Commission, are the following:
- European Commission, “Guide to Communicating about CSR”,
- 2009 European Commission, “Awareness-Raising Questionnaire”, 2005;
- European Commission, “CSR in Small Businesses: Good Practice Examples”, 2007;
- European Commission, “Opportunity and Responsibility", 2007.
(4) The GBS is the Study Group set up to establish the GBS Social report drafting standard established in 1998 by entities, associations, universities, companies and certification bodies for the purpose of supporting the communication of the Social Report of the company.
(5) WICI Intangibles Reporting Framework - settembre 2016 - www.wici-global.com. The World Intellectual Capital/Assets Initiative has developed a framework to improve the representation of intangibles, in a context of value creation, in direct relation to the INTERNATIONAL <IR> FRAMEWORK.

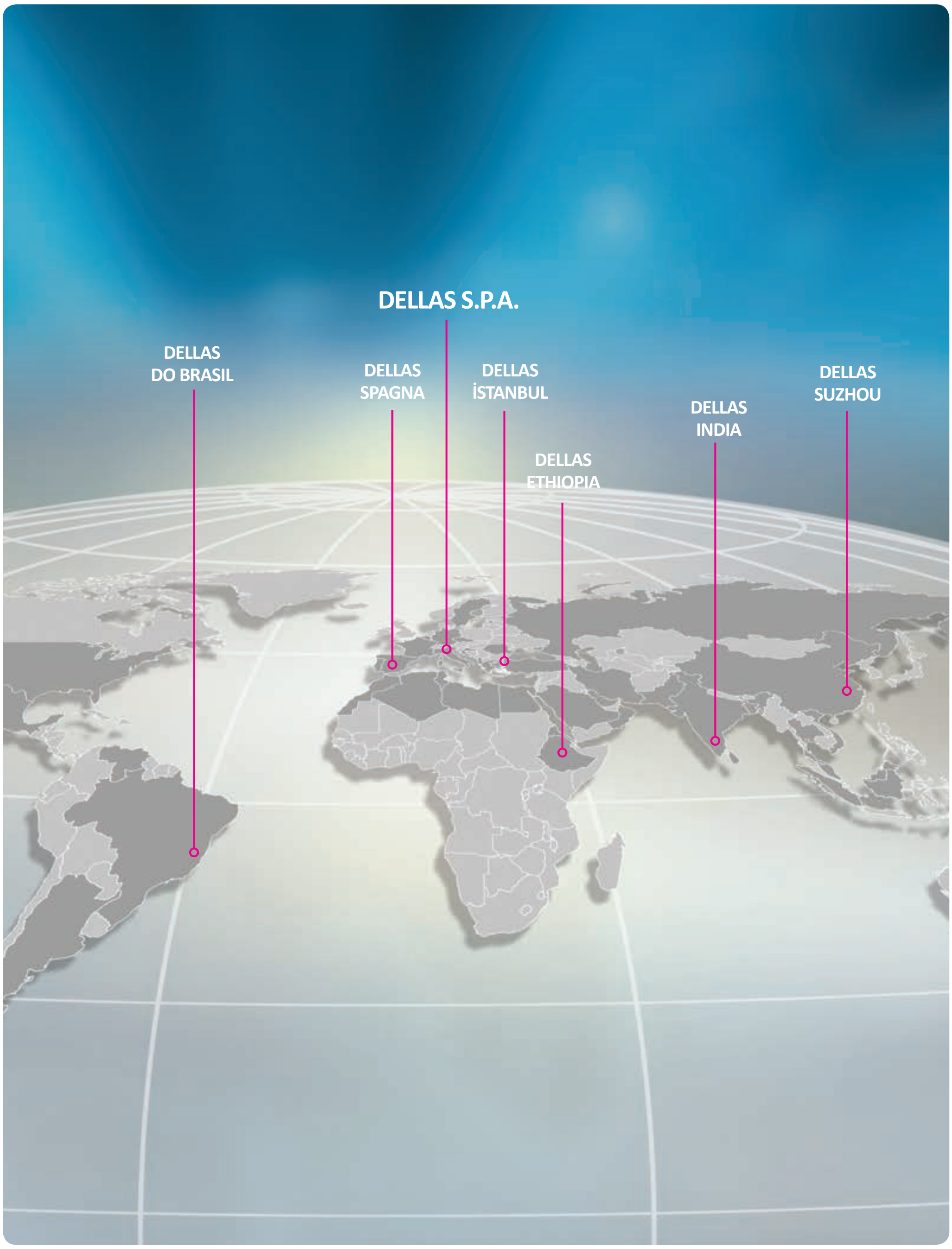
2

GROUP STRUCTURE AND CORPORATE GOVERNANCE

Organisational Structure



▶ TABLE 1 - Company Organisation Chart



Dellas Branches Dellas in the world

▶ TABLE 2 - Dellas in the world: branches and countries served

MORE INFORMATION ON DELLAS BRANCHES
www.dellasdiamondtools.com/company/dellas-branches

Distribution Network

G4-5 G4-6

It has over time been found to be a strategic policy to create assembly centres around the world in co-operation with local retailers. The company thus develops a widespread presence able to offer immediate and prompt assistance, thus ensuring competitive local costs. there are 30 countries in which we have Dellas commercial and assistance premises, with a total of 54 dealers/agents.

DELLAS S.P.A.
Via Pernisa, 12 - Frazione Lugo
37023 Grezzana
Italy

DELLAS İSTANBUL MAKINA SANAYI VE TICARET A. Ş.
SeyrantepeMah. Altınay Cad. No: 31 Kat: 2
Köşe Han Kağıthane, İstanbul
Turkey

DELLAS DIAMOND TOOLS SUZHOU CO. LDT.
Building 17F Suchun Industrial Square
Qingqiu Street, Longtan Road
Suzhou Industrial Park, Suzhou,
P.R.China

"Widespread cover and prompt assistance in 30 Countries"

DELLAS SPAGNA, S.L.
Polig. Indus. A Granxa, Pa 114 -
36475 Porriño - Pontevedra
Spain

DELLAS S.P.A. ETHIOPIAN BRANCH
Kebele 16, Bole Sub city Woreda 07
House N.053, Addis Ababa
Ethiopia

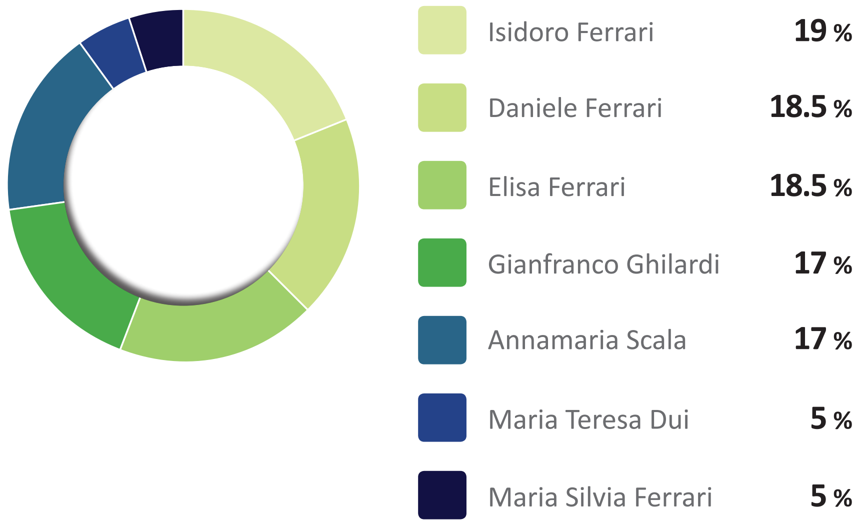
DELLAS DO BRASIL FERRAMENTAS DIAMANTADAS LTDA
Avenida Colares Junior, nº 1.485-F,
CEP 29172-810, Serra, Espírito Santo
Brazil

DELLAS STONE TOOLS INDIA PRIVATE LIMITED
Unit G, Hotel Planet, 571/2,
Office Complex, Anna Salai, Teynampet,
Chennai - 600018, Tamil Nadu
India

Ownership and Group Structure

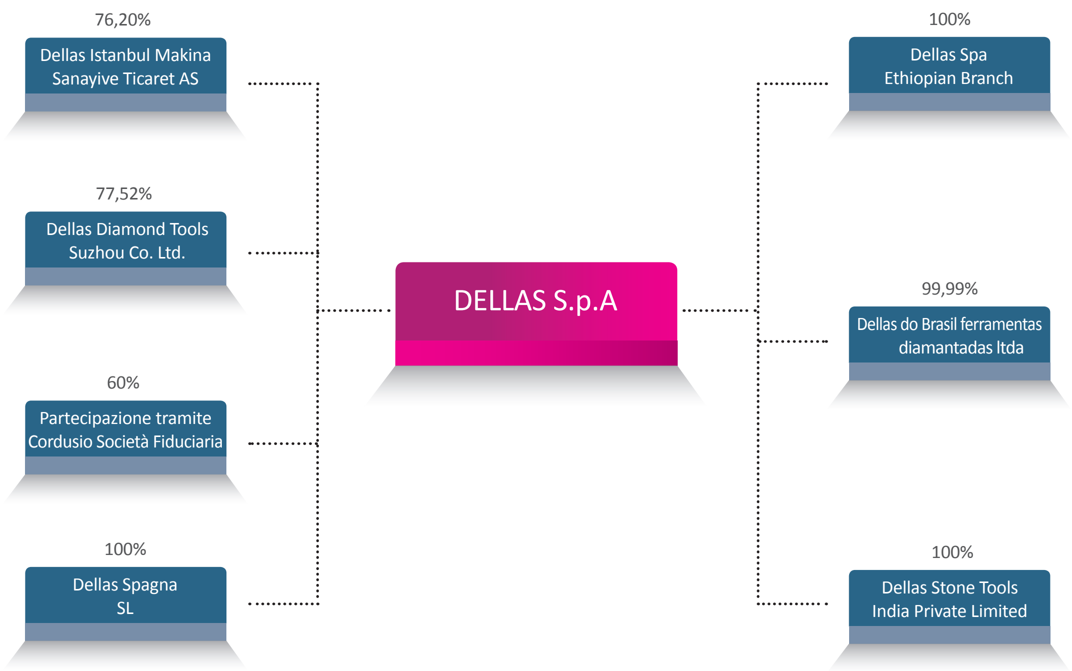
G4-7 G4-13

Dellas is owned by the Ferrari family (▶ TABLE 2): Isidoro Ferrari, the founder and Honorary President holds 19% of the shares, 17% are held by his wife and the children Daniele and Elisa Ferrari are respectively the current CEO and Vice-President and Marketing, Communications and HR Manager of the company each owning 18.5% of the shares. The remaining (27%) are held by three other individual members. There have not been any significant changes in the ownership structure during the reporting period.



▶ TABLE 2 - The team ownership on 31/12/2016

The structure of the Dellas Group on 31st December 2016, is shown in the following chart.



▶ TABLE 3 - The structure of the Dellas Group as of 31/12/2016

Corporate Governance

Dellas exercises its governance through four main bodies:

1. General Meeting of Shareholders;
2. Board of Directors;
3. Statutory Board of Auditors;
4. Auditor;

General Meeting of Shareholders

In accordance with the provisions in law and the articles of association of the company, the following matters are reserved to the competence of the Ordinary General Meeting of Shareholders:

- the approval of the annual financial statements;
- the appointment and the revocation from office of directors, the appointment of the statutory auditors and the chairman of the board of statutory auditors and the person put in charge of the accounting audits;
- the determination of the reward due to the statutory auditors;
- the liability of directors and of statutory auditors.

The Extraordinary General Meeting of Shareholders is however responsible for the following:

- amendments to the articles of association;
- the appointment, the substitution and the determination of the powers of the liquidators or official receivers;
- bond issues;
- other matters reserved to such meeting by the law.

Board of Directors

G4-34 G4-38

The Board of Directors is the body that actually does the work of managing Dellas. It represents the General Meeting of Shareholders by which it is elected every three years and which decides its rewards and responsibilities. The board is made up of 7 members when it is set up and it itself appoints from its number the Chairman and the Managing Director.

G4-40

The role of the Board of Directors is to take all necessary actions in pursuance of the company's aims, which in particular includes the execution of the resolutions of the General Meeting of Shareholders, the drawing up of the budget and the final balances and the drawing up of annual and multi-annual plans and programmes.

G4-42 G4-45

The Board of Directors is not only composed of shareholders but also of the most important managerial figures who have been chosen on the basis of competence and experience so as to guarantee the immediate and direct application of all the plans and strategies decided upon. All the members have an active role in the company at strategic levels of the company's organisation chart.

It falls to the Board of Directors to individuate the impact, risks and economic social and environmental opportunities implementing them through their management. Apart from this, the Board approves the statement of the company's values, its mission, strategies, policies and objectives in relation to their economic social and environmental impact.

G4-43

The board of directors has configured a dashboard of Key Performance Indicators to periodically monitor performance relative to economic, social and environmental objectives. Further to this, some members of the Board were chosen to participate in a training program on the international GRI standards version 4.0 (2013). This has strengthened the Board's collective understanding of these economic, social and environmental themes.

G4-39

Board of Directors

Name and Surname	Position	Role in the organsation chart
FERRARI DANIELE	*President and Managing Director*	*Managing Director (CEO), Chief Sales Officer (CSO)*
PASQUOTTI MARCO	*Board Member*	*Chief Financial Officer (CFO)*
FERRARI ELISA	*Board Member*	*Chief Human Resources Officer (CHRO)*
RIVA GIOACHINO	*Board Member*	*Area Manager*
FERRARI ATTILIO	*Board Member*	*Area Manager*
FERRARI MARIASILVIA	*Board Member*	
GHILARDI GIOVANNA	*Board Member*	

Term of office: financial years 2015-2017 as decided by the General meeting of shareholders on 6 July 2015.

▶ TABLE 4 - The Board of Directors as of 31/12/2016

G4-LA12

	2016	2015	2014
Board members	7	7	6
% Women	42.8 %	42.8 %	16.6%
Age of members			
Under 30			
Between 30 and 40	3	3	3
Between 41 and 50	1	1	1
Over 50	3	3	2
Percentage belonging to protected categories			
Number of meetings held	7	7	7
Attendance by Board members	**99%**	**99%**	**98%**

▶ TABLE 5 - Breakdown of composition and meetings of the Board of Directors

Statutory Board of Auditors

The Statutory Board of Auditors is made up of three executive members and two alternate members appointed by the General Meeting of Shareholders which also appoints its Chairman. In accordance with the provisions of the Italian Civil Code, the Statutory Board of Auditors supervises compliance with the law and with the articles of association, with the principles of administrative propriety and in particular the adequacy of the organizational, administrative and accounting set-up of the company and its proper actual running. It also reports to the General Meeting of the shareholders that is called to approve the financial statements at the end of the company's financial year and on the activity carried during in performance of its duties.

The make-up of the Statutory Board of Auditors

Name and Surname	Role and Tasks
BELLORIO CLAUDIO	*Chairman*
CAPRARA ARNALDO	*Executive auditor*
MARRONE EUGENIO	*Executive auditor*
EDERLE VALENTINO	*Alternate auditor*
FARLEGNI FRANCESCO	*Alternate auditor*

Term of office: financial years 2016-2018, as decided by the General meeting of shareholders of 27 May 2016.

▶ TABLE 6 - The Statutory Board of auditors as of 31/12/2016

Auditor

The company's accounts are audited by the Auditor, who carries out in particular the following tasks:

- periodical checks on the proper keeping of the company books and correct entering into the journals the events in the management of the company;
- checking that the operational balance corresponds to the accounting record and that the civil law accounting regulations have been complied with as well as correct accounting principles as drawn up by the Italian Accounting Organisation have been duly and continuously applied;
- gives his written judgment on the operating balance.

The Auditor

Name and Surname	Role and Tasks
ZANINI TOMMASO	*Auditor*

Term of office: financial years 2016-2018, as decided by the General meeting of shareholders of 27 May 2016.

▶ TABLE 7 - The Auditor as of 31/12/2016

Risk Management

G4-45

STRATEGIC RISKS
(Competition, Social trend, Capital availability)

- **Integrated Reporting**
- **Non Financial KPIs**
- **Business Plan and Budgeting**

FINANCIAL RISKS
(Pricing risk, Asset risk, Currency risk, Liquidity risk)

- **Single model of organization in finance area**
- **International Enterprise Resource Planning**
- **Exchange risk cover (Usd, Try, Cny)**
- **Masterfile and national documentation on Transfer Pricing**

OPERATIONAL RISKS
(Customer satisfaction, Product failure, Integrity, Reputational risk)

- **Tailor made products**
- **Customer support services on site**
- **Testing centre available to clients**
- **Non Financial KPIs**

HAZARD RISKS
(Third Party Liability, Property damage, Natural catastrophe)

- **International Liability Program**

▶ TABLE 8 - Risk Management

Following the directives of its Board of Directors, Dellas has carried out a specific Risk Assessment process aimed at identifying, analysing and managing not only entrepreneurial and debt risks but also all the IT, social, natural disaster, image and country risks to which the company may potentially be subject.

Four macro areas of risk have been identified:

- STRATEGIC RISKS
- FINANCIAL RISKS
- OPERATIONAL RISKS
- HAZARD RISKS

Such risks naturally need to be guarded against, not only by insurance as specific protective strategies also need to be implemented.

The international social and economic backdrop to the company's activities means keeping a range of factors in check, those associated not only with mistakes and accidents that are internal to the business organization but also with macroeconomic events that are beyond the control of individual companies. In the face of such possible events it is essential to establish operational continuity strategies to mitigate any negative impact of events and to preserve competitive advantages. To this end the company has planned and implemented the following actions in the financial year.

“Such risks naturally need to be guarded against, not only by insurance as specific protective strategies also need to be implemented. The international social and economic backdrop to the company's activities means not only keeping mistakes and accidents internal to the organization in check but also macroeconomic events as well”

STRATEGIC RISKS

The risks of competition, social trend and capital availability are included in this class. The main actions have been on the one hand to set up a short and medium term planning strategy and on the other a process of investor relations as an overall description of the company. This action goes beyond the numbers of the statutory accounts and gives a clear picture of the company's future capacity to create sustainable and lasting value with the result of producing key performance indicators that allow the evolution of the business to be measured in terms of its relationship towards clients, suppliers, employees and the community at large.

FINANCIAL RISKS

Within this class are included pricing risk, asset risk, currency risk, liquidity risk. A key facilitator in this context was the implementation of a single organisational model in the Finance area applied to the parent company and subsidiaries facilitated by the adoption within the group of a single International Resource Planning which can be used to measure and monitor the performance of the companies in the Group on a monthly basis.

OPERATIONAL RISKS

By this is intended customer satisfaction, product failure integrity and reputational risk. The risks associated with client satisfaction and to the factor of reputation are managed by exploiting investments in R&D to produce products with an increasingly higher performance but also to put the Laboratory of the Centre for testing and Analysis at the disposition of the client.

HAZARD RISKS

Here we are dealing essentially with insurance risks: third party liability, property damage, natural catastrophe. In this instance an International Liability Program has been implemented with the aim of standardising the insurance cover and centralising its monitoring. This is a response to the necessity to pursue the compliance of the insurance policy with the peace of mind derived from conforming to the law of the different counties but keeping control of the risks and the same level of insurance guarantees by way of the parent company.

Moreover the aim is to rationalise cover, avoiding risks being covered twice or worse, that risks are not insured against and this also allows accidents to kept under control. Specifically, apart from stipulating a Directors & Officers Liability, that is a policy covering the public liability of the administrators, auditors and Directors, a Controlled Master Program was defined with the so called Dic/Dil/Drop Down clause on the main overseas policies, ensuring the conformity of local policies with the Italian master policy which comes into play in cases of differences between limits of compensation and of legal framework, apart from in cases of apart from cases of exceeding maximum coverage .

Assiteca Prize - Risk Management

On the 2nd December 2014 DELLAS participated as a finalist in the Assiteca prize 2014, winning FIRST PRIZE in the category SME.
After having tackled the theme of health and safety in the workplace (ed. 2010), trade receivables (2011), business continuity (ed. 2012) and of compliance (ed. 2013), the focus of the V edition of the the Assiteca prize was dedicated to "Excellence in Export: strategies, plans and safeguards".
The research project promoted by the 2014 focus of the Assiteca Prize set itself the task of identifying the Export Champions: those large and small Italian companies that over the years of this recent period of crisis have managed to grow, developing their own activities in foreign markets, often in difficult areas, taking on the risks that this activity involves. This research project was managed by a scientific and technical committee under the guidance of Stefano Caselli, Professor at the Department of Finance and acting Rector of international affairs at the Bocconi University, that also includes the post of President of the scientific technical committee of the prize.
The first phase of the survey required the compilation of a questionnaire with a points system aimed at investigating how Italian companies are structured and organised for developing their business abroad and which plans and strategies have been adopted. The replies given defined the ranking of the most virtuous companies who were invited to participate in a second round of enquiries aimed at investigating the export focus more thoroughly by way of submitting specific documentation.
At the end of this qualifying round, the Technical Scientific Committee selected the companies to be included as finalists in the category Small to Medium Enterprises and Large Enterprises.
So, on 2nd December, at the offices of the financial newspaper "Il Sole 24 Ore" in Milan, Dott. Marco Pasquotti presented the success story of Dellas, winning according to unanimous judgement expressed with the votes of the members of the Technical Scientific Committee, the FIRST PRIZE in the SME category.

Legality Rating

" The Italian Authority on Fair Competition gave DELLAS Spa a legality rating of ★★++ "

The Competition and Market Authority, following the application for renewal of 09/02/2017, has decided to renew for the Company DELLAS SPA the Legality Rating previously attributed to it on 10/03/2015, upgrading its score from "★★+" to "★★++", entering it at that rating in the companies' Legality Rating list pursuant to article 8 of the Regulation.
The Legality Rating is the score given by the GCM which attributes one to three "stars" for good practice at companies whose turnover exceeds two million Euros per year and which comply with a series of legal and quality requisites.
To obtain a "star", the owner of the company and the senior managers must not have any history of crimes committed of those listed in legislative decree number 231 of 2001 or for the main crimes against the public administration authorities or for tax crimes. A further requisite is that there must not have been initiated against such persons any legal actions in the area of criminal law relating to mafia matters.
As regards the company, no administrative offences may have been committed by employees regarding offences coming within the scope of legislative decree 231 and they must not have been guilty in the previous two-year period for any unlawful anti-trust conduct or any offences in the consumer protection area. The company must also carry out all payments and financial transactions over a thousand Euros only by traceable means. To obtain a higher score, the Regulation indicates six other requirements: two "stars" if half the requisites are complied with and three "stars" if all are complied with.

Authorised European Economic Operator Status (AEO)

In April 2017 Dellas SpA obtained Authorised European Economic Operator Status: Authorisation n. IT AEOF 17 1280.
The Customs and Monopolies Agency, in accordance with the inspection carried out by the Verona Customs Office, confirmed that Dellas meets the criteria required for this Authorisation, according to the customs union provisions.

The new European Union Customs Code has made substantial changes to customs law and procedures, as well as to the dealings between trade operators and the Customs authorities. The result is they will be more and more oriented towards greater speed and collaboration, by virtue of this customs status of "Authorised European Union Status (AEO)".
The acquisition of AEO certification purchase permits Dellas SpA to obtain a series of benefits in terms of the simplification of customs and/or security matters.

Membership of National associations

G4-16

Dellas is a member of Confindustria, the main organisation representing manufacturing enterprises and services in Italy, sharing its principles and the norms foreseen by its statute.

Lugo di Grezzana (VR), 10/04/2017

DANIELE FERRARI
President and Chief Executive Officer (CEO)

3
CORPORATE SOCIAL RESPONSIBILITY

Introduction

Since 2001 the European Commission has referred to its «Green Book: to promote a European Framework of Social Responsibility », where Corporate Social Responsibility (CSR) is seen as «voluntary integration of social and ecological concerns of business into their trading operations and their dealings with interested parties».

Many small and medium-sized businesses (SME) however, despite having a significant social impact themselves, have, to date, failed to suitably provide adequate information on their social responsibility work, either because they think that such information remains a matter solely for large businesses or because they deem social responsibility to be a matter of wholly secondary importance.

There are in reality many tangible reasons why business should subscribe to ethical values and apply them to the to their company operations:

- **external pressures**, that is to say from consumers more attentive to quality and traceability of products and in relation to respect for people and the environment, from the public authorities, from the people in the community, from environmental associations and investors, all of which choose not to invest in non-sustainable economic activities;
- **pressures exerted from within the company structure** itself, from for example employees or trade union organisations, though it is often the entrepreneur or the management itself that wishes to introduce a more ethical company culture;
- **reasons connected to new communications technology**, making the spreading of information on the economic activities of companies ever easier and making it more available to third parties such as those referred to above.

“Good environmental, social and governance performance indicators directly contribute to a company’s financial performance”

Good environmental, social and governance performance indicators directly contribute to a company’s financial performance. A good corporate social and environmental reputation helps to attract and to hold on to highly qualified personnel and hence makes human resources management processes more efficient and effective. Reducing environmental accidents and improving the health and safety of employees actually increases productivity and lowers operating costs. Lastly, businesses with a good social and environmental reputation usually enjoy accrued image benefits in the eyes both of customers and of investors. **(1)**

Thanks moreover to the strength of ties with interested parties and the establishment of loyalty, socially responsible businesses become more flexible and capable of anticipating change, all of which contributes considerably to improvements in performance.
The importance of Corporate Social Responsibility communication is enshrined in European legislation which sees it as a requisite of fundamental importance: «To the extent that it is necessary for an understanding of the company’s development, performance or position, the analysis in the Annual Report shall include both financial and, where appropriate, non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters” EU member states may choose to exempt small and medium-sized business from this requirement (Directive 2003/51/CE). **(2)**

In October 2011 the European Commission also published its specific policy on Corporate Social Responsibility in its document: «Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. A Renewed EU Strategy 2011- 14 for Corporate Social Responsibility». It argued that to adequately describe Corporate Social Responsibility the businesses in question «should implement processes to integrate social, environmental, ethical and human rights aspects directly into the business procedures as well as into strategic decisions that directly involve all of the stakeholders ». **(3)**
An important part of the communication is dedicated to the Small to Medium Enterprises that make up the majority of enterprise in The European Union: if Europe and its businesses are to benefit the most from the advantages of Corporate Social Responsibility, it is indispensible to do so in such a way that SMEs are fully engaged in this process.

Dellas, taking its cue from the European Commission’s Guidelines has for some years now been engaged in an awareness campaign both within its own organisation and also directed outwards to the principal parties with which it is externally linked.

(1) Robert G. Eccles, Michael P. Krzus, “One Report – Integrated Reporting for a Sustainable Strategy”, 2009.
(2) «To the extent necessary for an understanding of the company’s development, performance or position, the analysis [in the annual review] shall include both financial and, where appropriate, non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters. EU Member States can choose to exempt small and medium-sized enterprises from this requirement» (Directive 2003/51/EC).
(3) «Should have in place a process to integrate social, environmental, ethical and human rights concerns into their business operations and core strategy in close collaboration with their Stakeholders».

Stakeholders and the creation of company value

Stakeholder Map

G4-24 G4-25

The primary responsibility of every company is to make a profit. If company is in good health, and voluntarily adopts company strategies for sustainable development, the whole surrounding social and economic fabric benefits.

All the stakeholders are involved in a dialogue with the companies of the Dellas Group and reciprocally interact with each other, on the one they hand influence the business activities in diverse manners and to different degrees, and on the other hand, they are themselves influenced by these.

"When a company in good health and adopts strategies for sustainable development the whole surrounding economic and social fabric benefits"

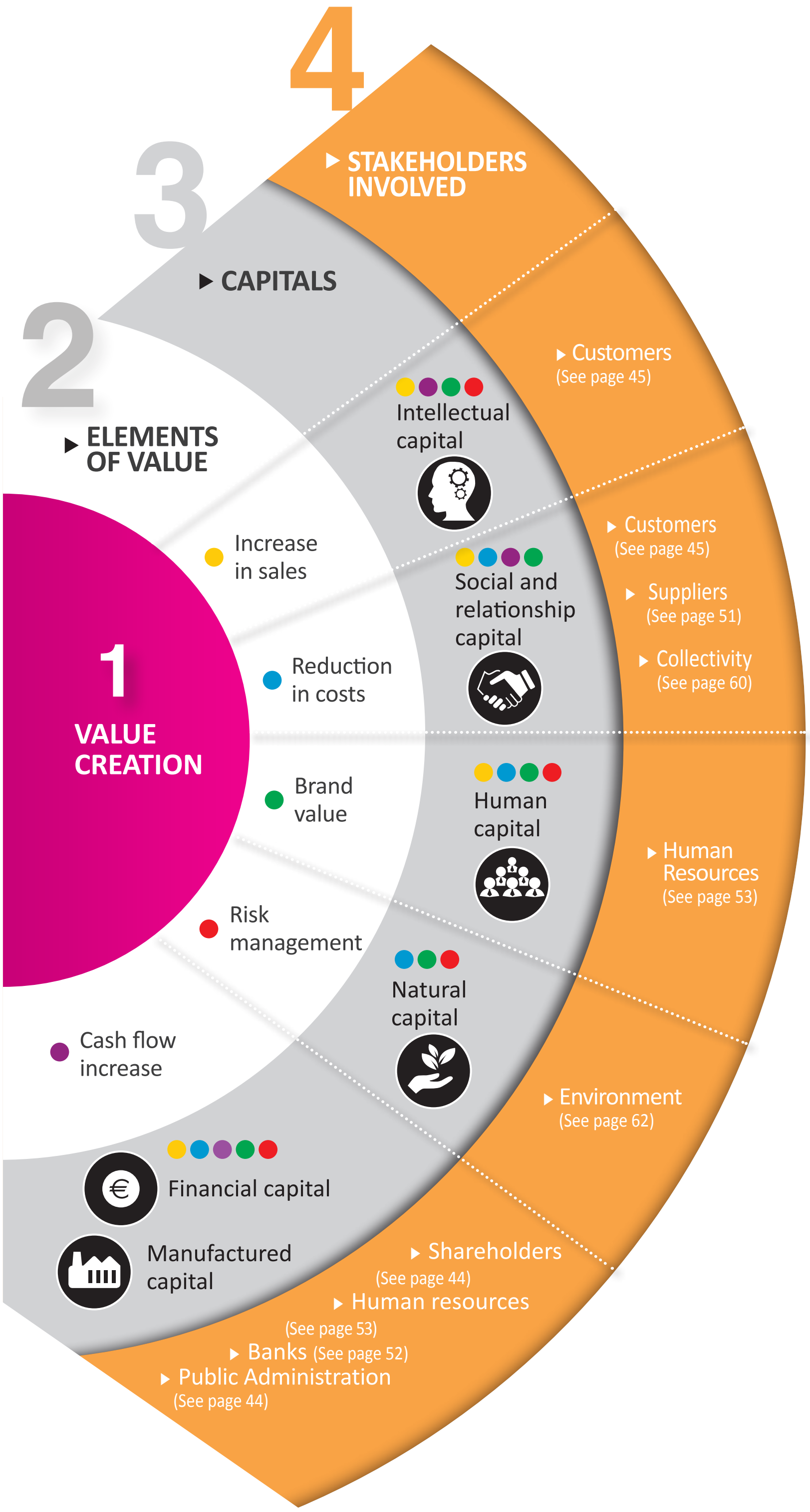


TABLE 1 - The map of the Dellas' Stakeholders

TABLE 1 illustrates the main categories of stakeholders with which Dellas has to deal, in correlation with the categories of capital that determine the creation of company value.

The stakeholders of the Dellas Group have been identified by our internal analysis, regarding all the company figures that habitually have dealings with the various holders of interests.

The elements that make up the responsible business processes are supported by three main pillars (economic, social and environmental), and it is these upon which the idea of sustainable development rests. The social pillar has in its turn an internal dimension, that of the work place, which is represented by Human Resources, and an external dimension, i.e. the community.

Although the line of demarcation between the subjects covered in each chapter is itself fuzzy, the breakdown into categories is clear in terms of the presentation and exemplification of the themes actually in play when we speak about responsible business processes.

The legislative framework and the motivations at the base of the commitment of SME vary, as a matter of fact, from one category to another. While on the subject of the workplace and the environment there is a much detailed law in many countries in the European Union, the category of the community as such features much less in law and therefore offers companies much more freedom to transcend their legal obligations. It should therefore be no surprise that it is ethical reasons that carry most weight when it comes to inducing SMEs to commit themselves to working for the community, while in the environmental field incentives enshrined in law and the pressures of the procurement chain are more important incentives to company action.

Analysis of Materiality

G4-18 G4-19

The identification and management of relevant areas that affect the sustainability and performance of the organisation of the results of primary importance for the Dellas Group. For this reason, in 2016 a relevance analysis was carried out with the aim of investigating:

- which things impact, and to what extent, the economic, social and environmental performance of the Group;
- which things could influence, and to what extent, the decisions of stakeholders and their opinions on the activities of the Group

The analysis of materiality was divided into two main operational stages:

- investigation into relevance: to define the most important themes for Dellas' business;
- assignment of priority (low, medium, high) of the relevant themes according to:

  - the impact on the economic social and environmental performance of Dellas;

  - the influence of the Stakeholders' decisions and their opinions about the activities of the Group

“The materiality matrices indicate which areas have an impact on performance, and could therefore influence the decisions of Stakeholder”

The analysis of relevancy was conducted in relation to a predominantly internal context, by way of:

- the examination of the company's Annual Reports from previous years;
- the existence of internal policies regarding economic, social and environmental aspects;
- the presence of company functions overseeing the themes;
- the involvement of a number of figures at the top of the company, involved in the process of compiling the Dellas Annual Report

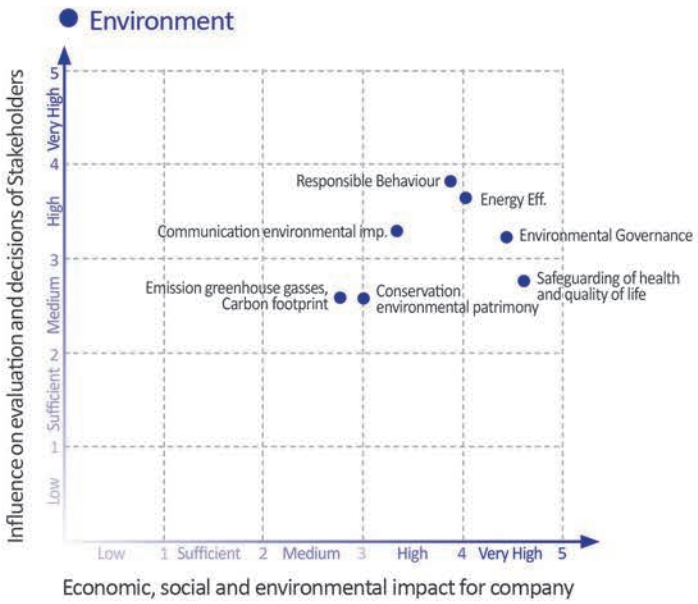
Each coloured dot above the following graphs represents a theme that has been identified as being relevant.

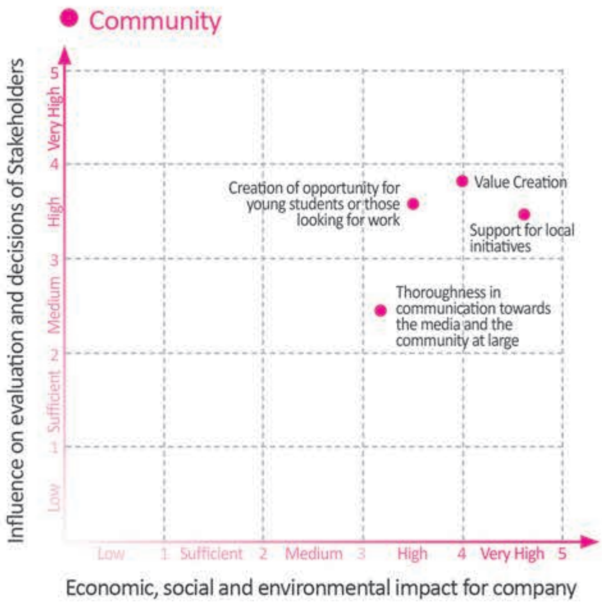
The analysis and assignment of priority to the relevant themes was instead achieved by involving some of the key figures within the company, by way of completing a questionnaire: The analysis of the Chief Executive Officer (CEO), the Chief Financial Officer (CFO),the officer in charge of CSR; the Chief Human Resources Officer (CHRO); the Chief Operations Officer (COO); the Product Manager. The themes brought out were:

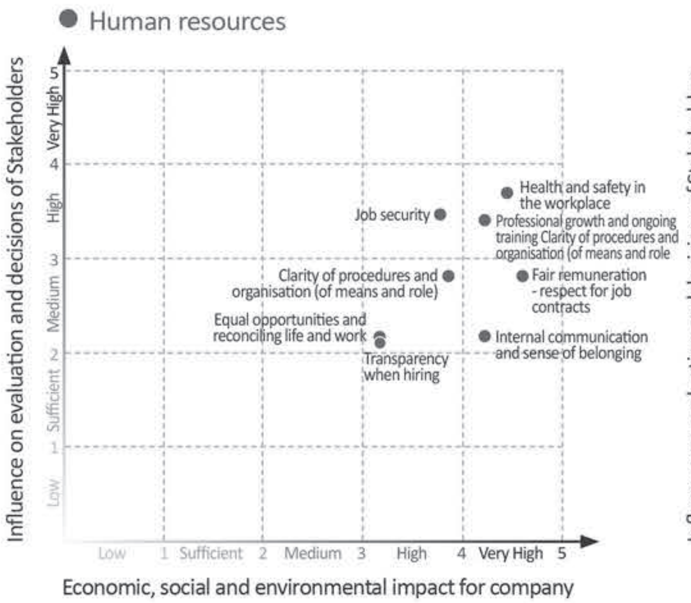
- elaborated and subdivided with reference to the groups of Stakeholders on the basis of which Dellas reports its performance: human resources, clients, suppliers the community at large and the environment;
- prioritised (high, medium, low priority) on the basis of their impact on the overall performance of the company and on the influence of the themes on the expectations of the Shareholders

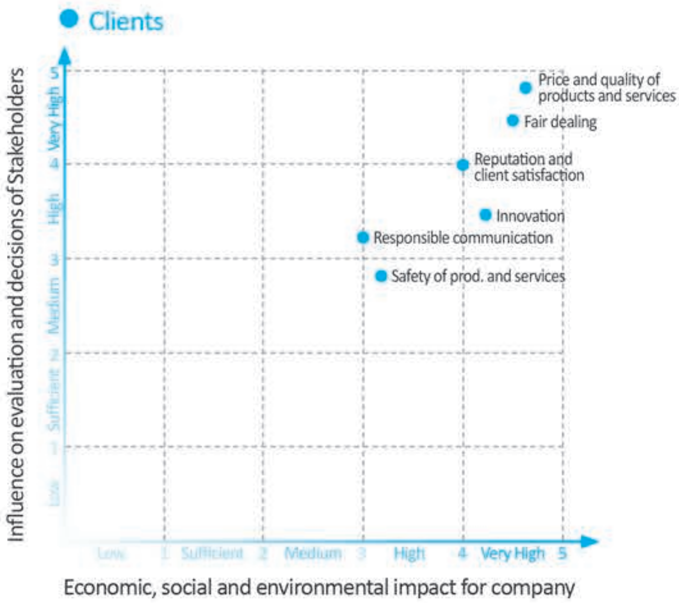
The position of the themes identified represents the order of priority given to them from the perspective of management and of Stakeholder.
The analysis of materiality is annually updated using the process described above.

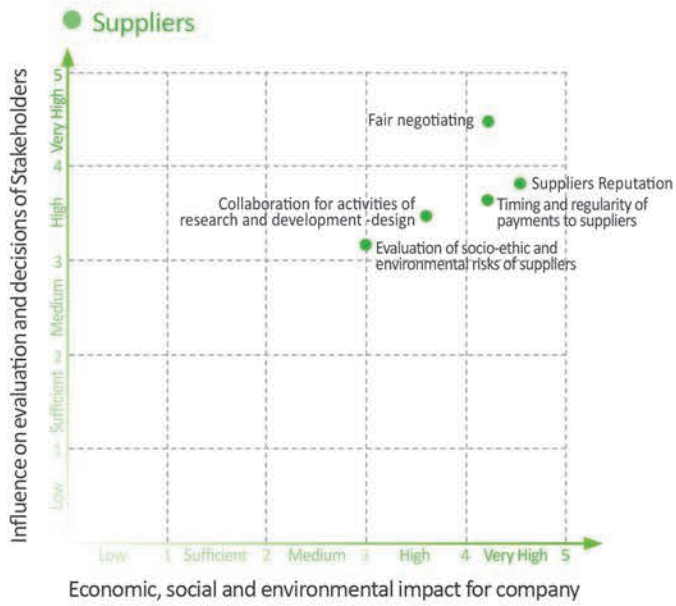
The following matrices summarise the results of the analysis of materiality that was carried out.
The relevant themes that have medium to high priority both for the company and the Stakeholder are those material themes (highlighted with a blue square) on which the Dellas Group sustainability strategy is based.



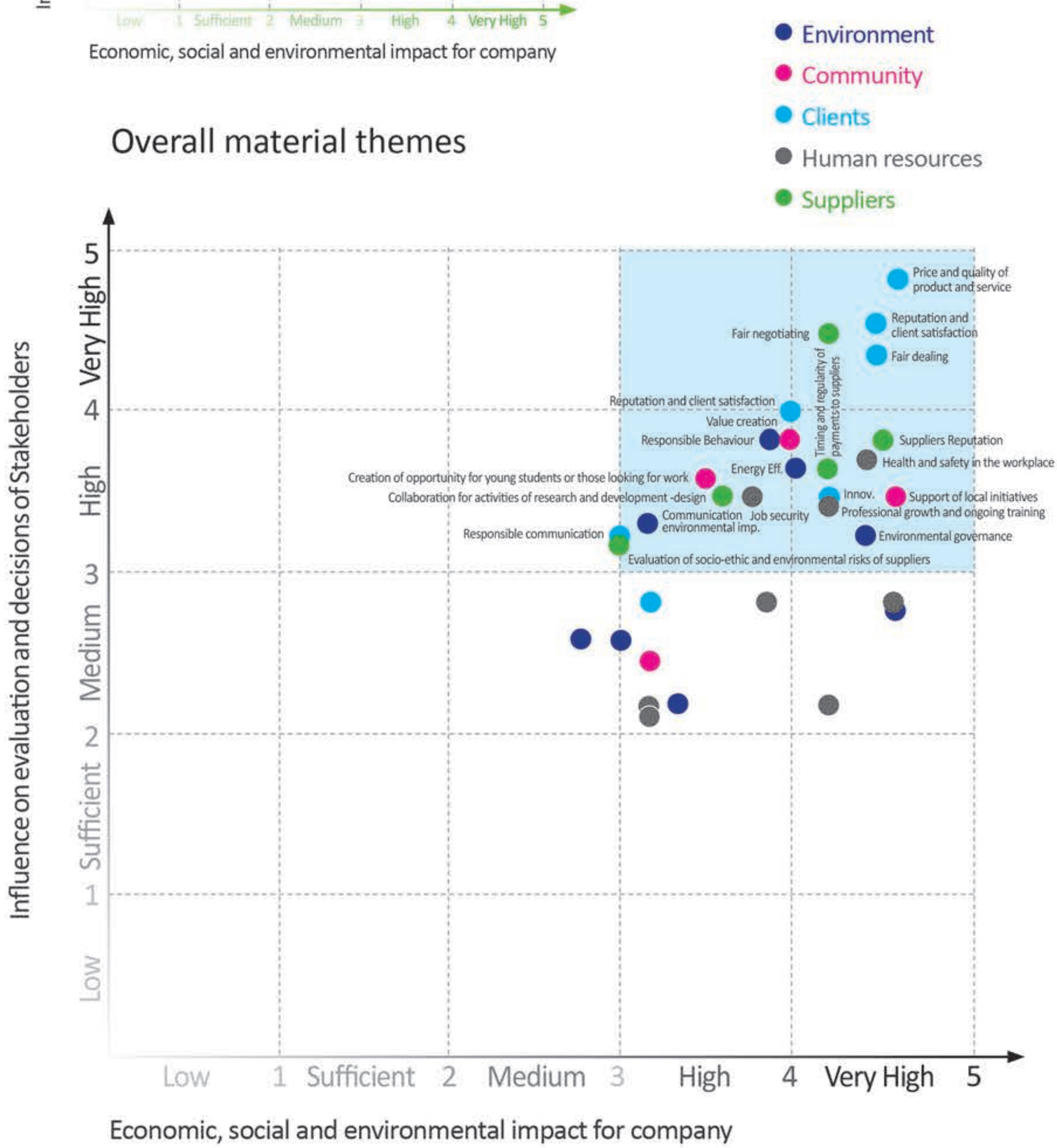








Overall material themes



▶ TABLE 2 - matrices of the relevant themes

The table that follows shows a list of the material and thematic strategies for Dellas, correlated, where possible with aspects of GRI-G4 and relative indicators.

G4-20 G4-21

Relevant theme	Aspect of GRI-G4	Indicator	Impact within the company	Impact outside the company
Price and quality of products	-	-	Dellas Spa	Clients
Fair dealing	General standard disclosure	Ethics and integrity	-	Clients
Fair negotiating	General standard disclosure	Ethics and integrity	-	Suppliers
Reputation and client satisfaction	Labelling of products and services	PR5	Dellas Spa	-
Suppliers' reputation	-	-	Dellas Spa	-
Energy Efficiency	Energy Water Emissions	EN3, EN6, EN8, EN15, EN19, EN23	Dellas Spa	Community, Area
Creation of value in the area	Indirect economic impact	EC7, EC8	-	Community, Area
Professional growth and ongoing training	Training of human resources	LA9, LA10, LA11	Dellas Employees	-
Support for local initiatives	Indirect economic impact	EC7	-	Community, Area
Innovation	-	-	Dellas Spa	Clients
Adoption of responsible behaviour (eg. Reduction of consumption, Waste sorting, etc.)	Energy Emissions Refuse	EN6, EN23	Dellas Spa	Community, Area
Employment stability	Profile of the organization	G4-10	Dellas employees	Community
Health and safety in the workplace	Health and safety in workplaces	LA5,LA6, LA7, LA8	Dellas employees	-
Collaboration in R&D	-	-	Dellas Spa	Clients
Student Opportunities	Local Community	SO1	Dellas Spa	Community
Compliance of communications and responsible promotion activities	Communication marketing	PR6, PR7	Dellas Spa	Clients
Environmental Governance	Environment	Disclosure on management approach	Dellas Spa	Community, Area
Transparent communication of environmental impact	General standard disclosure	Profile of Report	Dellas Spa	All the Stakeholders
Evaluation of the ethical-social and environmental risks of the suppliers	Purchasing policy Evaluation of the suppliers based on their social and environmental impact	Disclosure on management approach, LA15, HR11, SO10, EN33	-	Suppliers
Timing and regularity of payments to suppliers	-	-	-	Suppliers

▶ TABLE 3 - Material aspects GRI - G4 with relative indicators

Creating value and getting people involved

Creating corporate value that can be broken down into its specific parts (point 2 of Table 1) is based on the appropriate management of the various types of corporate capital (point 3 Table 1):

Intellectual capital: intangibles corresponding to the organizational capital and to intellectual property (e.g. patents, procedures and protocols, organizational know-how).

Social and relationship capital: the set of relationships between the Stakeholder and other networks and the capability to share information so as to increase individual and collective wellbeing.

Human capital: people's competencies, capabilities and experience and their motivation to innovate.

Natural capital: environmental processes and resources both renewable and non renewable that provide good or services that support the past current or future prosperity of an organisation.

Financial capital: the total of funds that the organisation can use to produce goods or provide services, also obtained through forms of financing.

Manufactured capital: manufactured physical objects (buildings, machine plants, equipment) that an organisation can use to manufacture goods or provide services.

As can be seen from table 1 at point 4, each form of capital involves a different category of **Stakeholder:**

- **Internal stakeholders**, in the light of a system of values that sees which main point the active participation of the workers in the life of the company;
- **External stakeholders**, in view of the awareness of being not just a business but a real player in civil society which has an important impact of the wellbeing and on the development of the community at large and its area of reference.

Each type of Stakeholder was involved by way of various channels in specific initiatives (Table 4) at various intervals form quarterly to annually (Table 5).

So as to bring about the continual improvement of its own activities and in terms of generating value to be shared with its Stakeholders, Dellas has identified specific Key Performance Indicators divided for each category of the company's interlocutor with which to monitor the achievement of a series of objectives for improvement.

In involving the Stakeholders it emerged that there were no situations in a critical state.

Stakeholders	Involvement channels
Customers	▸ Periodic meetings ▸ Assistance at the customer's premises ▸ Annual Report
Customers, Suppliers and Community	▸ Annual Report ▸ Web site ▸ Initiatives for consortia and associations ▸ Iniziative sociali
Human resources	▸ Training, for managerial development and technical and specialist courses ▸ Annual Report
Environment	▸ Internal meetings ▸ Annual Report
Shareholders, Banks, Public Administration	▸ Annual Report ▸ Breakdown of added value ▸ Themed events, seminars and meetings

▶ TABLE 4 - Involvement channels

G4-26 G4-27

4 ▸ STAKEHOLDERS INVOLVED	5 ▸ THEMES OF INVOLVEMENT	6 ▸ KEY PERFORMANCE INDICATORS	7 ▸ IMPROVEMENT AIMS
▸ Customers (See page 45)	▸ Service, after-sales at the customer's premises and level of service in terms of the reliability of deliveries	▸ Costs allocated to R&D projects ▸ Hours allocated to R&D projects ▸ Customer Satisfaction ▸ Mean delivery times	▸ Two projects aimed at achieving technological improvements to the products, as well as to expand and renew what is offered to customers (▸ section "Product and process innovation")
▸ Customers (See page 45) ▸ Suppliers (See page 51) ▸ Collectivity (See page 60)	▸ Product quality excellence ▸ Reliability and regularity of payment ▸ Economic and social development in the community	▸ Average credit rating ▸ Lead production Time for MTO ▸ Top 30 suppliers in seniority ▸ DPO (mean supplier payment time) ▸ N° and value of charity donations ▸ Contributions to the Community	▸ Consolidation of relations with the "historical" suppliers and partial sharing of innovation and development objectives ▸ Confirmation company commitment to collaborate for the social and economic development of the collectivity of reference
▸ Human Resources (See page 53)	▸ Improvements to competencies, abilities and skills ▸ Increase in level of safety at the workplace	▸ Staff turnover ▸ Benefits ▸ N° of Accidents	▸ Managerial developmental training ▸ Notification of partners of company approach to sustainability with the establishment of the Ethical Code
▸ Environment (See page 62)	▸ Improvement in the energy efficiency of production plant	▸ Consumption in CO_2 equivalent ▸ Saved CO_2 equivalent ▸ Energy saved (Kw)	▸ Growing responsibility of the company in the carrying out of product process realisation and in the products themselves, with regard to the consumption of energy resources and the disposal of waste, with the aim of minimising the impacton the environment of the business(▸ section "The Environment")
▸ Shareholders (See page 44) ▸ Human resources (See page 53) ▸ Banks (See page 52) ▸ Public Administration (See page 44)	▸ Value Added distribution	▸ Consolidated added value ▸ Turnover of Group ▸ Value of new plant and equipment purchased	▸ Increase in Subsidiaries Turnover

▶ TABLE 5 - Value creation

> **"The economic performance presented here represents a point of contact between the economic and social management profiles"**

DMA

Economic Performance

The economic performance presented here represents a point of contact between the economic and social management profiles and allows an analysis of the prosperity created and distributed by the Dellas Group to the advantage of the whole system with which it interacts.

Creating value means satisfying all the expectations of the social partners, mainly the shareholders who compared to the other institutional investors are more exposed to risk and to the results of the company's production activities. Companies which do not put enough emphasis on a performance based on value and therefore on the remuneration of its investors will not keep up with competition and consequently are destined to be abandoned by them in favour of other more remunerative initiatives. However, shrewd businesses feel it necessary to satisfy the expectations of other social groups, not only responding generically to the need for ethical behaviour but to precise criteria for survival and development: the capacity of the business to operate and survive over time is connected to the prospect of adequate compensation for all the stakeholders.

> **"Dellas creates value in the measure to which the return on invested capital grows for the shareholder, the professional standing of its managers, the wages and the tenor of life of its workers, the quality-price ratio for the clients, the affability and the continuity of the partnerships with the suppliers and the guarantee of social wellbeing for the community"**

Management strategy

Conscious that the remuneration of the production factors and the return on investments is an essential condition for the generation of economic and social value, Dallas has developed a financial management based on:
- the generation of a fair return on invested capital
- long term financial stability of the company
- the maintenance of good viability index levels

Dellas creates value in the measure to which the return on invested capital grows for the shareholder, the professional standing of its managers, the wages and the tenor of life of its workers, the quality-price ratio for the clients, the affability and the continuity of the partnerships with the suppliers and the guarantee of social wellbeing for the community.

The client is one of the main Stakeholders referred to. This is why Dellas offers them solutions and products to help satisfy the needs for safety, speed and technological innovation, calibrating them to the real needs of the client especially for financial support which Dellas gives by way of favourable payment terms compared to those in the market. This goes some way to deal with one of the present trading periods most critical aspects.

Workers and staff constitute the most important capital for the company. Without their know-how, their professionalism and the abilities of its own staff, the company would not exist. For this reason Dellas is committed to giving fair compensation and in constantly developing the skills of its own partners so that they can produce value both for themselves and for the company as a whole.

Economic, Financial and Capital situation of the Dellas Group

DMA

Financial Capital

Manufactured Capital

TABLES 6 and 7 illustrate the most significant data concerning the economic, financial and capital situation of the Dellas Group.

STATEMENT OF ASSETS AND LIABILITEIS	2016	2015	2014
Total fixed assets	10,372,824	9,929,045	9,501,136
Total current assets	24,309,908	25,254,731	25,098,650
Total assets	**34,682,732**	**35,183,776**	**34,599,785**
Total current liabilities	13,090,498	12,682,512	10,854,268
Total non current liabilities	3,294,928	3,698,166	5,101,980
Third party capital and reserves	172,476	119,587	95,725
Total shareholder equity	18,124,830	18,683,511	18,547,813
Total Net Equity and Liabilities	**34,682,732**	**35,183,776**	**34,599,786**

▶ TABLE 6 - Main financial and capital data of the Dellas Group in the three years 2014-2016

PROFIT AND LOSS ACCOUNT	2016	2015	2014
Net sales revenues	**18,431,581**	**18,703,364**	**18,395,004**
Added value	**6,325,472**	**6,991,306**	**6,134,868**
EBITDA (gross operating margin)	1,606,509	1,560,107	1,641,422
percent EBITDA on Sales	9%	8%	9%
EBIT (characteristic operating income)	(116,652)	67,858	203,624
EBT (profit before taxes)	(306,881)	72,123	293,214
Net income	**(305,758)**	**70,861**	**161,966**
Adjusted EBT	**331,231**	**72,124**	**293,214**

► TABLE 7 - Main financial and capital data of the Dellas Group in the three years 2014-2016

The consolidated turnover for the year confirms the volume of business of the previous year. While the turnover of the Group's parent company Dellas S.p.A. accounts for the major share, there has nevertheless been a remarkable increase in sales by subsidiaries, achieving an increase of 10% as compared with the previous financial year.
The Gross Added Value of the Group was € 6,325,472 while EBITDA on sales was 9%.
The consolidated total net equity of the company of € 18,297,306, compared with total invested capital of € 34,682,732, indicates a good level of capitalisation and a balanced Group debt index.

Calculation and breakdown of Added Value

G4-EC1

Analysis of the relations between the Dellas Group and those with stakes in it are shown in TABLE 8 through consideration of so-called Added Value, a figure that results from the reclassification of the profit and loss account and enables us to have a social re-interpretation of the traditional economic accounting.
By Added Value is meant the difference between the value of assets and services produced and the value of services acquired from outside the company. This figure may thus be interpreted as the amount created by the company in the carrying out of its activities and which, as such, is distributed among the different categories that have made their different input to produce it.
The company is therefore seen as a team of persons cooperating together to create wealth, the distribution of which benefits all of them. From this point of view, the income is not considered the wealth created but only as the shares of distribution of the global wealth; similarly, the remuneration of the personnel is another share of wealth, which remunerates human resources that have contributed to its creation.

To calculate and break down the Added Value the standard GBS drafting principles have been adopted for the company's statement of assets and liabilities

DETERMINATION OF THE CONSOLIDATED ADDED VALUE	2016	2015	2014
A) Production value	18,852,994	19,863,693	18,295,519
B) Production costs	12,515,871	12,861,451	12,188,450
TYPICAL GROSS ADDED VALUE	**6,337,123**	**7,002,242**	**6,107,069**
C) Accessory and contingent components	11,650	10,936	(27,799)
GROSS GLOBAL ADDED VALUE	**6,325,472**	**6,991,306**	**6,134,868**
Operating depreciation and provisions	1,723,161	1,492,249	1,437,799
NET GLOBAL ADDED VALUE	**4,602,311**	**5,499,057**	**4,697,070**

► TABLE 8 - The Added Value created by the Dellas Group in the three years 2014-2016

In particular, with regard to the determination of the Added Value, the following principal items can be identified:

- The Characteristic Added Value, resulting from the difference between the revenues of the characteristic management of the company and the so-called intermediate consumption, that is the consumption that does not amount to remuneration for the main categories of Stakeholders such as the workers, the lenders, providers of gifts or other payments to society or the community;
- the Gross Global Added Value is the algebraic sum of the Characteristic Added Value and the results accessory management and extraordinary management;
- the Net Global Added Value, that it is obtained by the operating depreciation and provisions from the Global gross added value.

TABLE 9 illustrates how the Added Value, by which here is meant the Global Gross Value Added, has been distributed between internal and external Stakeholders, with the period of reference being the three year period 2014-2016.

DISTRIBUTION OF ADDED VALUE	2016	2015	2014
A) Staff remuneration	**4,673,660**	**5,391,957**	**4,526,991**
Remuneration of employees	4,413,772	5,161,598	4,299,037
Directors and the statutory auditors' committee	259,888	230,359	227,954
B) Remuneration of the Public Administration	**25,568**	**75,807**	**82,450**
Direct and indirect taxes	90,194	79,647	82,450
(-) Contributions to the operating year account	64,626	3,840	-
C) Remuneration of loan capital	**284,990**	**319,949**	**279,497**
Charges for short and medium-long term capital	284,990	319,949	279,497
D) Remuneration of Shareholders	**(28,639)**	**(81,745)**	**5,514**
Dividends distributed to Parent company shareholders	-	-	-
Profits/Loss relating to third parties	(28,639)	(81,745)	5,514
E) Remuneration to the Company	**1,345,030**	**1,256,776**	**1,209,771**
Provision for Reserves of Net Equity	(305,758)	70,863	161,966
Depreciation	1,723,161	1,492,249	1,437,799
(Profits) and losses on currency exchange	(72,373)	(306,336)	(389,994)
F) Remuneration to the community	**24,863**	**28,562**	**30,645**
Free contributions	1,348	5,047	8,234
Association fees	23,515	23,515	22,411
GLOBAL GROSS ADDED VALUE	**6,325,472**	**6,991,306**	**6,134,868**

▶ TABLE 9 - The distribution of Gross Added Value of the Dellas Group as between its Stakeholders

▶ TABLE 10 - Dellas stakeholders' map

Analysis of the added value produced and distributed in 2016 by the consolidated Dellas Group the following emerges:

Human Resources
The personnel has an interest in from what the company obtains the greatest percentage added Value: with the 73% overall added value produced in 2016.
The Added Value was distributed in particular to the employees by means of direct and indirect remuneration of € 4,413,772 as detailed in the human resources section.

The Company System
As stated the company policy of Dellas has always set aside to reserve the greater part of the operating profit, funding much of the Investments by self-financing. This has meant that over the years it has been possible to remain somewhat independent of the credit system by keeping bank debt down, as illustrated in the Business report, which goes in detail into the question of company debt. In the financial year under examination the Company System receives, with provisions for Reserve, depreciation and exchange differences, about 21% of added value.

Banks and Lenders
The remuneration of capital receivables in the financial year in question is € 284,990.

G4-EC4

Public Administration
The tax disbursement produced by Dellas is € 25,568, net of contributions of € 64,626 received from the Public Administration.

Shareholders
There was no shareholders' dividend paid in relation to operations for 2016.

G4-EC7

Collectivity
A part of the added value, € 24,863, was allocated to the Collectivity, in the form of many initiatives in support of Associations and Non-profit organisations in the Verona area.

Customers

Intellectual Capital

Characteristics and size of the market

The global market for diamond tools for working natural stone is estimated to be about 700 million Euros **(1)**, breaking down between many small local competitors and only just a few worldwide players.
Dellas is among the top 5 international players, that together have a market share of about 15% **(1)**.

(1) Source: Annual Report 2016 Husqvarna Group and Dellas estimates.

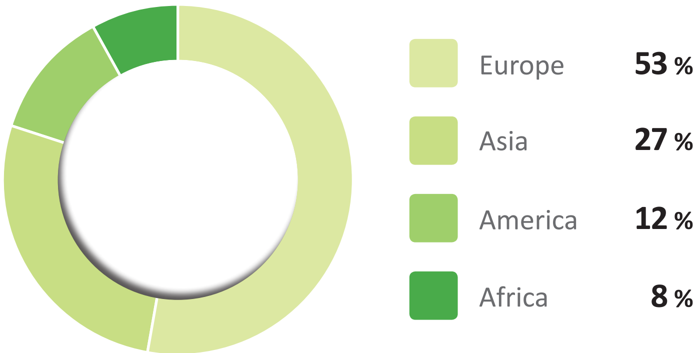
Social and Relationship Capital

Markets and Products

The Dellas products cover all stone working processes from the quarrying to final finishing and polishing (▶ section "Business Model") are distributed globally by way of the network cover of assistance or direct presence of companies in the group. There are 30 countries in which Dellas has commercial and assistance premises, with a total of 54 dealers/ agents.

The geographic breakdown of revenues (▶ TABLE 11) showed that there sales were achieved of 53% in Europe, while 47% is divided between Asia, America and Africa.

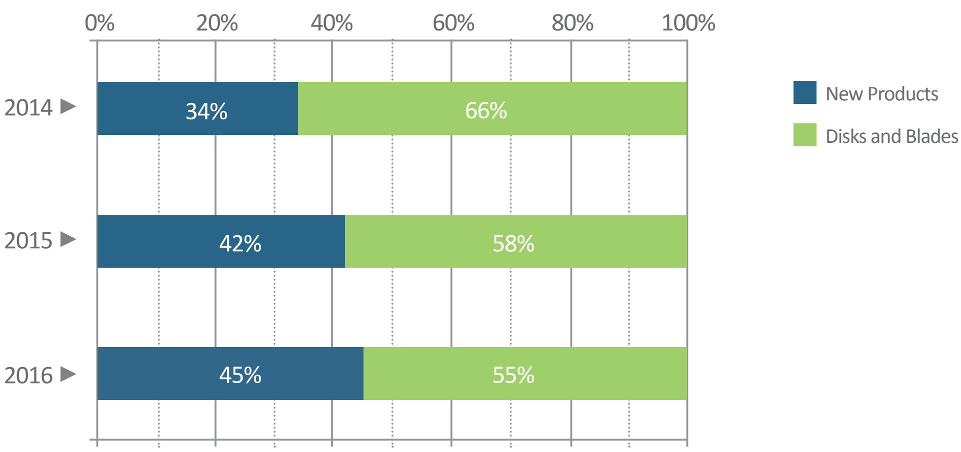
"The geographic breakdown of revenues showed that there sales were achieved of 53% in Europe, while 47% is divided between Asia, America and Africa"



G4-8 G4-9

▶ TABLE 11 - Geographical division of the Group's revenue (year 2016)

"The weighted share of the new family of products is ever more important"



▶ TABLE 12 - Incomes for the Group divided by typology of product (three month period 2014-2016)

Product and of Process innovations

In the last five years, Dellas has initiated various strands of innovation that have been important for driving the whole organisational structure and an essential theme for the involvement of customers in terms of product quality excellence. Between these, two particular areas of action should be emphasised:

- Lean company organisation (Innovation Area A);
- Product innovation of experimental development (Innovation Area B).

DMA

The innovation is achieved with the direct involvement direct of the customers who take part in product prototype testing, providing feedback essential to the manufacture of the products.

Innovation Area A Company organisation in terms of Lean Organisation

Since the year 2008 the company has promoted real and profound organisational change for a lean company, involving all of its parts.

The main phases of the project

In 2009, after preliminary analysis of the flows of all the company processes (commercial, administrative, productive, logistic), some of the production areas were reorganised or the layout was reviewed to facilitate product flow. Certain lean manufacturing tools were implementd (kanban and 55) that have notably simplified and significantly improved product crossing times, with consequent improvements to the lead times for delivery to customers.
In 2010 attention was given to raising awareness for a lean culture. If in the first stage of the project the promoters of change were a few figures with higher levels of responsibility, in the second stage and for the future it was felt that the motivation, the ideas and the benefits driving from the use of the methods implemented should be a wealth enjoyed by the largest number of persons. special training courses were therefore arranged, both outside and within the company.
During 2012, the business of improvements with a view to lean organisation focussed particularly on the management of stocks. We re-examined the processes of re-ordering of some raw materials with high turnover, in order to:

- reduce the times for processing the purchase order;
- reduce the quantity of stock of the codes in question;
- reduce to a minimum the possibility of stock breakage due to errors in the planning and inventory stages.

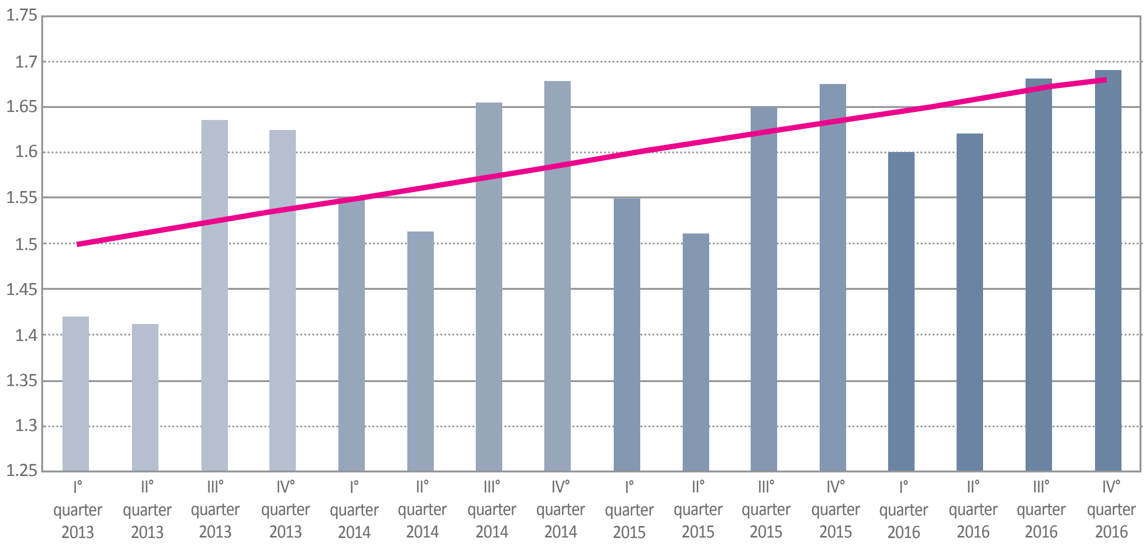
A series of specific agreements were made with the suppliers of raw materials which have led to an annual framework contract for supply. The re-ordering methods were worked for the materials and agreements were made on "reserved" stock quantities that could quickly respond to our procurement requirements.
During the financial years 2013, 2014 and 2015, there was continued focus, with leanness in mind, on the management of stocks. Given the strategic importance of some materials, we tried to introduce special consignment stock logics with main suppliers. The payment of goods only at the time of actual use, rather than time of receipt of the goods themselves, has made it possible to have larger inventories and so more ready response time in the fact costs the same as they were when keeping smaller stocks.
There were also appraisals and then implementations of different methods of production of some tools. In particular, with specific reference to the diamond wire, solutions for the production of the beads were studied that produced notable savings in the costs of the product and lead crossing times.
The persons involved in the implementation of above measures are in the areas of logistics and buying, with some lesser involvement of some in production.
For the financial year 2016, the introduction of new tools for ceramic required layout changes for certain departments and a review of some processes, adapting them to the use of raw materials never previously used at Dellas. New employees were consequently trained, with a view to lean organisation.
In the area of also diamond wire use, in particular with regard to its assembly, there has been a push for automation of the process that will be completed in 2017 but has already been extremely promising.

LOOK AT THE R&D WEB PAGE
www.dellasdiamondtools.com/company/research-development

Results obtained

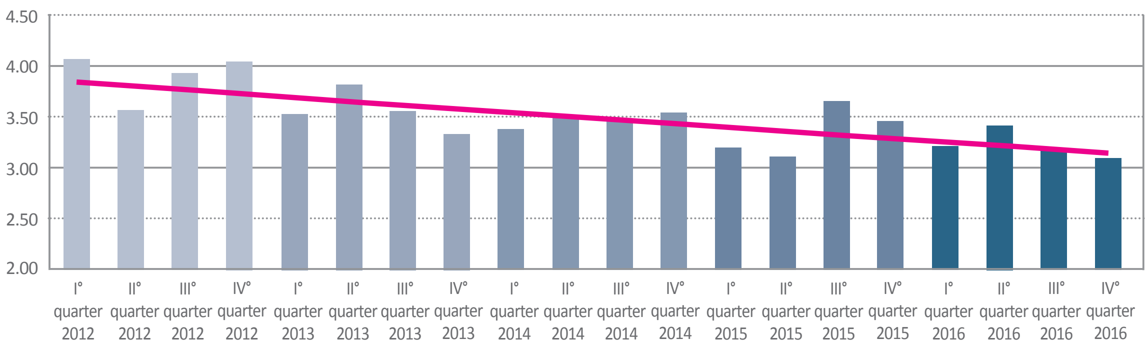
The results obtained are diverse, in some cases tangible, in others intangible and not measurable because they involve the "soft skills" on which we have been and continue to work. The objective is to develop transverse skills that help a spirit of collaboration, creative attitudes, the sense of belonging and flexibility to change.
Looking at the tangible results the reorganisation project has brought to date, here below are two the data we consider most significant:

1. **Production efficiency**: the chart shows the ratio between the hours theoretically necessary for the production of the quantity of the period, as compared with hours actually taken. This ratio is constantly monitored by the heads of production and of by the individual departments, as well as communicated to the employees in the production meetings. The workers are also engaged with this objective by means of incentive schemes. In the financial year 2016 there was seen a slight fall in efficiency in some production departments, explainable by a slight fall in global volumes on the one hand, but by an increase in the product mix on the other hand. The necessity for a greater setup number on the lines has made some less efficient compared with the previous year.
The global company data remain better than that of the previous year thanks to the efficiency of the new centres (in particular of the diamond wire) for which as previously stated there will be seen further possibility of improvements in 2017 due to the automation of systems currently being studied.



▶ TABLE 13 - Production efficiency (2013-2016)

2. **Crossing time**: sthis is the time, in working days, that elapses betwen the start of a production order of core business sectors of the company and the making of the product available (for the customer or for the next stage in working).
The figure is an indicator of the degree of service to the final customer insofar as index of the speed of the organisation in fulfilling a production request and hence to satisfy the final customer.
Furthermore a shorter crossing lead time means a lessor quantity of WIP (work in process) and greater operating and machine flexibility.



▶ TABLE 14 - Segments flow time (2012-2016)

Innovation Area B - Product innovation and experimental development

In 2016 the company continued with its constant efforts renew its production process and the range of products.

Among the product innovations, Dellas worked in 2016 to bring in some totally new solutions, in particular from the point of view of the materials used. Materials were successfully tested (metal or organic powders) that normally were not used in the diamond tools sectors, coming from the automotive or aeronautical sectors where they require high quality standards and mechanical properties.

" 2 research and development projects aiming at achieving technological improvements to the products "

Solutions were brought in from the ceramics field with Were in field solutions for on the field with squaring grinders whose qualities seem to be able to ensure:

- longer useful tool life: from the first tests carried out, the grinders with the new materials show a resistance to wear that decidedly exceeds that with materials normally used for similar grinders made in the traditional way. This while maintaining performance standard performance in terms of speed of progress and quality of finish on the material.
- greater protection of the environment: the introduction of the new materials has made it possible to limit, and in many cases cease completely, the use of some metal powder that have always been critical from the point of work waste and the presence of pollutants (copper, cobalt and nickel).

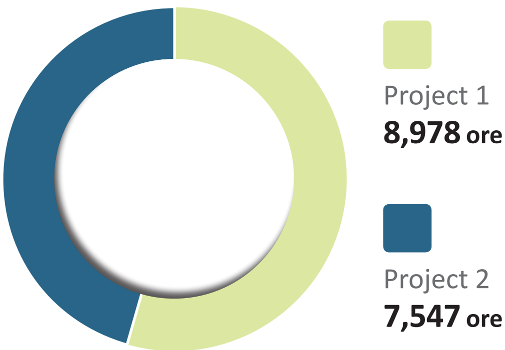
In addition to the tools for ceramics, research has focussed on the development of diamond wires that are for Dellas, and for the whole of the marble and granite sector, an important alternative to the established technologies.
The DIM (Diamond Injection Molding) patent has made it possible to introduce new approaches to the molding of the pearl beads, around which Dellas has been working intensely during the year 2016 and for which it expects final industrialisation in the year 2017.

Such development activities are seen in two distinct projects:

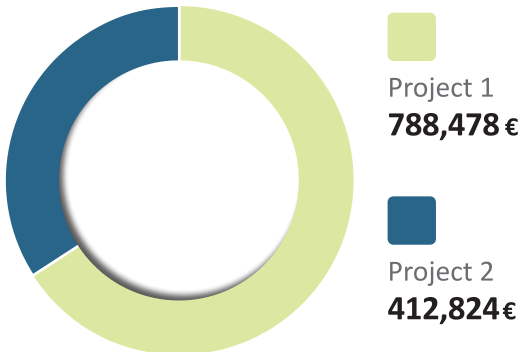
Project 1. **“FreeD.I.M.ension TOOLS”**
Project 2. **“Ceramic”**

For the development of these projects the company has incurred in the year development costs of € 1,201,302 as illustrated in TABLE 16.
It should be said that the good outcome of such innovations could yield good results in terms of turnover with a favourable effect on the economics of the company.
The costs regard the experimental development, as defined by governed by EU regulations on the subject of "State help for research, development and innovation" (2006/C 323/01). (2)

The 2 projects have required the use of personnel for 16,525 hours, broken down between the various initiatives as illustrated in TABLE 15.



▶ TABLE 15 - Distribution of R&D hours 2016 as between projects



▶ TABLE 16 - Distribution of R&D costs 2016 as between projects

There were moreover, also in 2014 and 2015, diverse research and experimental development activities that are summarised in TABLE 18. The research work has been accompanied by repeated laboratory testing to hone the new technological solutions and to make samples in co-operation with suppliers and technological partners, with the aim of simulating the process industrially and obtaining information on the effectiveness and
quality of the product/process.

Year	Number of hours	Total cost (€)	% Costs on Sales
2016	16,525	1,201,302	6.5
2015	24,400	1,154,989	6.2
2014	18,716	1,197,003	6.5

▶ TABLE 17 - Main industrial research and development projects in financial years 2014-2016

(4) On the subject of State help for research, development and innovation {2006/c 323/01) it states that:

• **«fundamental research»:** or experimental or theoretical works aimed above all to acquired new knowledge on fundamentals of phenomena and observable facts without there being expected practical applications or uses;

• **«industrial research»:** planned research or critical investigation aimed at acquiring new knowledge for use or to make ready new products, processes or services such as to permit a notable improvement in the products, or services that already exist. This includes the creation of components of complex systems necessary for industrial research and in particular for the validation of technologies of general kinds excluding prototypes made in the subsequent experimental development stage;

• **«experimental development»:** the acquisition, combination, structuring and use of existing knowledge and skills of scientific, technological, commercial or other naure with the aim of producing plans, projects or designs for products or processes that are new, modified or improved. It may also be another activity for conceptual definition, planning and the documentation concerning new products, processes and services. Such activities may include the working out of projects, drawings, plans or other documentation, provided not destined for commercial use.

“ The research and analysis centre for materials is the high technology heart of the company ”

Research and Analysis Centre

Succeeding in cutting and working all the world's stone, but also building materials and ceramics, this is a guarantee that Dellas offers its customers. To be able to achieve the objective, the company has developed in its Research and Analysis Centre for materials. It is the high technology heart of the company.

Research, a subject of continuous investments through the use of company profits, has always been seen as a fundamental part of the production cycle, essential for maintaining the competitiveness on the global markets.
In addition to the most widespread and used stone materials, the Dellas laboratory presents thousands of samples of marble, granites and agglomerates from all over the world. Every element is carefully conserved and catalogued by type and provenance. It is a data base on the morphological characteristics of the material, each unique of its kind and essential for the preparation of blades, disks and tools able to operate with the greatest efficiency and precision. Dellas is thus able to offer its customers from all over the world a personalised service in relation to every stone sample provided. The slim sections of stone are analysed under the microscope to identify the mineral content. The material is tested for sawing and abrasion tests, with the results all recorded in extremely accurate graphs. X-ray fluorescent spectroscopy indicates the chemical composition of the samples. Only after a positive outcome from laboratory testing are the diamond tools delivered and consequently considered as "standard". At the end of the research and experimentation process a materials file is drawn up which can, on request, be sent to the customer.

This organisation allows us to manage customer needs in real time. The company considers the efficiency of the tools it supplies as absolutely essential, to ensure a faster, safer, quieter, more precise and more economical cutting sector. Thanks to its research, Dellas is able to greatly reduce cutting and working times. The constant commitment constant shown in every stage in the working process, the passion for research, for continuous and strict experimental development, the automation of the production processes and the desire for high quality products and service have all always been distinctive characteristics of Dellas.

Safety of Products and Services

DMA

The efforts made to protect the health and safety of those who use or supply the product have a direct impact on the reputation of the organisation, on the legal and financial risk of product recalls, and on the capacity for product diversification on the market in relation also to the quality and motivation of the employees. Dellas thus carries out continuous safety checks on all its products.

G4-PR1 G4-PR2

In the last three years Dellas has been deeply committed to the issues of product safety, with also an information programme for customers on the storage, handling and assembly of tools to ensure they are not used improperly or dangerously. Information is provided on the main regulations in the field of safe packaging of products and all categories of products are subject to processes of constant improvements over time as regards safety for the customers.

In 2016 there have been no accidents or cases of non compliance with regulations or voluntary codes on the products and health and safety.

Communications and marketing products and services

G4-PR6 G4-PR7

Communications relating to Della products have always been characterised by propriety and accuracy of information and measured description of the cutting and processing performance of tools. Dellas does not sell products that are prohibited by European law and regulations which are in fact very strict, nor does it do so outside of Europe even where local regulations are would permit this. During 2016 there were no accidents caused as a result of failure to comply with regulations regarding communications or marketing.

G4-PR5

Customer relations, and customer satisfaction

The illustrated innovation projects have over the last three years had a positive impact in terms of improvements in customer relations. To secure competitive advantages over Asian competitors and better customer retention, as well as providing an excellent product, Dellas is characterised by prompt after-sales service at customer premises and a high level of service as regards delivery reliability.

“ Dellas is noted for Its prompt and precise after sales services for customers and a high standard of service as regards reliability of deliveries ”

The excellence of product quality is confirmed by the direct responsibilisation assumed by Dellas with regard to tool performance since some categories of products are sold by yield, i.e. with the price calculated according to rendition with guaranteed minimum amounts of cutting.

The quality levels of the products are measured with the indicator of numbers of Non-compliances on Output (► TABLE 18), che nel 2016 mostra un sensibile miglioramento rispetto al precedente esercizio.

Year	Number Checks	Number Non compliance	% Non compliance
2016	9,078	105	1.2%
2015	11,735	374	3.2%

► TABLE 18 - numbers of Non-compliances

With regard to service, the customer carefully assesses performance in terms of flexibility and reliability of delivery, where Dellas has over the last three years been able to optimise its production lead times. (► TABLE 19).

Year	The Lead Time: (in days)	Change in % (as compared with previous year)
2016	3.22	(4%)
2015	3.35	(2%)
2014	3.41	(4%)

► TABLE 19 - Product lead time (3-yr period 2014-2016)

Suppliers

Social and Relationship Capital

Procurement policy and selection of suppliers

G4-12 DMA

Procurement processes are managed by the Buying dept. of Dellas at its Italian office and by specialists in its foreign subsidiaries. Integrated management as regards economics, social, environmental and governance characterises the dealings between Dellas and its suppliers. The quality of the companies that provide goods or services is also fundamental to the quality that the Dellas brand wishes to stand for. The social, environmental, and business ethics Responsibility of the Dellas supplier are valued together with the economic quality of the product or service to be supplied when opening dealings with the potential supplier. The checks on ESG performance are made at present through the collection of information that can be gathered on the market. These appraisal are particularly thorough for suppliers from outside the EU, regarding countries whose environmental and workplace regulations are less strict.

Evaluations of the stability and reputation of the supplier partners complete the selection criteria. An average of 8 years' service (▶ TABLE 20) that characterises the main suppliers (i.e. those that assure about 2/3 of the total supplies), which is a notable figure that reflects good relations with a high level of partnership.

"La 8-years seniority average indicates good relationships with staff and a high level of cooperation and partnership"

Year	N. years	Weight in % subtotal of procurement in €
Mean longevity of Top 30 suppliers 31/12/2016	8,4	66

▶ TABLE 20 - Average seniority of top suppliers

Provenance of Suppliers

G4-EC9

TABLE 21 illustrates geographical origin of suppliers in the percentage of the value of supplies. It emerges that Dellas, despite fierce Asian competition, has been able to stand out with strong cost leadership, and has up to today maintained a high percentage of goods and services (around 54%) sourced from our own country. This "made in Italy" feature of Dellas products means they are of high intrinsic and perceived quality.

"The 54% supplied by our country's companies is strongly characterised by the "made in Italy" formula for Dellas products"

Country	2016	2015	2014
Veneto	22%	26%	20%
Italy (except for Veneto)	32%	30%	38%
Europe	13%	12%	20%
other Parts of the world	33%	32%	22%

▶ TABLE 21 - Provenance of Suppliers (3 yr period 2014-2016)

Transaction conditions and Payment terms

Where a situation in which the economic overview is not particularly rosy, Dellas holds itself out to its suppliers as an example of reliability and correctness as regards payments, convinced that this is essential for the growth in the quality of the relationship. At a time when the average number of days between companies for payments in the private sector has got more and more, Dellas can boast substantially steady Days Payable Outstanding (DPO),with a figure always below 100 days, the benchmark for the sector to which it belongs. (▶TABLE 22).

	2016	2015	2014
Days Payable Outstanding	87	83	71

▶ TABLE 22- Transaction terms and payment terms (3 yr period 2014-2016)

Such figures are even more important if compared with the conditions and average market payment terms in the markets in which the products of Dellas are sold, as these exceed 180 days. For the benchmark see the average internally calculated in the financial year 2014/2015 of Italian company members of Confindustria Marmomacchine -Assomarmomacchine [General Confederation of Italian Industry - Marble industry] in the Diamond tools sector, with a minimum turnover of 3 million Euro.

> “The lead company is positioned with a mean investment grade rating of “A-“ By Standard & Poor's”

Suppliers of Capital

The Parent company Dellas Spa has dealings with 9 credit institutions, 5 of which carry out around 80% of the commercial and financial operations. Such credit institutes are all but two Italian financial groups.
Also as regards the Group's foreign subsidiaries there are dealings with another 5 banks that facilitate the operations in the local areas.

The Dellas Group shows a high capital standing together with moderate debt levels as can been in the PFN/PN ratio (Net Financial Position/ Net equity), being at 0.57. Such capital and financial characteristics capital have enabled Dellas, once again in 2016, to invest its own current capital assets and use the banking system at relatively low cost levels. if we consider the average cost of third party capital for the year 2016 was 2.7% on consolidated basis while it was 1.7% for the parent company Dellas Spa.
The rating analysis **(1)** attributed to Dellas Spa by the first 5 institutes representing about 80% line of the loans granted places the Parent company in with Investment Grade with an average of a rating corresponding to the "A-" of Standard & Poor's **(2)**. This positioning confirms its adequate capacity to meet its its financial commitments.

(1) "The rating is a judgement on the reliability of a company, and specifically its ability to repay a loan over a determined period of time. It is thus a synthetic available of the Credit risk profile, taking into account quantitative and qualitative information the bank has on the company in relation to the mix of information on total availability of customer clients and their reimbursement behaviour over time" ("Knowing the Rating - As reliability assessed by the companies in view of the Basel Accord" published by the Italian Banking Association)

(2) Standard and Poor's Corporation (S&P) is a private US-based company that does financial research and analysis of bonds and is among the three leading rating agencies, together with Moody's and Fitch Ratings.

Human capital

DMA

"Amongst the basic principles held to by Dellas is to give more attention to its own human capital, a winning card in such a competitive market in a state of continual change"

Risorse Umane

The world of organisations over the last few years has always been putting more attention on human resources, since the quality and the skills of these are what gives the sector's their competitive advantages. In the last decade in particular, companies have had to deal with a real technological revolution that has led to changes in the kinds of work people do.
Dellas straight away realised the importance of human skills and learning ability
continuously showing interest in seeking out and keeping the most talented individuals. For these reasons the Human Resources in Dellas have started to occupy an ever more central role, realising that these partners amount to the true company capital.
There has consequently been a need to implement new practices for the management of human resources, that may be based on the cultivation of talent and on the creation of working conditions capable of attracting them and keeping them within the company's fold.
It is important to show that Dellas has always considered as fundamental the right of workers to enjoy the protection of the current employment legislation and of collective bargaining, both national and company, strongly opposing any kind of black economy working, the employment of minors or forced working, respecting the human rights of workers as provided for in the "Universal declaration of human rights".
Among the fundamental principles of Dellas has always been ever greater attention to care for his Human capital, the true winning hand for competitiveness in a market in a state of continuous evolution.

Analysis of company organisation

As of 31/12/2016 the Dellas Group has 124 employees around its various premises in Italy and abroad. The office with the greatest number of employees is that in Italy, where the main production departments are located. There are two factories in China, at Suzhou and Denizli, that have 22 employees. These are followed by the premises in Istanbul, Xiamen, Addis Adeba and Pontevedra with in all 6 employees (▶ TABLE 23).

G4-10

	Administrative Staff	Mangerial Staff	Production service	Sales	Technical	Total 2016	Year 2015	Year 2014
Italy - Lugo	9	1	62	13	11	**96**	98	99
China - Suzhou	1	1	11		1	**14**	14	13
China - Xiamen				1		**1**	6	13
Turkey - Denizli		1	7			**8**	8	8
Turkey - Istanbul	2			1		**3**	3	3
Ethiopia - Addis Abeba		1				**1**	1	1
Spain - Pontevedra			1			**1**	1	1
Total	**12**	**4**	**81**	**15**	**12**	**124**	**131**	**138**

▶ TABLE 23 - Distribution of personnel by location and company area as of 31/12/2016

"Dellas consists of 124 individuals spread throughout its various offices, in Italy and abroad"

90% of the human resources live in the municipal area and province of their own place of work. (▶ TABLE 24).

	Administrative Staff	Mangerial Staff	Production service	Sales	Technical	Total 2016	Year 2015	Year 2014
In the municipal district of workplace	5	1	46	4	5	61	64	65
In the provincial district	7	3	31	6	5	52	56	60
In the regional area of the workplace			4	3	1	8	8	9
Outside the regional area of the workplace				2	1	3	3	4
Total	**12**	**4**	**81**	**15**	**12**	**124**	**131**	**138**

▶ TABLE 24 - Geographic origin of personnel as of 31/12/2016

As shown in TABLE 24, the same data remains constant over the last three years, a circumstance that highlights excellent integration of Dellas in the geographical area and communities concerned.

14% of the staff have degrees and 29% a high school diploma. The data have grown compared with the 2014's 12% with degrees and 28% with high school diplomas. This indicates that the company is investing in more highly qualified personnel. (▶ TABLE 25).

	Administrative Staff	Mangerial Staff	Production service	Sales	Technical	Total 2016	Year 2015	Year 2014
Compulsory schooling	1		65		6	72	75	83
High school	3	2	15	11	4	35	38	38
Degree	8	2	1	4	2	17	18	17
Total	**12**	**4**	**81**	**15**	**12**	**124**	**131**	**138**

▶ TABLE 25- Educational qualifications of staff as of 31/12/2016

Most of the employees are taken on for an open term(85%). This circumstance demonstrates Dellas's desire to investe in its own human resources, on the their growth and loyalty.
Most of the employees (65%) are in the production departmetn, clear evidence that Dellas works in an industrial sector. (▶ TABLE 26).

	Administrative Staff	Mangerial Staff	Production service	Sales	Technical	Total 2016	Year 2015	Year 2014
Open term contract	12	1	69	14	10	106	100	100
Fixed term contract		2	12	1	1	16	26	33
Other kind of contract		1			1	2	5	5
Total	**12**	**4**	**81**	**15**	**12**	**124**	**131**	**138**

▶ TABLE 29 - Distribution of staff by type of work contract and company area 31/12/2016

The distribution of staff by contractual type and gender is illustrated in the following table. (▶ TABLE 27).

“85% of the Group’s employees are on long term work contracts”

	Females	Males	Total
Open term contract	28	78	106
Fixed term contract	3	13	16
Other kind of contract		2	2
Total	**31**	**93**	**124**

▶ TABLE 27 - Distribution of staff by type of work contract and gender as of 31/12/2016

	Administrative Staff	Mangerial Staff	Production service	Sales	Technical	Total 2016	Year 2015	Year 2014
Workers			76		5	81	85	92
Clerks	9	1	2	8	5	25	27	28
Executives	2		3	6	2	13	13	12
Managers	1	3		1		5	6	6
Total	**12**	**4**	**81**	**15**	**12**	**124**	**131**	**138**

▶ TABLE 28 - Staff distribution by function and department over three year period 31/12/2016

The average age of staff is 45 years. This rises to 46 in the managerial area and falls to 42 in the administrative area. (▶TABLE 29)

	Administrative Staff	Mangerial Staff	Production service	Sales	Technical	Total
< 3 years			2			**2**
3 to 5 years	1		4		2	**7**
6 to 10 years	1		4	2		**7**
11 to 15 years	3	1	9	5	1	**19**
16 to 20 years	3	2	18	1	1	**25**
21 to 25 years	3		25	1	**3**	**32**
26 to 30 years	**1**		11	3	**4**	**19**
> 31 years		1	8	**3**	1	**13**
Total	**12**	**4**	**81**	**15**	**12**	**124**

	Administrative Staff	Mangerial Staff	Production service	Sales	Technical	Total
Average age	42.25	46.50	45.20	46.00	46.,08	**45.14**

▶ TABLE 29 - Average age of human resources at 31/12/2016

Average company seniority, on the other hand, is 14 years.
26 persons, or 21% of the population, have a seniority of less than 3 years, this above all due to new engagements at the foreign factories (China and Turkey). There is then 35% in the band from 11 to 5 years and between 16 and 20 years of seniority. (▶TABLE 30).

	Administrative Staff	Mangerial Staff	Production service	Sales	Technical	Total
< 3 years	3		17	4	2	**26**
3 to 5 years	1	2	5	3	2	**13**
6 to 10 years	1	1	2	2	2	**8**
11 to 15 years	1	1	20	1	2	**25**
16 to 20 years	2		13	2	1	**18**
21 to 25 years	2		8	1	**1**	**12**
26 to 30 years	**2**		13		**2**	**17**
> 31 years			3	**2**		**5**
Total	**12**	**4**	**81**	**15**	**12**	**124**

	Administrative Staff	Mangerial Staff	Production service	Sales	Technical	Total
Average age in company	14.33	6.50	15.21	12.03	12.08	**14.17**

▶ TABLE 30 - Average company age as of 31/12/2016

Employment trends and turnover

The employment trends in 2016 is falling compared with 2015. The figure has gone from 131 to 124 staff.
In 2016 there were no new engagements, while 7 people left the Chinese premises at Xiamen.

G4-LA1

	2016	2015	2014
Turnover rate total (*)	5.6%	14.5%	17.4%

*Calculated according to the formula: (entries + exits in the period/ average staffin in period *100)

▶ TABLE 31 -Turnover in 3yr period (2014-2016)

The turnover of staff for the year was 5% below that of the two previous years.

DMA

Equal Opportunity

Dellas is sensitive to equal opportunity questions avoiding any form of discrimination and promoting a culture of diversity. In relations with the workers, in the management of personnel and in the organisation of work, as in its dealings with all stakeholders, Dellas undertakes to guarantee the absence of any discrimination in the workplace.
In the selection of the staff Dellas assures equal opportunities are provided when evaluating candidates' professional profiles and psychological and attitudinal fitness, with full respect for the private life and opinions of the candidates.
For Dellas managing diversity also means making the most of each employee's own unique contribution. Diversity of gender, of culture and of origin are now universally acknowledged as a true value, while Dellas seeks to manage it as well as possible, without forgetting that today the management of diversity must go hand in hand with the search for equality, since feeling oneself to be equal and included gives rise to cooperative working and sharing of the company culture

“ Female Personnel is 25% of the staff, rising to 50% in the administrative areas and 33% in the sales area ”

Female Personnel
Female Personnel is 25% of the staff, rising to 50% in the administrative areas and 33% in the sales area. (▶ TABLE 32).

	Administrative Staff	Mangerial Staff	Production service	Sales	Technical	Total 2016	Year 2015	Year 2014
Female	6	1	18	5	1	31	33	34
Males	6	3	63	10	11	93	98	104
Total	**12**	**4**	**81**	**15**	**12**	**124**	**131**	**138**

▶ TABLE 32 - Female Personnel as of 31/12/2016

Foreign workers
Dellas has significant variety in the nationalities working for the company. Reflecting the company's multicultural values, 23% of the personnel is non-Italian. In particular in 2016, 21% of the foreign workers are from non EU countries.

As of 31 December 2016 Dellas saw no episodes of discriminatory of practice.

	Administrative Staff	Mangerial Staff	Production service	Sales	Technical	Total 2016	Year 2015	Year 2014
Cinese	1		11	1	1	**14**	18	24
Italians	9	3	59	13	11	**95**	98	99
Spaniards			1			**1**	1	1
Turks	**2**	**1**	7	**1**		**11**	11	11
Nigerians			1			**1**	1	1
Croatians			2			**2**	2	2
Overall total	**12**	**4**	**81**	**15**	**12**	**124**	**131**	**138**

▶ TABLE 33 - Nationality of employees as of 31/12/2016

G4-HR3

Hiring and collective bargaining policies

Dellas has always regarded the meeting with and the hiring of staff as a matter that is not only important, but also strategic. For this reason, especially in the last few years, the hiring policy has taken on new guide lines oriented to improving the process of selecting candidates and consequently to ensuring the success of the placement of each staff member in the organisation. For these reasons the staff at Dellas increasingly embody the values and principles of the company, thus becoming a driving force for its success.
The selective procedures for engagements are carried with procedures that ensure impartiality and transparency and ensure reasonable costs and speed for the appraisal of the skills, knowledge and attitudes of candidates to hold the corresponding company positions.
Access to the job at Dellas is arrived at by methods that assure respect for equal opportunities for candidates without distinction as regards, gender, religion, culture or social position. The selection process adopts objective and transparent mechanism designed to check the person has the right requirements.
The selection procedure is carried out as follows:

- Head of HM, together with the MD, draws up a plan of annual staff hiring that takes account of the needs for personnel in the various offices and departments and expected turnover.
- The selection of candidates in the first instance on the basis applications arriving at teh company, together with assessments of candidates proposed by agencies specialised in recruitment.
- A classification is drawn up on which to proceed, according to needs, booking the dates the candidates will be interviewed for suitability.
- The first interviews are conducted by Head of human resources for the department taking on new staff.
- After the first interviews the number of candidates is cut to three.
- The second interview is then carried out at which the Managing Director is also present.
- At the end of the selection the results are given to the new employee and all the other people involved in the selection procedure.

G4-EC6

In 2016 no new senior managers were taken on to carry out strategic functions in the company or supervisory personnel for the organisational activities.

G4-11

Dellas adopted the collective bargaining agreement for the Chemical industry. All the Italian personnel are covered by this CCNL collective bargaining agreement, save two senior managers at the Italian head office that are covered by the National Senior management contract.

G4-LA4

With reference to the notice to employees, as provided for in tje CCNL collective bargaining agreement on any organisational modifications or company restructuring that could affect their working relationship, it should be pointed out that Dellas conducts itself differently in relation to the following scenarios:

- organisational changes: in the event of changes and/or any new internal organisational arrangements, there is dialogue with the personnel directly concerned with the changes;
- restructuring of changes to the legal form on the company: in the event of restructuring, following major changes in organisation and production, the employee notification methods are governed by the law and CCNL collective contracts in the sector concerned. Where there have been changes in the legal form of the company there are legislative provisions to provide information to the workers and the representatives of details of the changes so as the permit them to checks the correct manner of the process, as well as assess any impact on their employment contracts.

Travel

The international nature of the company is amply demonstrated also by the travelling of staff between various non EU countries. Assistance on site and close to the customer are in essential elements for the success of the company (see the section "The Business Model"). (▶TABLE 34).

	Administrative area	Production area	Sales Area	Technical area	Total 2016	Year 2015	Year 2013
Foreign travel Europe	3		117	30	**150**	122	144
Travel outside Europe	10		231	351	**592**	466	643
Travel in Italy	4		126	27	**157**	76	229
Total	**17**	**0**	**474**	**408**	**899**	**664**	**1016**

▶ TABLE 34 - National and international travel in (year 2016)

The number of days of work travel in 2016 was 899 with a clear majority of these outside EU in line with previous years.

G4-LA2

Benefits

The human resources of Dellas have enjoyed certain benefits (▶TABLE 35). Among the principle of these we can include life insurance cover and cover against work accidents and health costs abroad when travelling, being provided for all employees.

	Number of employees
Accident insurance for Italy and abroad	96
Canteen	124
Company cars	11
Transport	96
Reimbursement of medical costs	96
D&O	7

▶ TABLE 35 - Benefits to employees in (year 2016)

G4-LA11

Incentive schemes

The incentive scheme embraces the whole company and aims to at once reward individuals so that each person feels an integral part of a complex but harmonious system. The aim is to encourage improvements in the individual and his or her professional development.

Dellas ia well aware that believing in individual staff means:

- constructing an ever more stimulating work environment of enthusiasm, collaboration, fairness,transparency, innovation and ideas.
- fostering continuous development of skills, with the help of feedback on results and continuous learning;
- ensuring there financial and career rewards for those who merit it.
- Following this incentive system, all of the personnel at Dellas receive regular performance assessments and on how their career has been developing.

DMA

Training activities

Dellas has always invested its efforts in the continuous growth of its personnel and partners with the aim of fostering individual improvement and the development of the potential of every single individual, as well as that of the company. The company is convinced that training has an ever important role in a context in which the need is continuously growing for greater professional skills, abilities and specialist aptitudes. This can be seen by the number of hours of training provided and by the number of employees involved. The planning process for Dellas training scheme involves four main steps:

1. Identification of training requirements: this means identifying which persons should be given further training and establishing the skills each needs to acquire by taking part in these activities. At this stage the heads of the various offices and departments communicate to the Head of personnel and the Managing Director of the needs of its employees and partners. Among the various needs those selected are those most urgent and necessary.
2. Analysis of the training offered: this stage considers the advantages of sending staff to inter-company training activities already available on the market and/or of creating company specific training initiatives.
3. Working out a training activities plan: this involved identifying:
   - the economic resources that it is wished to and can actually be invested,
   - the staff that will attend the courses,
   - of the persons (from within or from outside the company) responsible for running the courses,
   - the objectives and contents of the courses,
   - the times needed for the realisation of the courses.
4. Measuring the results of the training work: this concerns appraisal of how much the persons have actually learned through the training and the utility of what they have learned in relation to the working tasks they carry out in their employment. These assessments will also contribute to policy decisions about future needs to address in any further training initiatives. The evaluation of results of the training is carried out through the use of questionnaires and interviews.

G4-LA10

Health and Safety

Health and Safety in the workplace remains a high priority for the corporate management. Pursuance of this objective is by adopting f all measures necessary to:

- prevent and reduce accidents and the incidence of industrial diseases;
- create awareness liability of responsibility in all areas of health and safety in the workplace;
- ensure that the industrial processes are planned, implemented, managed and maintained with a priority consideration being health and safety in the workplace;
- comply with current law and apply state of the art solutions in the area of health and safety
- in the workplace, with continuous updating;
- cooperating with the local health entities, the fire department, the senior safety at work institute, the trades unions, the supervisory bodies and those charged with the task of ensuring compliance with current regulations in this area.

DMA

The corporate management is also committed to:

- periodically review health and safety policy and its management to ensure it they are all fit for purpose with regard to the company business;
- inform all stakeholders of the company policy so that ever improving levels of health and safety are achieved in the workplace, as key to the economic success and the social role of the company.

Handling fine metal powers that are potentially carcinogenic is the main risk the workers are subject to. The continuous improvement the company requires has led to the introduction in the year 2016 of further plant and procedural systems that follow on from the work carried out in 2015, all in strict collaboration with the supervisory body of the Veneto Regional Authority.

In particular some of the plant for the gathering of powder has been modernised as well as the completion of detailed scientific analysis of what work should be done in relation to contamination of the areas. Such analysis has led to intervention in relation to details, especially procedural, to further limit the presence of powder in the air and any consequential risk to the health of the workers.

The outcome of these works of intervention can certainty only be measured in the medium to long period but the first health tests carried out on the workers in November 2016 by a competent physician have confirmed the efficacy of the works carried out in the course of the year.

Accidents and absences

In 2016 the number accidents was quite low, in line with that of 2015.
The rather high number for the year 2014 related to small accidents from foreign bodies in the eyes. Even though in many cases such analysis has shown that accidents are difficult to foresee, it has been deemed advisable to increase cover from personal protection devices to further groups of activities.

G4-LA6

Here below the accidents data for the year 2016. (▶ TABLE 36).

Year	N° of accidents	Total days of absence	Hours not worked	Frequency index (accidents/ hours worked)* 100	Seriousness index (accident absence days/hours worked)* 100
2016	2	20	164	0.00100	**0.08200**
2015	3	11	88	0.00148	**0.04348**
2014	7	42	336	0.00350	**0.16800**

▶ TABLE 36 - Accidents at the workplace in the last three years (2014-2016)

G4-LA7

Number of hours	2016	2015	2014
Disease	3,762	1,857	5,503
Leave and paid absence	969	583	1,050
Maternity and paternity leave	1,314	1,104	2,760
Accident	164	88	336
Unpaid leave and absences	1003	8	92
Total	**7.212**	**3.639**	**9.471**

▶ TABLE 37- Reasons and hours of absence (three years 2014-2016)

Social and relationship capital

Collectivity

In line with company values and the principles of Corporate Social Responsibility, Dellas has always considered itself to be an integral part of the community in which it operates. In accordance with this conviction, it regards it as important to sustain the social and economic value of the Collectivity or the community of which it is part, and does so through a series of activities and initiatives.

Developing local Suppliers

Even though it has to face fierce competition in Asia which has strong cost advantages, Dellas has maintained a high percentage of suppliers of goods and services in our own country, as previously illustrated in the section "/ Suppliers".

DMA

G4-S01

Contributions to the community and inclusion initiatives

Still with the aim of building, preserving and strengthening actgive cooperation with its community, Dellas has also established a number of initiatives in support of Associations and Non-profit organisations in the local surrounding area, especially in the area of Verona (▶ TABLE 38).

	2016	2015	2014
Number of sponsorships for Associations	5	5	3
Number of donations to ONLUS charitable bodies	13	6	10
Total amount	2,398	2,050	4,030

▶ TABLE 38 - Sponsorships to associations and donations to ONLUS charitable bodies (three year period 2014-2016)

G4-EC7

G4-S02 G4-S07

The sponsorships and donations, as well as other initiatives described in the paragraphs subsequent,in favour of the socio-economic fabric of the local area, are appreciated directly or indirectly also by those working at or with Dellas, who enjoy being in a strong local geographical area: as already seen in The "Human Resources" section (▶ TABLE 25), more than 92% of the personnel at Dellas lives in the municipal district and province of their workplace. Dellas carries out no activities with significant negative, potential or actual impact on the local community. Dellas has not in the course of 2016 had legal action brought against it for unfair competition, anti-trust matters or monopolistic practices or the effects of these.
Dellas, in line with the company's principles and values, has always considered itself an integral part of the community, encourages the involvement of students of schools in its geographical area through various stages and internships

Iniziative - Finval and Energyland

Dellas is co-founder, together with other local players of note, of Finval S.p.A. with the objective of "Working together on the economic and social development of the area, promoting enterprise and economic operators in general to foster the growth of the local economy, well-being and solidarity in the community".

Finval therefore set out to be a local public company with a large number of shareholders, to give strong impulse to the Economic Development of Valpantena and Lessinia.

The Company was incorporated on 29 July 2010, with a company share capital of 602,000 €. As of this day, after a further capital increase, Finval S.p.A. has share capital of 813,000 €, shared between 90 shareholders.
The first project for Finval was the funding of "Energyland - the renewable energies industry". Energyland is a ground level photovoltaic installation with a power of 1 megawatt located in the municipal district of Grezzana. The mission of Energyland consists in the creatuib if a whole chain of renewable energies to bring down business and private energy costs in the area, with the utmost respect for the environment.   The bond with the local area is thus an essential value for the company, with the aim of establishing a real relaunch of the economies of the Valpantena and Lessinia that directly involves local families with highly innovative and advantageous proposals.

“ Dellas is co-founder of Finval S.p.A., which was established with the aim of being a local public company with a large number of shareholders, in order to give strong impetus to the economic development of Valpantena and the Lessinia mountainsarea ”

On 28 May 2011 the photovoltaic field was inaugurated and has been running perfectly well since that date.

On 29 July 2011 the co-operative company Energyland was established as the legal person runnning the installation and distributing the energy to over 300 stakeholders joining the initiative. The cooperative collects state funding each year for the Energy Account with which it pays the lease charges of the land (plant and owner), the management and the insurance of the field.

In 2012 and 2013, after its first initiative of Energyland, Finval S.p.A. then proceeded to initiate and select young people's start-ups in the local area that merited funding and could form a foundation for future occupation in the local geographical area.

The following 5 operational areas have been in Finval SpA's plans for the three year period 2014-2016: Energy and the Environment, Publishing and Training, Networks and Infrastructures, Industrial Redevelopment and Participations. For each of these, there is expected to be the implementation of specific projects and plans for development, using undergraduate or graduate interns in various training areas.
With regards to Energy and the Environment, the development plan provides in particular for the implementation of the "Green Valley Project" aimed at energy efficiency and the production of energy from renewable sources, the disposal of waste and protection of the environment for the making of high margin investments in renewables and solving waste and refuse problems.

Consortium initiative "Nuova Lucense"

Dellas was as a leader in the creation of a network of local companies that set up a consortium for the market procurement of electricity at the best possible price. The Consortium operates on behalf of its members, suitable clients in accordance with the law, as agent with company representation: every year the main players are put against each other and the best offer is selected. The added value of the initiative is in the achieving of a critical mass of consumption that permits the Consortium to act from a position of strength that an individual company in the geographical area concerned could not have.

Natural capital

Environment

Dellas considers the environment as a priority stakeholder. Because of this fundamental conviction, the company each year puts into effect a series of strategies and actions aimed at minimising its own impact on the environmental and its geographical area, mainly through:

- efficient policies aimed at improvement and the saving of energy;
- careful management and differentiation of production waste and scrap.

DMA

Energy Consumption and Rationalisation

Since 2011 Dellas has had an improvements and energy savings programme starting from an initial energy audit, putting into effect a series of measures to produce increased energy efficiency.

No direct investments have been made in plant for the production of energy by renewable sources measures have been taken to reduce energy consumption and consequently CO2 Equivalent (which measures global warning potential of greenhouse gases).

Among the measures adopted in the three years 2011-2013 of particular importance are the following:

- the improvements in terms of energy efficiency of the air compressors efficiency present in various pieces of production plant;
- the recycling of energy produced by the sintering and welding plant and its re-use for the heating of workplaces;
- the raising of staff awarness of the need for energy savings and the establishment of a Working group for the planning and the implementation of specific actions aimed at continuous improvement.

“ Among the measures adepte the recovery of energy from the sintering plant and its reuse for heating the working environment ”

An important initiative begun in 2013 and continued with in 2014 and 2015 regards the research and development project for the realisation of diamond tools with DIM technologies (▶ TABLE 17): can also be included the lower electricity consumption with respect to traditional technologies.

In 2015 a specific energy diagnostic was carried out with a view to improving efficiency and better use of available energies. The results of the initiatives illustrated in the quantity figures are quite evident.
Tables 47 and 48 indicate a substantial maintenance of consumption as against an increase in production volumes.
A measure of the improved energy efficiency is provided by the Consumption of electricity data, shown here below in terms of kWh and CO2 Equivalent.

G4-EN3 G4-EN6 G4-EN15 G4-EN19

	kWh	C02 Equivalent {ton)	Change%
2016	3,069,378	1,398.17	(6.19%)
2015	3,102,861	1,490.43	(1.33%)
2014	3,144,673	1,510.51	6.38%

▶ TABLE 47 - Consumption and savings of electricity (three years 2014-2016)

Another variable that is essential efficiency is the heating fuel consumption for the places of work. The purchase of heating fuel has been as minimum quantities, as a reserve in the event of a break in the heating system with recycling of heat energy from the sintering and welding plant. This latter plant, in the course of 2016, has assured 90 % of the actual consumption needed for heating. Were there no such heat recycling, the company would have had to purchase fuel quantities 10 times greater than those currently bought.

	Actuial consumption (Lt)	Actual Consumption in CO2 Eq (ton)	Theoretical consumption without CO2 Eq. recovery (ton)	CO2 Eq. Saving (ton)
2016	28,000	73.14	731.42	724.11
2015	19,000	49.53	495.25	445.72
2014	18,000	47.34	473.46	426.11

▶ TABLE 48 - Consumption and savings of heating oil (3-yr period 2014-2016) Data referred to the Dellas Spa company

The establishment of the Working Group to monitor the situation and above to plan actions for continuous improvement also in this field.

Rationalisation of the use of water

Dellas considers water resources important to its business; in 2016 it consumed 4,103 cubic metres of water, as illustrated below. The water from the mains supply and local multi-utilities. In 2016 Dellas increased its total consumption of water: the use of water increased at the Chinese subsidiary, while it remained essentially unchanged in the other companies in the group.

DMA G4-EN8

	Consumption in m3	Change %
2016	4,103	13.98
2015	3,600	(3.41)
2014	3,727	15.32

▶ TABLE 49 - Consumption and heating oil savings (three years 2013- 2015)- Data for Dellas Spa

Production and Management of Waste

DMA G4-EN23 G4-EN25

Dellas has moreover carried out separated was collections at all its premises, separating hazardous and non hazardous products (▶ TABLE 50) to assist in the separation of waste.
All the hazardous and non hazardous waste are conferred in accordance with the provisions of the Environment Act (Ref.: Legislative decree N 152 of 03.04.06 as subsequently amended and integrated).

Waste produced (in Kg)	2016	2015	2014
Waste nitric acid	3.832	1,130	815
Absorbent and filtering materials	842	321	
Empty spray cans	180	129	184
Paper and cardboard	3,600	2,720	7,000
Waste waxes and grease	755	485	249
Sludge from smoothing and polishing	44,640	44,880	57,160
Running in sludge	12,080	11,260	18,050
Iron and steel	20,100		27,760
Packing paper containing hazardous substances	976		
Wooden packaging	5,280	4,240	6,820
Mixed materials packaging	17,400	15,620	13,680
Abrasive waste material	5,320	7,160	4,940
Used oil	1,100	660	
Plastic refuse	8,340	8,140	4,180
Waste acqueous solutions	23,740	25,860	26,100
Washing acqueous solutions	18,740	18,540	25,040
Total	**166,925**	**141,145**	**191,978**

▶ TABLE 50 - Refuse products (three years 2013-2015) - Data for Dellas Spa

G4-32

Table of GRI correlations

General Standard Disclosures	GENERAL STANDARD DISCLOSURES Page number	Omissions
Strategy and Analysis		
G4-1 Statement about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	7	Non applicable
G4-2 Description of key impacts, risks, and opportunities.	9	Non applicable
Organisational Profile		
G4-3 Name of the organization.	11	Non applicable
G4-4 Primary brands, products, and services.	17	Non applicable
G4-5 The location of the organization's headquarters.	25	Non applicable
G4-6 Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	25	Non applicable
G4-7 The nature of ownership and legal form.	11, 26	Non applicable
G4-8 Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	11, 45	Non applicable
G4-9 The scale of the organization.	9, 11, 45	Non applicable
G4-10 The total number of employees by employment contract and gender	53	Non applicable
G4-11 The percentage of total employees covered by collective bargaining agreements.	57	Non applicable
G4-12 The organization's supply chain.	51	Non applicable
G4-13 Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain, during the reporting period	26	Non applicable
G4-14 Whether and how the precautionary approach or principle is addressed by the organization.	DELLAS Spa in the evaluation and management of the risks inherent to its own activities, adopts a precautionary approach.	Non applicable
G4-15 Economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	At this time DELLAS Spa has not underwritten charters of values or external principle	Non applicable
G4-16 List memberships of associations (such as industry associations) and national or international advocacy	31	Non applicable
Identified Material Aspects and Boundaries		
G4-17 All entities included in the organization's consolidated financial statements or equivalent documents.	19	Non applicable
G4-18 Process for defining the report content	20, 35	Non applicable
G4-19 Material Aspects identified in the process for defining report content.	35	Non applicable
G4-20 Aspect Boundary within the organization	38	Non applicable
G4-21 The Aspect Boundary outside the organization.	38	Non applicable
G4-22 Report the effect of any restatements of information provided in previous reports, and the reasons	19	Non applicable

G4-23 Significant changes from previous reporting periods in the Scope and Aspect Boundaries	19	Non applicable
Stakeholder engagement		
G4-24 Stakeholder groups engaged by the organization	34	Non applicable
G4-25 Basis for identification and selection of stakeholders with whom to engage	34	Non applicable
G4-26 Approach to stakeholder engagement	9, 40	Non applicable
G4-27 Key topics and concerns that have been raised through stakeholder engagement	9, 40	Non applicable
Report Profile		
G4-28 Reporting period for information provided	18	Non applicable
G4-29 Date of publication of previous report	21	Non applicable
G4-30 Reporting cycle	21	Non applicable
G4-31 Contact point and addresses for questions regarding the report or its contents	21	Non applicable
G4-32 Explanatory table of report contents	64	Non applicable
G4-33 Organization's policy and current practice with regard to seeking external assurance for the report	The report on Corporate Social Responsibility was not subject to external assurance	Non applicable
G4-34 Governance structure and its composition	27	Non applicable
G4-38 Composition of the highest governance body and its committees	27	
G4-39 Report whether the Chair of the highest governance body is also an executive officer	27	
G4-40 The nomination and selection processes for the highest governance body and its committees	27	
G4-42 Senior executives' roles in the highest governance body	27	
G4-43 Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	27	
G4-45 Role in the identification and management of economic, environmental and social impacts, risks, and opportunities	27, 29	
Ethics and Integrity		
G4-56 Describe the organization's values, principles, standards and norms of behaviour for sustainability performance and state of advancement in their implementation	10	Non applicable

	SPECIFIC STANDARD DISCLOSURES	
Material aspects **List of material aspects identified responding to the economic, social and environmental indicators set forth in guideline G4**	**Disclosure Management Approach e Indicatori** **Page number or link**	**Omissions**
DMA value and economic impacts	41	
G4-EC1 Economic value directly generated and distributed	42	
G4-EC4 Financial assistance received by the organization from public administration	44	

G4-EC6 Report the percentage of senior management living in the local community	57
G4-EC7 Development and impact of infrastructure investments and services supported mainly for public utility	44, 60
G4-EC9 Percentage of the procurement budget spent on local suppliers	51
DMA Aspect "Energy"	62
G4-EN3 Consumption of energy at the organisational Headquarters	62
G4-EN6 Reduction in the consumption of energy	62
G4-EN7 Reductions in energy requirements of products and services	Not relevant
DMA Aspect: "Water"	63
G4-EN8 Total water withdrawal by source	63
DMA Aspect: "Emissions"	62
G4-EN15 Direct Greenhouse Gas emissions (GHG)	62
G4-EN19 Reduction of greenhouse gas (GHG)	62
DMA Aspect: "Effluents and Waste"	63
G4-EN23 Total weight of refuse by type and disposal method	63
G4-EN25 Transported, imported, exported, or treated waste deemed hazardous	63
DMA Aspect: "Supplier assessment in respect of environmental criteria"	51
G4-EN32 New suppliers that were screened using environmental criteria	Aspect as yet not identified. Objectiv 2017/2018
G4-EN33 Noteworthy negative environmental consequences real and potential in the supply chain and actions taken	No negative impact detecte
DMA Aspect: "Employment"	53
G4-LA1 Total number and rates of new employee hires and employment turnover by age gender and region	56
DMA Aspect: Diversity and Equal Opportunities	56
G4-LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	58
G4-LA4 Minimum notice periods regarding operational changes	57
DMA Aspect: "Occupational Health and Safety"	59
G4-LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	59
G4-LA7 Workers involved in activities who have a high incidence or high risk of specific diseases	59
DMA Aspect: "Training and Education"	58
G4-LA10 Programs for skills management	58
G4-LA11 Percentage of employees receiving regular performance reviews	58
DMA Aspect "Diversity and equal opportunity"	56
G4-LA12 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership	28, 56

DMA Aspect "Supplier assessment for labour practices"	51
G4-LA14 New suppliers that were screened using labour practices criteria	Aspect as yet not identified. Objectiv 2017/2018
G4-LA15 Significant actual and potential negative impacts for labour practices in the supply chain and actions taken	No negative impact detected
DMA Aspect "Non-discrimination"	56
G4-HR3 Total number of incidents of discrimination and corrective actions taken	57
DMA Aspect "Supplier human rights assesment"	51
G4-HR10 Percentage of new suppliers that were screened using human rights criteria	Aspect as yet not identified. Objectiv 2017/2018
G4-HR11 Significant actual and potential negative human rights impacts in the supply chain and actions taken	No negative impact detectedo
DMA Aspect "Local communities"	60
G4-SO1 Operations with implemented local community engagement, impact assessments, and development programs	60
DMA Aspect "Supplier assessment for impacts on society"	51
G4-SO2 Operation with significant actual or potential negative impacts on local communities	60
G4-SO7 Percentage of new suppliers that were screened using criteria for impacts on society	60
G4-SO9 Percentage of new suppliers that were screened using criteria for impacts on society	Aspect as yet not identified. Objectiv 2017/2018
G4-SO10 Significant actual and potential negative impacts on society in the supply chain and actions taken	No negative impact detecte
DMA Aspect "Customer health and safety"	49
G4-PR1 Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	49
G4-PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services	49
G4-PR5 Results of surveys measuring customer satisfaction	50
DMA Aspect "Marketing Communications"	49
G4-PR6 Sale of banned or disputed products	49
G4-PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	50

▶ TABLE 51 - Table of GRI Correlations

DANIELE FERRARI
President and Chief Executive Officer (CEO)

Lugo di Grezzana (VR), 10/04/2017

4

CONSOLIDATED FINANCIAL STATEMENTS OF DELLAS GROUP

as of 31/12/2016

FINANCIAL STATEMENT TABLES

Assets		31/12/2016	31/12/2015
A) Receivables from shareholders for unpaid up capital *(of which called up)*			
B) Fixed assets			
I. Intangible assets			
1) Start-up and expansion costs		144,533	
2) Development costs		3,328,268	3,030,483
3) Industrial patent and intellectual property rights		542,649	469,970
4) Concessions, licenses, trademarks and similar rights		40,891	55,459
5) Goodwill		127,837	145,688
6) Work-in-progress and advances			
7) Other intangible assets			27,714
		4,184,178	3,738,800
II.Tangible assets			
1) Land and buildings		4,108,273	4,325,525
2) Plant and machinery		884,891	1,138,851
3) Industrial and commercial equipment		21,190	14,496
4) Other assets		100,855	102,376
5) Work-in-progress and advances			
		5,115,209	5,581,248
III. Financial assets			
1) Shareholdings in:			
a) non-consolidated controlled undertakings	576,371		575,370
b) affiliated undertakings	145,000		
c) controlling companies			
d) undertakings under control by the controlling companies			
d - bis) other companies	33,021		33,021
		754,392	608,391
2) Accounts receivable			
a) from non-consolidated controlled undertakings			
- falling due within one year	87,912		
- falling due after more than one year	231,133		
	319,045		
b) from affiliated undertakings			
- falling due within one year			
- falling due after more than one year			
c) from controlling companies			
- falling due within one year			
- falling due after more than one year			
d) from undertakings under control by the controlling companies			
- falling due within one year			
- falling due after more than one year			

d-bis) Other accounts receivable			
- falling due within one year			
- falling due after more than one year			605
			605
		319,045	605
3) Other securities			
4) Derivative financial instruments			
		1,073,437	608,996
Total Fixed Assets		**10,372,824**	**9,929,044**

C) Current assets

Stock			
1) Raw materials, subsidiary materials and consumables		4,404,929	4,672,930
2) Work in process and semi-finished products		2,241,161	2,064,452
3) Works in progress on order			
4) Finished products and goods		3,870,545	4,051,477
5) Advances			(3,435)
		10,516,635	10,785,424
II. Accounts receivable			
1) From customers			
- falling due within one year	9,175,256		9,468,537
- falling due after more than one year	1,190,123		1,142,248
		10,365,379	10,610,785
2) From non-consolidated controlled undertakings			
- falling due within one year	112,856		
- falling due after more than one year	1,412,519		1,507,019
		1,525,375	1,507,019
3) From affiliated undertakings			
- falling due within one year	(55,469)		
- falling due after more than one year			
		(55,469)	
4) From controlling companies			
- falling due within one year	101		269
- falling due after more than one year			
		101	269
5) From undertakings under control by the controlling companies			
- falling due within one year			
- falling due after more than one year			
5-bis) Tax credits			
- falling due within one year	270,411		228,087
- falling due after more than one year			
		270,411	228,087
5-ter) Deferred tax assets			
- falling due within one year	309,303		302,365
- falling due after more than one year			
		309,303	302,365

5-quater) Other accounts receivable			
- falling due within one year	342,548		201,345
- falling due after more than one year	2,889		
		345,437	201,345
		12,760,537	12,849,870
III.Financial assets other than fixed assets			
1) Shareholdings in non-consolidated controlled undertakings			
2) Shareholdings in affiliated undertakings			
3) Shareholdings in controlling companies			
3-bis) Shareholdings in undertakings under control by the controlling companies			
4) Other shareholdlngs			58
5) Derivative financial instruments			
6) Other securities			
			58
IV. Cash-in-hand, cash at bank and cash equivalents			
1) Bank and postal deposits		508,491	1,272,254
2) Cheques		377,455	336,427
3) Cash and cash equivalents		10,089	7,486
		896,035	1,616,167
Total current assets		**24,173,207**	**25,251,519**
D) Prepayments and accrued income		**136,702**	**3,213**
Total assets		**34,682,733**	**35,183,776**

Liabilities		31/12/2016	31/12/2015
A) Shareholders' equity			
I. Share capital		8,000,000	8,000,000
II. Share premium reserve			
III. Revaluation surplus		1,535,712	1,535,712
IV. Legal reserve		1,600,000	1,600,000
V. Reserves provided for by the articles of association			
VI. Other reserves			
Extraordinary or voluntary reserve	8,044,969		7,889,687
Non-distributable reserve pursuant to article 2426	90,803		182,120
Reserve for translation differences from consolidation of foreign companies	(28,093)		49,789
Consolidation reserve	(406,575)		(301,511)
		7,701,104	7,820,085
VII. Cash flow hedge reserve			
VIII. Retained earnings (loss carryovers)		(434,867)	(424,892)
IX. Profit (loss) for the year		(277,119)	152,606
X. Negative reserve for Treasury Shares			
Total group shareholders' equity		**18,124,830**	**18,683,511**
Shareholders' equity and reserves of minority shareholders		201,115	201,332
Profit (loss) for the year of minority shareholders		(28,639)	(81,745)
Total shareholders' equity of minority shareholders		**172,476**	**119,587**
Total consolidated shareholders' equity		**18,297,306**	**18,803,098**
B) Provisions for contingent liabilities and charges			
1) Provision for pensions and similar benefits			
2) Provision for deferred income taxes, including deferred tax assets		67,917	152,297
3) Derivative financial instruments			
4) Other provisions		8,458	8,603
Total provisions for liabilities and charges		**76,375**	**160,900**
C) Employees' leaving indemnity		**480,762**	**536,555**
D) Accounts Payables			
1) Bonds			
- falling due within one year			
- falling due after more than one year			
2) Convertible bonds			
- falling due within one year			
- falling due after more than one year			
3) Shareholders' loans			
- falling due within one year	233,215		
- falling due after more than one year			
		233,215	
4) Accounts payable to banks			
- falling due within one year	8,717,202		8,524,934
- falling due after more than one year	2,694,507		2,896,538
		11,411,709	11,421,472

5) Accounts payable to third party lenders			
- falling due within one year			
- falling due after more than one year	10,223		
		10,223	
6) Advances			
- falling due within one year	14,244		38,591
- falling due after more than one year			
		14,244	38,591
7) Accounts payable to suppliers			
- falling due within one year	2,731,094		2,730,907
- falling due after more than one year			
		2,731,094	2,730,907
8) Accounts payable represented by debt instruments			
- falling due within one year			
- falling due after more than one year			
9) Accounts payable to non-consolidated controlled undertakings			
- falling due within one year			
- falling due after more than one year			
10) Accounts payable to affiliated undertakings			
- falling due within one year			
- falling due after more than one year			
11) Accounts payable to controlling companies			
- falling due within one year			
- falling due after more than one year	32,632		104,173
		32,632	104,173
11-bis) Accounts payable to undertakings under control by the controlling companies			
- falling due within one year			
- falling due after more than one year			
12) Taxes payable			
- falling due within one year	303,317		416,348
- falling due after more than one year			
		303,317	416,348
13) Accounts payable to social security institutions			
- falling due within one year	211,405		219,528
- falling due after more than one year			
		211,405	219,528
14) Other accounts payable			
- falling due within one year	690,292		627,776
- falling due after more than one year			
		690,292	627,776
Total accounts payable		**15,638,131**	**15,558,795**
E) Accrued liabilities and deferred income		**190,159**	**124,428**
Total shareholders' equity and liabilities		**34,682,733**	**35,183,776**

Profit and loss account		31/12/2016	31/12/2015
A) Revenues			
1) From sales and services		18,431,581	18,703,364
2) Changes in stocks of work in process, semi-finished and finished products		244,810	615,522
3) Changes in work in progress on order			
4) Capitalised internal work in progress			
5) Other revenues and proceeds:			
- others	123,627		551,903
- contributions on trading account	64,626		3,840
		188,253	555,743
Total revenues		**18,864,644**	**19,874,629**
B) Expenses			
6) Raw materials, subsidiary materials, consumables and goods		6,635,123	7,257,036
7) Services		4,680,321	4,628,787
8) Rent/lease		143,478	117,755
9) Personnel costs			
a) salaries and wages	3,203,545		3,879,984
b) social contributions	997,141		1,092,547
c) employees' leaving indemnity	222,179		211,186
d) accruals for pension and similar benefits			
e) other costs	36,210		17,123
		4,459,075	5,200,840
10) Amortisation, depreciation and value adjustments			
a) amortisation of intangible assets	1,059,244		816,761
b) depreciation of tangible assets	626,368		661,905
c) other value adjustments			
d) write down of accounts receivable recorded among current assets and liquid assets	37,549		13,583
		1,723,161	1,492,249
11) Changes in raw materials, subsidiary materials, consumables and goods		261,102	460,159
12)) Accruals to provisions for contingent liabilities and charges			
13) Other accruals			
14) Miscellaneous running costs		1,079,036	649,945
Total expenses		**18,981,296**	**19,806,771**
Difference between revenues and expenses (A-B)		**(116,652)**	**67,858**
C) Financial income and costs			
15) Income from shareholdings:			
- in non-consolidated controlled undertakings			
- in affiliated undertakings			
- in controlling companies			
- in undertakings under control by controlling companies			
- other income			14
			14
16) Other financial income:			
a) from accounts receivable recorded among fixed assets			

- in non-consolidated controlled undertakings	16,698		
- in affiliated undertakings			
- in controlling companies			
- in undertakings under control by controlling companies			
- other financial income			
		16,698	
b) from securities recorded among fixed assets			
c) from securities recorded among current assets			
d) other income:			
- in non-consolidated controlled undertakings			
- in affiliated undertakings			
- in controlling companies			
- in undertakings under control by controlling companies	5,690		
- other income			17,864
		5,690	17,864
		22,388	17,864
17) Interest and other financial costs:			
- to non-consolidated controlled undertakings			
- to affiliated undertakings			
- to controlling companies			
- to undertakings under control by controlling companies			
- other financial costs	284,990		319,949
		284,990	319,949
17-bis) Exchange gains and losses		72,373	306,336
Total financial income and costs		**(190,229)**	**4,265**

D) Value adjustments of financial assets and liabilities

18) Write-ups:			
a) of shareholdings			
b) of financial fixed assets which do not constitute shareholdings			
c) of securities recorded among current assets which do not constitute shareholdings			
d) of derivative financial instruments			
19) Write downs:			
a) of shareholdings			
b) of financial fixed assets which do not constitute shareholdings			
c) of securities recorded among current assets which do not constitute shareholdings			
d) of derivative financial instruments			
Total value adjustments of financial assets and liabilities			
Result before taxes (A-B±C±D)		**(306,881)**	**72,123**
20) Taxes on the income for the year (current taxes and deferred tax assets and liabilities)			
Current taxes	90,194		79,647

Deferred tax assets and liabilities	(91,317)		(78,385)
		(1,123)	1,262
21) Profit (loss) of the year		**(305,758)**	**70,861**
Profit (loss) of minority shareholders		(28,639)	(81,745)
Group profit (loss)		**(277,119)**	**152,606**

Cash flow statement	31/12/2016	31/12/2015
A.1 Cash flow from operating activities (indirect method)		
Profit (loss) for the year	(305,758)	70,861
Income taxes	(1,123)	1,262
Interest expense (interest income)	262,601	302,085
(Dividends)		(14)
Total capital (gains)/losses from the disposal of assets		
A.2 Adjustments in connection with non-monetary items with no offsetting items in the net working capital		
Accrual to provisions		
Amortisation/depreciation of fixed assets	1,685,612	1,478,666
Write-downs of assets due to permanent value impairment	37,549	13,583
Value adj. to financial assets and liabilities generated by derivative financial instruments with do not involve a cash flow		
Other adjustments in connection with non-monetary items	(1)	
Cash flow before changes in working capital	**1,678,880**	**1,866,443**
A.3 Changes in working capital		
Decrease/(increase) of inventory	268,789	(620,564)
Increase/(decrease) of accounts receivable from customers	282,687	313,324
Increase/(decrease) of accounts payable to suppliers	(71,355)	693,295
Decrease /(Increase) of accrued income and prepayments	(133,489)	1,553
Increase /(decrease) of accrued liabilities and deferred income	65,731	116,565
Other decreases/(increases) in working capital	(134,715)	175,542
Cash flow after changes in working capital	**1,956,528**	**2,546,158**
A.4 Other adjustments		
Interest collected/(paid)	(262,601)	(302,085)
(Income taxes paid)	(90,194)	(79,647)
Dividends collected		14
Other adjustments	253,681	131,220
Cash flow from operating activities (A)	**1,857,414**	**2,295,660**

B.1 Tangible assets		
(Investments)	(603,508)	(509,864)
Realisation price of divestments		
B.2 Intangible assets		
(Investments)	(1,499,892)	(1,204,591)
Realisation price of divestments		
B.3 Financial fixed assets		
(Investments)	(464,441)	(133,012)
Realisation price of divestments		
B.4 Financial assets not included among fixed assets		
(Investments)		
Realisation price of divestments	58	
(Acquisition undertakings or business concerns not including cash-in-hand and cash-at-bank)		
Disposal undertakings or business concerns not including cash-in-hand and cash-at-bank		
Cash flow from investing activities (B)	**(2,567,783)**	**(1,847,467)**
C.1 Debt		
Loans taken out	2,250,538	1,850,000
(Loans repaid)	(2,260,301)	(2,253,838)
C.2 Equity		
Share capital increase		
(share capital reimbursement)		
Sale (purchase) of treasury shares		
Dividends (and interim dividends) paid		
Cash flow from financing activities (C)	***(9,763)***	***(403,838)***
Cash increase (Decrease) (A ± B ± C)	**(720,132)**	**44,355**
1. Exchange differences in cash-at-bank, cash-in-hand and cash equivalents		
2. Cash at the beginning of the year		
Bank and post office deposits	1,272,254	1,567,592
Cheques	336,427	
Cash-in-hand and cash equivalents	7,486	4,220
3. Cash at the end of the year		
Bank and post office deposits	508,491	1,272,254
Cheques	377,455	336,427
Cash-in-hand and cash equivalents	10,089	7,486
Changes in in cash-at-bank, cash-in-hand and cash equivalents	**(720,132)**	**44,355**

DANIELE FERRARI
President and Chief Executive Officer (CEO)

Lugo di Grezzana (VR), 10/04/2017

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CONSOLIDATED FINANCIAL STATEMENTS OF DELLAS GROUP

as of 31/12/2016

NOTES TO THE ACCOUNTS

Preamble

The Dellas Group has been operating for many years in the manufacture and sale of diamond tools for working marble and granite, as well as natural stone, concrete, asphalt and ceramic.

The companies in the Group are Dellas Diamond Tools Suzhou Co Ltd, Dellas lstanbul Makina Sanayi Ve Ticaret As,Dellas Spagna Sl, Dellas Spa Ethiopian Branch, Dellas Do Brasil Ferramentas Diamantadas Ltda and Dellas Stone Tools India Private Limited, and other holdings through Cordusio Società Fiduciaria Per Azioni.

Evaluations method and drafting standards

Drafting principles

The consolidated financial statements are made up of the balance sheet, profit and loss account and notes to the accounts, all drawn up in accordance with article 29 of Legislative decree D.Lgs. 127/91 as shown in the results of these Notes to the accounts, in accordance with the provisions of article 38 of that decree. Where necessary, the accounting standards established by the National Council of Certified Business Consultants and accountants were applied and where these did not cover the case, the accounting standards of the IASB as referred to by Consob stock exchange body.

In addition to the annexed provisions of the law, there are comparative tables of net results and net equity of the consolidating company and the respective values as recorded in the consolidated financial statements.
The consolidated financial statements also present for the purposes of comparison the figures from the previous year.

The methods used for the formation and the measuring of closing balance items as of 31/12/2016 take account of the new rules introduced in national law with Legislative Decree 139/2015 implementing EU Directive 2013/34/EU. Pursuant to legislative decree D. Lgs. 139/2015 changes have been made to the national accounting standards (OIC).

With these Notes to the accounts we highlight the data and information provided for in article 38 of that decree.

Scope and methods of consolidation

The Consolidated Financial Statements of the Dellas Group comprise the Financial Statement of Dellas S.p.A. (Parent company) and of the subsidiaries, whether directly or indirectly, updated as of 31/12/2016.
The list of the companies included inn the consolidation area is attached hereto in the notes to the accounts.
Excluded from the consolidation, both as regards the integration method and the net equity method, those of companies that, in accordance with the provisions of article 28, paragraph two of legislative decree D.Lgs. 127/91, are not relevant for a true and correct representation of the company's equity and financial position and the economic results of the group. The list is annexed to the notes to the accounts.

There are no exclusions due to differences in trading activities with respect to the remaining companies in the group for the purposes of article 28, paragraph two of legislative decree D.Lgs. 127/91.
There have been no companies over which joint control has been carried out pursuant to the provisions of article 37 of Legislative decree D.Lgs. 127/91 for which there would be provision for consolidation with the proportional method.
There have moreover been no allied companies over which the Parent company exercises, whether directly or indirectly, a significant influence and holds a share of capital between 20% and 50%, for which the net equity method would be required.

Other subsidiaries excluded from consolidation according to the provisions of legislative decree D.Lgs. 127/91 are valued according to the cost method. These Companies are listed in the annex, accompanied by the indication of the grounds for their exclusion.

For the consolidation the financial year's financial statements were used for the individual companies, submitted by the boards of directors for approval, reclassification and adjustments to standardise them to the accounting standards and presentation methods adopted by the Group. For those Companies that have a closing date of the financial year that is different from that of the consolidated financial statements, there have been drawn up intermediate annual financial statements.

Consolidation methods

The accounting value of shares held in consolidated companies is removed as against the corresponding portion of net shareholder equity. The differences resulting from the removal are attributed to the individual balance items in question and, as regards the remainder, if positive, will be entered in assets as "goodwill", unless it has to be wholly or in part attributed to the profit and loss account under item B14. The amount entered in the assets is written down in the period provided for the first paragraph point 6 of article 2426. If negative, the difference is where possible set against assets recorded for greater than recoverable values and other liabilities at a value lower than their cancellation value. The negative difference that remains is entered in the item in net equity "Consolidation reserves" or in a special "Consolidation fund for risks and future burdens", in compliance with the criteria set forth in article 33, paragraph 3 of the legislative decree D.Lgs 127/91.
The fund used in the subsequent financial years so as to the in head office estimate instrument purchase.

The shares of net equity of third party shareholders are entered in the specific item in the balance sheet. The profit and loss account shows the results that are the competence of third parties separately.

The property and economic relations between the companies the consolidation have been wholly removed.
The profits and the losses emerging from transactions between consolidated companies that have not come about from transactions with third parties, have been eliminated.

At the time of pre-consolidation, the items of wholly tax relevance have been eliminated and the corresponding deferred taxes have been set aside. The conversion of the financial statements of the subsidiaries and allied companies foreign has been carried at spot exchange rates at the date of the balance sheet of assets liabilities, with the average exchange rate for the period used for the profit and loss account. The net effect of the conversion of the financial statements of the subsidiary into accounting currency is shown in "Reserve for conversion differences". For the conversion of the financial statements in foreign currency the rates shown in the following table have been used:

Currency	**Exchange rate**	
	at 31/12/2016	Average
CNY - Chinese yuan	7.3202	7.35222
TRY - Turkish lira	3.7072	3.34325

Evaluation method

The methods used for the formation of the consolidated statement as of 31/12/2016 are those used in the operating balance of the parent company that drafts the consolidated financial statements and do not depart from the methods used for the formation of the consolidated statement of the previous financial year, in particular as regards the evaluations and continuity of the same standards.
The evaluation of balance entries followed the general principle of prudence and period of competence, in the expectation of the continuation of the business.
The accounting and the presentation of balance sheet items was in carried out taking account of the substance of the transaction or contract. In particular, the evaluation criteria adopted in drawing up of the financial statements were as follows.

Fixed assets

Intangible assets

These are recorded at historic purchase cost and shown net of write downs made in the financial year and attributed directly to the individual items.
Development costs with several years' utility have been enetered in assets with the consent of the Board of auditors.
The costs of plant and expansion have been written down over a period that does not exceed five years; the costs of development are written down in accordance with their useful life: in exceptional cases in which it is not possible to estimate the useful life, these are written down within a period not exceeding years.
The improvements to assets of third parties are written down at rates that depend on the duration of the contract.
If, regardless of depreciation already recorded, there is an impairment loss, the asset is written down. If in subsequent years the reasons for the write-down no longer apply, the original value net of accumulated depreciation is restored.

Tangible assets

These are registered at purchase cost adjusted by the corresponding depreciation funds.
The balance sheet entry took account of secondary charges and costs incurred for the use of the fixed assets, with trading and cash discounts reducing the cost .
The write down amounts attributed to the profit and loss account are calculated according to expected use, the destination of use and the economic and technical duration of the assets, on the basis of the remaining possible utility, which we consider well represented by the following rates which are unchanged compared with the previous period and halved in the year according to the entering into function of the asset.
If, regardless of depreciation already recorded, there is an impairment loss, the asset is written down. If in subsequent years the reasons for the write-down no longer apply, the original value net of accumulated depreciation is restored.

Financial leasing transactions

As provided for in the OIC 17 standards, considering the essentially informational nature of the consolidated financial statements, the financial leasing transactions are recorded using the financial method.

Receivables

The receivables are accounted for in the financial statements at written down cost method, taking into account the time factor and the presumed sale values.
In the initial accounting of receivables using the written down cost method the time factor is complied with by comparing the actual rate of interest with the market interest rates. If the actual interest rate is significantly different from the market interest rate, this latter is used to actualise future financial flows deriving from receivables, so as to determine the opening itemisation value.
On the closure of the financial year, the value of receivables at written down cost is equal to the current value of future financial flows discounted at actual interest rate. If there is a fixed contractual rate, the actual interest rate determined at first accounting is not recalculated. If on the other hand the rate is a variable rate and linked to market rates, the future financial flows are periodically recalculated to reflect market interest rates changes, with a recalculation of actual interest rate.

Discounting-back of receivables has not been carried out for receivables falling due within 12 months since the effects are irrelevant with respect to the non actualised value.
The receivables recorded in the financial statement in January 2016 are entered a presumed realisation value insofar as, as provided for in the accounting standard OIC 15, it was decided not to use the written down and actualisation method.

In particular, in the course of the year 2016, there were no receivables with a due date exceeding 12 months.

The adjustment of the face value of the receivables at presumed resale value is obtained by means of provision for doubtful debts, taking into account the existence of indicators of long term losses receivables originally collectible within the year and subsequently changed into long term receivables term have been shown in the balance sheet as long-term financial assets.
The receivables are cancelled from the financial statement when the contractual financial rights deriving from the receivables are written off or in the case in which the credit risks were transferred regarding receivables subject to unfreezing.

Payables

These are accounted for according to written down cost, taking into account time factors.
In the initial recording of receivables with the written down cost method, the time factor is complied with by comparing the actual interest rate with market interest rates.
On the closure of the financial year the value of debts valued at written down cos is the current value of future financial flows discounted at the actual interest rate.

Discounting-back of receivables has not been carried out for receivables falling due within 12 months since the effects are irrelevant with respect to the non actualised value.

With reference to the debts recorded in the financial statements before the financial year starting 1st January 2016, these were entered at their face value because, as provided for in accounting standard OIC 19, it was decided not to use the cost written down and discounting-back method.

In particular among the debts with due date beyond 12 months, arising from 1st January 2016, the written down cost led to an accounting disparity with respect to face value regarding unsecured loans from Medio Credito Centrale, resulting in a difference in the actual interest rate compared with the market interest rates.

Accruals and prepayments

Calculated according to the period of actual competence.
As regards accruals and prepayments over several years there have been checks on the conditions that led to the original itemisation, with suitable changes made where appropriate.

Inventories in stock

Raw materials, ancillaries and finished products are entered at the lesser of purchase cost or production dost and the presumed market sale value, applying the weighted average cost.
The production cost comprises direct and indirect costs incurred during the production process and necessary to bring the goods on hand into their current place and condition.
The products in progress are entered on the basis of costs incurred in the financial year.
The way items have been calculated has not changed as compared with the previous financial year with the reasons given in the first part of these Notes to the accounts.

Shareholdings

Shares held, recorded in capital assets, represent a long term and strategic investment of the company. The interests held in other subsidiaries and allied companies, registered as long-term trading investments, are valued at purchase or subscription cost.
The shares held and recorded at purchase cost have not suffered devaluations for lasting losses of value; there have been no cases of "reinstatement of value".

Provisions for liabilities and charges

These are set aside to cover losses or liabilities that are certain or likely, but for which at year end were not determinable as regards the amount or date of occurrence.
In evaluating such funds the general principles of prudence and accrual have been followed and no general risk funds have been set up without financial justification.
The liabilities are reported in the financial statements and registered in the provisions as deemed probable and estimable reasonably as regards the amount of the burden.

Employee's leaving indemnity

The reserve represents the actual debt accrued to employees according to current law and contracts of employment, considering each form of remuneration as being continuous in nature.

Income tax

The taxes are set aside according to the principle of the period of accrual; representing therefore:

- the provisions for taxes paid or to be paid in the financial year are calculated according to the rates applicable under current law and regulations;
- the amount of deferred taxes or prepaid taxes in relation to time differences arisen or erased in the financial year;
- the adjustments to the balances of deferred taxes to take account of changes to rates.

Deferred and prepaid taxes are calculated on the time differences as between the values of assets and liabilities calculated according to civil law and corresponding fiscal values.

Acknowledgement of revenues

Revenues from the sale of products are recorded at the time of the transfer of the property which is normally at the time of delivery or shipping.
Revenues of a financial nature and those arising from l performance of services are recorded on the basis of their time accrual.
Revenues and income, costs and burdens and foreign exchange transactions are valued at current rate of date of actual carrying out of the transaction.
Revenues and charges relating to purchase and sale transactions with obligation for reconveyance at term, including the difference between forward price and spot price, are recorded for the accrued share in the financial year.

Conversion method for foreign currency items

Receivables and the debts originally expressed in foreign currency, recorded on the basis of the exchange rates in force on the date in which they arose, are aligned with the exchange rates current on the date of closing of the period.
In particular, the assets and liabilities that do not amount to fixed assets as well as the financial receivables are recorded at the exchange rate at the period end date. The profits and the losses arising from the conversion of the receivables and the debts are respectively credited and debited to the Income Statement as item 17 b - Profits and losses on foreign exchange transactions.
Any net profits arising from exchange rate adjustments at the end of the financial year make up part ofthe operating results for the financial year and, at the time of the approval of the company's financial statements, a reserve not available for distribution until such time as realisation was registered for the part not taken up by any operating loss.
As regards, on the other hand, the foreign currency fixed assets in foreign currency, they have been entered at the exchange rate at the time of their purchase or such lower rate at the date of the closure of the financial year only if the negative changes have resulted in a loss of value of the fixed assets themselves.

Obligations, guarantees and contingent liabilities

Commitments not indicated in the balance sheet, representing obligations undertaken by company to third parties originate from contracts with obligatory and certain effects that have not yet been performed by either of the parties. The commitments category comprises both undertakings of certain execution and their corresponding amounts, and undertakings for which execution is certain but the amount in question is not. The amount of the commitments is the face value taken from the corresponding documentation.

The guarantees given by the company include both personal and guarantees and those backed by security in property.
In the case of a surety from the company together with other guarantors (co-sureties), the whole amount of the guarantee given is recorded, if less, the total amount of the guaranteed debt at the date of the financial statement.

Breakdown of statement of assets

Intangible fixed assets

The breakdown of fixed intangible assets is as followings.

Description	31/12/2015	Increases	Decreases	31/12/2016
Plant and expansion		144,533		144,533
Development	3,039,969	1,201,302	(913,003)	3,328,268
Industrial patent rights	469,970	136,361	(63,682)	542,649
Grants, licenses, trademarks	55,459	17,696	(32,264)	40,891
Goodwill	145,688		(17,851)	127,837
Current fixed assets and advances				
Misc	27,714		(27,214)	
Total	**3,738,800**	**1,499,892**	**(1,054,514)**	**4,184,178**

Tangible fixed assets

The breakdown of fixed tangible assets is as follows.

Description	31/12/2015	Increases	Decreases	31/12/2016
Land and buildings	4,325,525	214,578	(431,830)	4,108,273
Plant and machinery	1,138,851	362,190	(616,150)	884,891
Industrial and commercial equipment	14,496	6,694		21,190
Miscellaneous assets	102,376	20,046	(21,567)	100,855
Current fixed assets and advances				
Total	**5,581,248**	**603,508**	**(1,069,547)**	**5,115,209**

Financial assets: shareholdings

List of the companies included in the consolidation with the comprehensive method in accordance with the provisions of clause. 26 of Legislative decree D.Lgs. 127/91 as of 31/12/2016.

Name	Town, if in Italy, or foreign country	Capital in Euros	Share held as percentage	Balance sheet value or corresponding receivables
DELLAS Diamond Tools SUZHOU Co Ltd	Suzhou - China	645,000	77.52	500,000
DELLAS ISTANBUL Makina Sanayi ve Ticaret As	Istanbul - Turkey	668,635	76.2	509,500
Shareholding through Cordusio Società Fiduciaria Per Azioni	Milan - Italy	386,637	100	386,637

List of other of other shares held in subsidiaries and allied companies

The following companies are excluded from the consolidation, both with the integration method and the net equity method since, in accordance with the provisions of article 28, paragraph two of legislative decree D.Lgs. 127/91, are not relevant for a true and correct representation of the company's equity and financial position and the economic results of the group.

Name	Town, if in Italy, or foreign country	Capital in Euros	Share held as percentage	Balance sheet value or corresponding receivables
DELLAS SPAGNA Sl	Porrino - Spain	500,000	100	500,000
DELLAS Spa ETHIOPIAN Branch	Addis Abeba Ethiopia	69,339	100	69,339
DELLAS do BRASIL Ferramentas Diamantadas Ltda	Serra ES - Brazil	146,001	99.99	146,000

The following companies are excluded from the consolidation, both with the integration method and the net equity method since they are subject to voluntary winding up procedures.

Name	Town, if in Italy, or foreign country	Capital in Euros	Share held as percentage	Balance sheet value or corresponding receivables
DELLAS Stone Tools INDIA Private Limited	Tamil Nadu - India	6,032	100	6,032

Inventories

The item inventories is made up as follows.

	31/12/2016	31/12/2015	Changes
Raw materials, auxiliary materials and consumables	4,404,929	4,672,930	(268,001)
Products in progress and semi-finished goods	2,241,161	2,064,452	176,709
finished products and goods	3,870,545	4,051,477	(180,932)
Advances		(3,435)	3,435
Total inventories	**10,516,635**	**10,785,424**	**(268,789)**

Receivables

The balance of consolidate receivables after the removal of intergroup figures, break down as follows by maturity times.

Description	Within 12 months	Beyond 12 months	Beyond 5 years	Total
From customers	9,175,256	1,190,123		10,365,379
From unconsolidated subsidiaries	112,856	1,412,519		1,525,375
From allied companies	(55,469)			(55,469)
From parent companies	101			101
From companies controlled by the parent companies				
For tax credits		101		
For prepaid taxes	270,411			270,411
From misc.	309,303			309,303
Rounding up-down	342,548	2,889		345,437
Total inventories	**10,155,006**	**2,605,531**		**12,760,537**

Cash in hand

The balance shows cash in hand and the numeric and value figures at the date of closing of the financial year.

Description	31/12/2016	31/12/2015	Changes
Bank and post office deposits	508,491	1,272,254	(763,763)
Cheques	377,455	336,427	41,028
Money and securities in cash in hand	10,089	7,486	2,603
Total	**896,035**	**1,616,167**	**(720,132)**

Brakedown of statement of liabilities

Net equity

The consolidated net equity of the group and the consolidate profit and loss result as of 31/12/2016 are reconciled with those of the parent company as follows:

Table of entries in the group's consolidated net equity

	Capital	Reserves	Consolidation reserve	Conversion differences	Allocations results in the previous year	Profit/loss	Group total
Starting balance 01/01/2016	**8,000,000**	**11,207,519**	**(301,511)**	**49,789**	**(424,892)**	**152,606**	**18,683,511**
Changes of the financial year:							
Dividends							
Operating loss						(277,119)	(277,119)
Profits of the financial year							
Exchange differences arising from conversion of financial statements expressed in foreign currency				(77,882)			(77,882)
Miscellaneous entries		63,965	(105,064)		(9,975)	(152,606)	(203,680)
Final balance at 31/12/2016	**8,000,000**	**11,271,484**	**(406,575)**	**(28,093)**	**(434,867)**	**(277,119)**	**18,124,830**

Provisions for contingent liabilities and charges

The item breaks down as follows.

Description	31/12/2016	31/12/2015	Changes
For retirement and similar obligations			
For taxes, including deferments	67,917	152,297	(84,380)
Derivatives (liabilities)			
Miscellaneous	8,458	8,603	(145)
Total	**76,375**	**160,900**	**(84,525)**

Employees' leaving indemnity

The item breaks down as follows.

Description	31/12/2015	Increases	Decreases	Accounting records	31/12/2016
Severance (TFR) entries for the period	536,555	7,379	(63,172)		480,762

Accounts payables

The consolidated debts, after removal of intergroup value, are valued at face value and due date, breaking down as follows:

Description	Within 12 months	Beyond 12 months	Over 5 years	Total
Bonds				
Convertible bonds				
Debts for shareholder loans	233,215			233,215
Debts to banks	8,717,202	2,694,507		11,411,709
Debts to other lenders		10,223		10,223
Advances	14,244			14,244
Debts to suppliers	2,731,094			2,731,094
Credit instrument debts				
Debts to unconsolidated subsidiaries				
Debts to allied companies				
Debts to parent companies		32,632		32,632
Debts from to companies controlled by parent companies				
Tax debts	303,317			303,317
Debts to social security institutions	211,405			211,405
Sundry debts	690,292			690,292
Total	**12,900,769**	**2,737,362**		**15,638,131**

Breakdown of profit and loss account

Revenues by activity category

The item breaks down as follows.

Category	31/12/2016	31/12/2015	Changes
Sales of products	18,431,581	18,703,364	(271,783)
Misc	188,253	555,743	(367,490)
Total	**18,619,834**	**19,259,107**	**(639,273)**

Revenues by geographical area

The item breaks down as follows.

Area	Sales
Italy	7,608,669
Foreign	11,011,165
Total	**18,619,834**

Expenses

The item breaks down as follows.

Description	31/12/2016	31/12/2015	Changes
Raw materials, auxiliaries and goods	6,635,123	7,257,036	(621,913)
Services	4,680,321	4,628,787	51,534
Leased assets	143,478	117,755	25,723
Salaries and wages	3,203,545	3,879,984	(676,439)
Social security charges	997,141	1,092,547	(95,406)
Severance payments	222,179	211,186	10,993
Retirement payments			
Misc. personnel costs	36,210	17,123	19,087
Intangible assets depreciation	1,059,244	816,761	242,483

Tangible assets depreciation	626,368	661,905	(35,537)
Misc. depreciation of fixet assets			
Write-down of current receivables	37,549	13,583	23,966
Raw materials inventory changes	261,102	460,159	(199,057)
Provisions for risks			
Misc. provision			
Misc. management costs	1,079,036	649,945	429,091
Total	**18,981,296**	**19,806,771**	**(825,475)**

Interest and miscellaneous financial charges

The item breaks down as follows.

Description	31/12/2016	31/12/2015	Changes
Unconsolidated subsidiaries			
Allied companies			
Parent companies			
Companies controlled by parent companies			
Interest and charges on bond debts	284,990	319,949	(34,959)
Interest due debts to banks for ordinary credit			
Misc financial charges			
Total	**284,990**	**319,949**	**(34,959)**

Taxes on operating income

Balance as of 31/12/2016	Balance as of 31/12/2015	Changes
(1,123)	1,262	(2,385)

Taxes	Balance as of 31/12/2016	Balance as of 31/12/2015	Changes
Current taxes	90,194	79,647	10,547
Deferred and prepaid taxes	(91,317)	(78,385)	(12,932)
	(1,123)	**1,262**	**(2,385)**

Deferred tax / prepaid tax

The deferred taxes have been calculated according to the total allocation method taking into account the accumulated amount of all time differences on the basis of the actual rate for the last financial year.
Prepaid taxes are countries have been entered insofar as the reasonable certainty existence, in the financial years in which there are deductible time differences, in relation to which prepaid taxes have by entered, regarding a taxable income not less than the amount of the differences to be cancelled.

Miscellaneous information

Fair value information on derivatives

Here below fair value is indicated and information on the extent and nature of each category of derivatives effected by the company broken down by class, taking into consideration such matters as their characteristics and purpose of their use.

Derivatives used to hedge financial flows: Contract type: IR SWAP
Negotiation date: 10/01/2013
Expiry date: 31/03/2017
Nationally: € 61,063
Mark to market: € (202)

Information on transactions carried out with allied parties

(Ref. article 38, first paragraph, o-quinquies) D Lgs. n.. 127/1991)

The important transactions made by the company with allied parties, have solely regarded raw materials, semi-finished goods and finished products to the subsidiary companies Dellas Diamond Tools Suzhou Co Ltd, Dellas Istanbul Makina Sanayi Ve Ticaret As, Dellas Spagna Sl, Dellas Spa Ethiopian Branch, Dellas Do Brasil Ferramentas Diamantadas Ltda, Dellas Stone Tools India Private Limited and another shareholding through Cordusio Società Fiduciaria Per Azioni. Such transactions have been concluded under normal market conditions.

Information regarding agreements not indicated in the statement of assets and liabilities

(Ref. article 38, first paragraph, o-sexies) D Lgs. n. 127/1991

Dellas Spa (Holding) has given guarantees, in the form of sureties of a total of € 599,894, of which 250,000 in relation to subsidiaries.

Employment details

We report here by categories the average number of employees.

Personnel	31/12/2016	31/12/2015	Changes
Senior managers	5	6	(1)
Middle management	13	13	
Office staff	25	27	(2)
Workers	81	85	(4)
Miscellaneous			
Total	**124**	**131**	**(7)**

Financial leasingthat yes in. transactions

The Company "Altra partecipazione tramite Cordusio Società Fiduciaria Per Azioni" currently has a financial lease agreement, accounted with the balance sheet method, for which we can give the following information:

durata del contratto di leasing mesi: 144
goods used: real commercial property
cost of assets € 397,950
initial deposit instalment of € 119,385

Description	Amount
Total amount of the assets under financial lease at the end of the financial year	398,700
Depreciation that would have accrued in the financial year	4,784
Adjustments and value recovery that would be accruing to the financial year	
Current value of instalments not yet fallen due at the end of the financial year	265,656
Financial charges of the year on the basis of actual interest rates	4,792

These consolidated financial statements, made up of balance sheet, profit and loss account and notes to the accounts, represent in a truthful and accurate fashion the net worth and financial worth as well as the economic results and correspond to accounting records of the Parent company and with the information sent in from the companies included in the consolidation.

Lugo di Grezzana (VR), 10/04/2017

DANIELE FERRARI
President and Chief Executive Officer (CEO)

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CONSOLIDATED FINANCIAL STATEMENTS OF DELLAS GROUP

as of 31/12/2016

RELATIONS

DELLAS GROUP

Independent Auditor's report

To you the shareholders of the Company

I have carried out the audit of the consolidated financial statements made up of the equity balance for the company as of 31.12.2016, the profit and loss account for the period and the notes to the accounts.

Liability of directors for consolidated financial statements

The directors are responsible for the drafting of the consolidated financial statements and their correct and truthful representation of the company's situation and their compliance with Italian drafting rules.

Liability of the auditor

It is my responsibility to give my judgement on the consolidated financial statements for the period on the basis of the audit.

I have carried out the independent audit in compliance with international auditing standards (ISA Italy) in accordance with the provisions of article 11, paragraph 3 of the legislative decree D.Lgs 39/1O. Such standards require compliance with ethical principles and the planning and the carrying out of the accounts audit so as to obtain reasonable certainty that the consolidated financial statements do not contain significant errors.

The audit involves the carrying out of procedures aimed at obtaining evidence supporting the amounts and the information contained in the consolidated financial statements for the period. The procedures chosen reflect the professional judgement of the auditor, including risk assessment for errors in the financial statements for the period due to any fraud or conduct or unintentional events. In carrying out such risk assessment, the auditor considers the internal checks on the drafting of the financial statements for the period for a correct and truthful picture for the carrying out an audit suited to the circumstances, and not to express a judgement on the effectiveness of the internal audit of the business. The audit also includes evaluation of the appropriateness of the accounting standards employed, of the reasonableness of the accounting estimates made by the directors, as well as an evaluation of the representation of the consolidated financial statements for the period as a whole.

I feel that I have acquired sufficient and appropriate evidence on which to base my judgement.

The Judgement

In my judgement, the consolidated financial statements for the period offer a truthful and correct picture of the equity and financial position of the company as of 31.12.2016 as well as the profit and loss result for the financial year as of that date, which is in compliance with the Italian drafting laws

Report on other provisions of law and regulations

Judgement on the consistency of the annual report with the consolidated financial statements for the period

I have carried out the procedures indicated in auditing standard (SA Italy) 720B for the purpose of expressing, as required by the law, a judgement on the consistency of the annual business report, which is the responsibility of the directors of the Company with the consolidated financial statements of the company as of 31.12.2016.
In my judgement, the business report is consistent with the consolidated financial statements for 31.12.2016 December 2016.

Grezzana, 15 May 2017

The Independent Auditor

Dott. Zanini Tommaso

DELLAS S.p.A.

Registered office at Via Pernisa,12- 37023 Lugo Di Grezzana (VR)
fully paid up company share capital 8,000,000.00 Euros.
Tax identification number and Companies' Registry number 00519470173
VAT number: 01715880231- N. REA (economic and administrative repertory) 176288

Report of the Statutory Auditors' Committee on the consolidated financial statements as of 31/12/2016

Dear Shareholders,

in accordance with the provisions of article 14 of D.Lgs. n° 39/2010 we have put the consolidated financial statements of Dellas S.p.A. to the scrutiny of an independent auditor for the financial year ending 31/12/2016, prepared by the Board of Directors of the Parent company in the meeting of 04/2017.

We have in particular verified:

1. the correspondence of the data used for the consolidation with the results of the financial statements of the parent company, the balances of the companies included in the consolidation and the information sent in by these;

2. the correspondence with regulations, accounting standards, methods and declared receivables in the notes to the accounts and their correct application in relation to the actual reality.

The consolidated balance sheet can be summarised as follows:

Total assets	**Euro**	**34,682,733**
Liabilities	Euro	16,385,427
Consolidation reserve	**Euro**	406,575
Capital and reserves of the group	Euro	18,196,489
Operating profits (loss) for the period	**Euro**	**(305,758)**
Total liabilities	**Euro**	**34,682,733**

The consolidated profit and loss account, that represents operations to 31/12/2016, may be summarised as follows:

Revenues (not financial income)	Euro	18,864,644
Expenses (non financial costs)	Euro	18,981,296
Difference	**Euro**	**(116,652)**
Financial income and charges	Euro	(190,229)
Financial assets value adjustments		
Before tax result	**Euro**	**(306,881)**
Income tax on operations	Euro	1,123
Operating profits (loss) for the period	**Euro**	**(305,758)**

We wish therefore to confirm the following:

- The consolidated financial statements come from the accounts of the parent company and the information sent to it by the companies included in the consolidation in accordance with the instructions imparted by the parent company.

- The information received was correctly processed by the consolidating company in accordance with the consolidation principles, methods and criteria as stated in the notes to the accounts and all in compliance with the legislative decree D.Lgs.127/91 integrated, where necessary, by national and international accounting standards.

- The structure and content of the consolidated financial statements meet the requirements of articles 2423 ter, 2424 and 2425 of the Civil Code, integrated by the specific provisions of D. Lgs. 127/91.

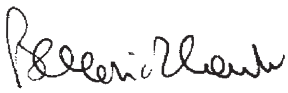
- The content of the notes to the accounts, in particular as regards the information provided for in articles 38 and 39 of Legislative Decree 127/91, corresponds to the law and regulations.

- The business report has been drawn consistently with the data recorded in the consolidated financial statements.
- The consolidated financial statements were subjected to an independent audit of accounts by the auditor ZANINI TOMMASO who on 15/05/2017 issued his certification report.
- The certification report contains no reservations or objections of any kind.

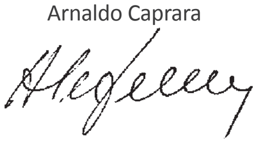
Grezzana (VR), 15 May 2017

The Statutory Auditors board

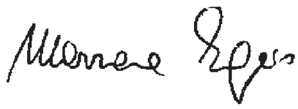
Chairman of the auditors board
Claudio Bellorio



Executive auditor
Arnaldo Caprara



Executive auditor
Eugenio Marrone



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DELLAS S.p.A. FINANCIAL STATEMENTS
as of 31/12/2016

BUSINESS REPORT

Corporate strategy and progress of the markets

The market at which our company's products are aimed is the stone market, i.e. quarrying, cutting and working with natural stone.

The Confindustria Marmomacchine Directory 2017, a journal that every year gives a picture of the sector worldwide, for 2016 paints a chiaroscuro image, with the consolidation of some strengths, such as the preference for natural stone at the design state and the growth in numeric sales, but at the same time a drop in the trade in marble and stone, both rough and worked.

❛❛ In the year 2016, Dellas made significant investments in internationalisation and product development, with a turnover in line that with that of the previous financial year ❜❜

Marble and stone had seen, after the crisis of 2009, five years of constant growth, above that of the world economy, with a mean annual increase of 6%. In the last few years nevertheless the growth has seen an increase of 2%.

As against other sectors connected with construction, the balance of the stone segment remains competitive, strong against ceramic and porcelain. World marble quarrying reached 290 million tonnes worldwide gross of processing waste, while the manufactured items arising from the stages subsequent to quarrying have reached 1,500 million square metres.

As regards on the breakdown of the kinds of production, save the primacy of limestones, i.e. marble, travertines and onyxes, with about 60%, there has been a marginal recovery of siliceous stone, i.e. granites and similar, thanks above all to China and India.

The first six stone producing countries, i.e. China, India, Turkey, Brazil, Iran and Italy, have 71% of world's quarrying, confirming the historical trend, with steady concentration.

In the year 2016, Dellas made significant investments in internationalisation and product development, with a turnover in line that with that of the previous financial year, with an increase its stone market share in the world leader countries for stone, an important factor in relation to the statistics presented here.

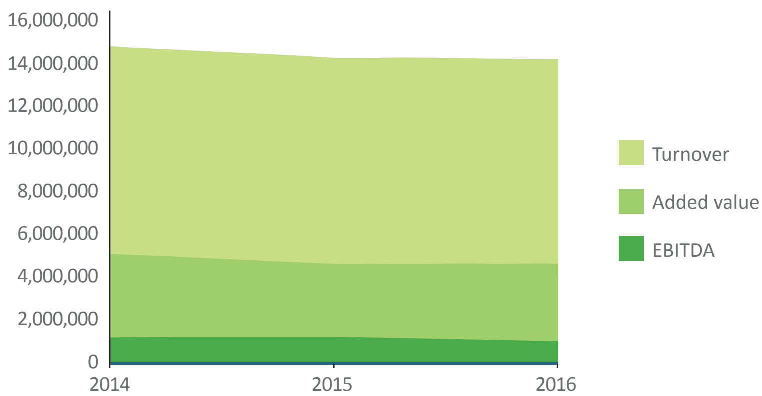
The development of the foreign subsidiaries of Dellas has continued: while core production is still located at its Italian HQ, the foreign companies aim to develop local markets and fulfil a stable sales and production presence in the region, as well as providing an assistance network for the local markets in which they are located.

Economic, capital and financial asset indicators

Principal economic data

The 2016 management of Dellas SPA achieved Turnover of € 14,293,259 with an EBITDA (gross operating margin) of € 1,098,665, being 8% of the net revenues from sales.
The added value of operations amounted to € 4,701,571, which is 33% of Turnover.
The Net operating result for the period, with a loss of € 486.519, follows the accounting of losses on receivables for € 633,112. Nevertheless the before normalised tax result ("Adjusted EBT") of extraordinary and non-recurrent events is positive at € 52.917.

❛❛ The added value of operations amounted to € 4,701,571, which is 33% of Turnover ❜❜

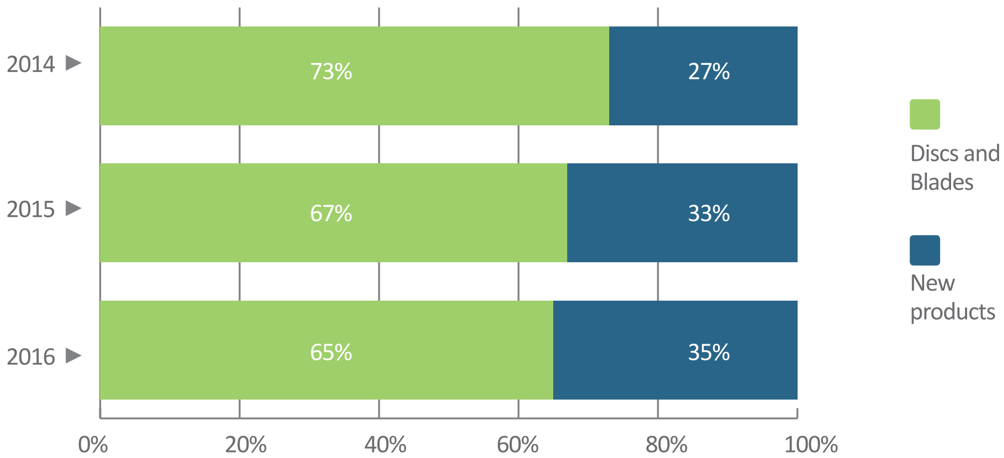


Year	Turnover	Added value	EBITDA	Adjusted EBT
2014	14,895,677	5,188,112	1,284,120	14,038
2015	14,383,773	4,709,954	1,314,512	67,894
2016	14,293,259	4,701,571	1,098,665	52,917

▶ TABLE 1 - Economic data Principal economic data for the last three financial year

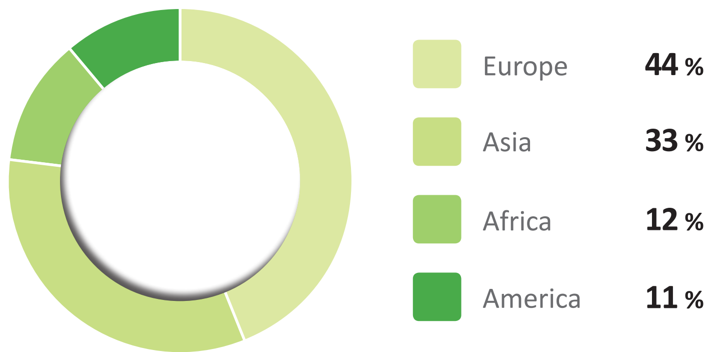
As shown in the following chart, also in 2016 an increase is seen in the weighted share of the new family of products with respect to diamond blades and disks.

"Turnover on the new products has reached the 35% level"



▶ TABLE 2 - breakdown of Revenues by Product: Net sales revenues by macro-family of products

The geographical breakdown of revenues shows the primacy of Non-EU countries, amounting to 56%.



▶ TABLE 3 - Revenues by market: Net sales revenues in 2016 by market

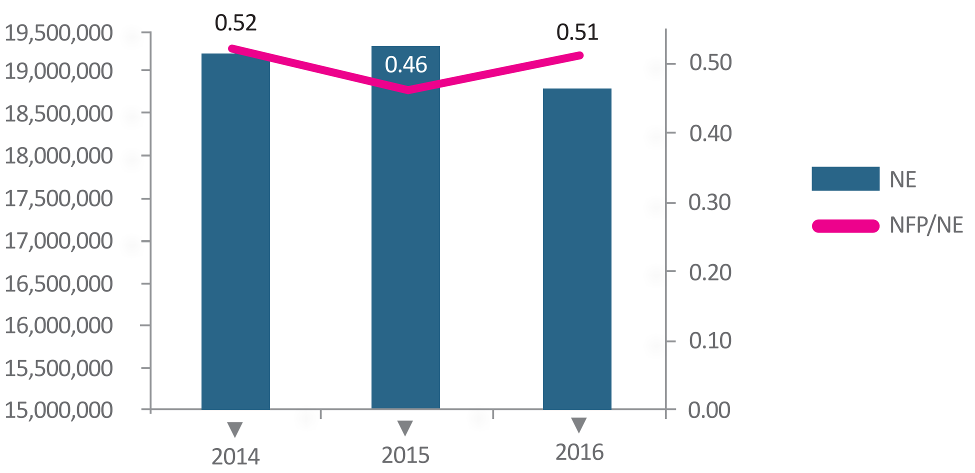
Other economic data are described below by reclassification of the profit and loss account (in Euros):

	31/12/2016	31/12/2015	Change
Net sales revenues	**14,293,259**	**14,383,773**	**(90,514)**
Purchases net of inventory changes	(6,041,186)	(6,110,393)	69,207
Costs for services and for assets of third parties	(2,943,727)	(3,471,359)	527,632
Devaluations and provisions	(37,549)	(13,583)	(23,966)
Miscellaneous operating charges (net of sundry income)	(569,226)	(78,484)	(490,742)
Added value	**4,701,571**	**4,709,954**	**(8,383)**
Personnel costs	(3,602,906)	(3,368,442)	(234,464)
EBITDA	**1,098,665**	**1,341,512**	**(242,847)**
Depreciation on tangible assets	(577,066)	(652,516)	75,450
Depreciation on intangible assets	(1,001,543)	(789,173)	(212,370)
EBIT	**(479,944)**	**(100,177)**	**(379,767)**
Financial income and charges	(164,490)	(225,335)	60,845
Profits and losses on exchange transactions	64,239	372,544	(308,305)
EBT	**(580,195)**	**47,032**	**(627,227)**
Income tax	93,676	23,498	70,178
Net income	**(486,519)**	**70,530**	**(557,049)**

“NFP/NE ratio (Net Financial Position / Net equity) of 0.51, is an indication of low reliance of external sources”

Main capital data

Over the years the constant ability to generate cash flow coupled with the policy of the shareholders to reinvest profits has contributed to the achieving of a solid capital situation. At year end 2016 the NFP/NE ratio (Net Financial Position / Net equity) of 0.51, is an indication of low reliance of external sources of burdensome finance.



▶ TABLE 4 - Net equity: in value terms and compared with the Net Financial Position

The main capital data are hereinafter referred to as through a balance sheet reclassification of the assets and liabilities according to the financial method (in Euros;):

	31/12/2016	31/12/2015	Change
Net intangible fixed assets	3,909,728	3,555,912	353,816
Net fixed tangible assets	4,862,677	5,309,672	(446,995)
Shares held and other long-term investments	2,469,574	1,728,743	740,831
Receivables - more than 12 months	3,252,920	3,229,760	23,160
Fixed capital assets	**14,494,899**	**13,824,087**	**670,812**
Stock inventories	8,893,755	8,875,902	17,853
Receivables due from customers	7,300,485	7,626,915	(326,430)
Miscellaneous receivables	1,721,261	1,621,119	100,142
Accruals and pre-payments	562	802	(240)
Short term assets for the period	**17,916,063**	**18,124,745**	**(208,682)**
Debts to suppliers	2,269,401	2,076,494	192,907
Advances			
Tax and social security debts	429,481	444,578	(15,097)
Sundry debts	613,630	428,425	185,205
Accrued liabilities	168,493	115,151	53,342
Short term liabilities for the period	**3,481,005**	**3,064,648**	**416,357**
Net operating capital	**14,435,058**	**15,060,097**	**(625,039)**
TFR Severance payments for employees	463,701	526,873	(63,172)
Tax debts and social security debts beyond 12 months			
Miscellaneous medium and long term liabilities	67,917	152,297	(84,380)
Medium to long term liabilities	**531,618**	**679,170**	**(147,552)**
Invested capital	**28,398,339**	**28,205,014**	**193,325**
Net assets	18,791,532	19,278,047	(486,515)
Net medium and long term financial Position	2,694,507	2,896,538	(202,031)
Net medium and long term financial position	6,912,300	6,030,429	881,871
Equity and net debt	**28,398,339**	**28,205,014**	**193,325**

For a more detailed description of the capital strength of the Company the table below shows some margin balance indices relating to medium/long term financial sources and investments compared with these items in previous financial years.

	31/12/2016	31/12/2015	31/12/2014
Primary structure margin	7,549,553	8,684,349	9,138,628
Primary structure rate	1.67	1.82	1.91
Secondary structure margin	10,775,678	12,260,057	13,537,448
Secondary structure ratio	1.96	2.16	2.41

Main Financial Details

The financial position the table below shows certain indexes compared with the same indexes for previous financial years.

	31/12/2016	31/12/2015	31/12/2014
Acid Test Ratio	1.18	1.35	1.54
Current Ratio	2.02	2.26	2.43
Borrowings	0.72	0.68	0.77

The Acid Test Ratio (Immediate liquid assets + Deferred liquid assets/Current liabilities), of 1.18, a good liquidity, while the Current Ratio (Current assets/Current liabilities), being 2.02, indicates that the value of net current assets in relation to the amount of current debts. The rate of borrowings is 0.72, as well as a limited recourse to third party means, ensures an adequate mix of internal and external borrowing.

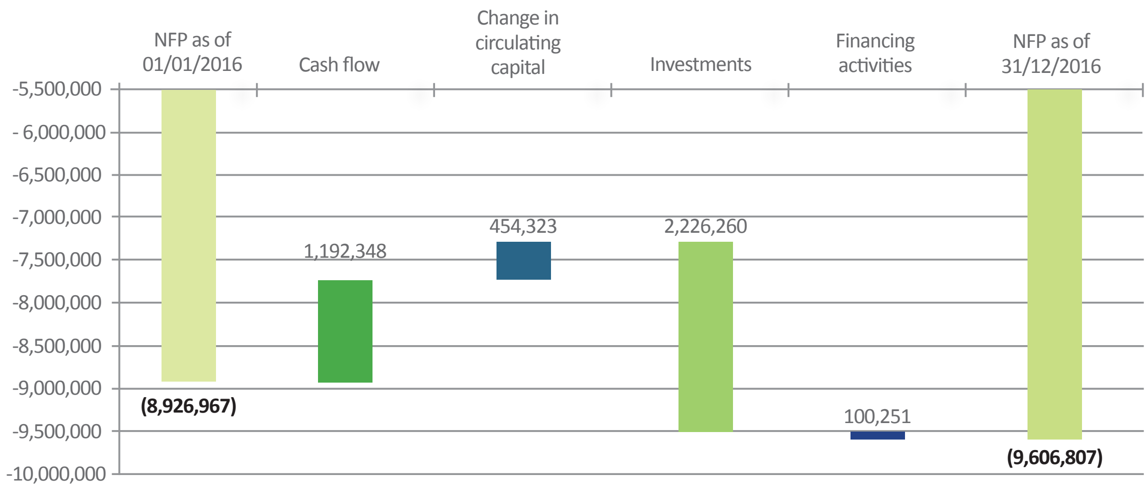
The net financial position as of 31/12/2016, was the following (in Euros):

	31/12/2016	31/12/2015	Change
Bank deposits	143,511	621,102	(477,591)
Money and other cash securities.	9,913	7,312	2,601
Liquid assets	**153,424**	**628,414**	**(474,990)**
Financial assets that do not amount to fixed assets			
Bonds and convertible bonds (within 12 months)			
Debts to shareholders for loans (within 12 months)			
Due to banks - (within 12 months)	7,065,724	6,658,843	406,881
Debts to other lenders (within 12 months)			
Advances for foreign payments			
Short term loan ratio			
Short term financial debts	**7,065,724**	**6,658,843**	**406,881**
Net medium and long term financial positione	**6,912,300**	**6,030,429**	**881,871**
Bonds and convertible bonds (beyond 12 months)			
Debts to shareholders for loans (beyond 12 months)			
Debts due to banks - (beyond 12 months)	2,694,507	2,896,538	(202,031)
Debts to other lenders (beyond 12 months)			
Advances for foreign payments			
Long term loan ratio			
Net Financial Position in medium and long term	**2,694,507**	**2,896,538**	**(202,031)**
Net Financial Position	**9,606,807**	**8,926,967**	**679,840**

The data shown indicates a Net Financial Position in growth, nevertheless the NFP/NE ratio, equal to 0.51, shows there is a high level of capitalization.
The following cash-flow statement shows in greater detail the progress of the Net Financial Position as just calculated.

	31/12/2016	31/12/2015	Change
Ebitda	**1,098,672**	**1,362,374**	**(263,702)**
Depreciation and devaluation	(1,578,609)	(1,441,689)	(136,920)
Income tax	93,676	23,497	70,179
Depreciation of tangible fixed assets	577,066	652,516	(75,450)
Depreciation of tangible fixed assets	1,001,543	789,173	212,370
Cash Flow	**1,192,348**	**1,385,871**	**(193,523)**
Changes of inventories of the financial year	(17,853)	(9,709)	(8,144)
Changes in trading receivables	442,798	1,242,307	(799,509)
Changes in trade debts	192,907	161,752	31,155
Other changes in current capital	(163,529)	96,249	(259,778)
Operating Cash Flow of Cash after change CCN)	**1,646,671**	**2,876,470**	**(1,229,799)**
Investments in tangibles	(130,070)	(261,035)	130,965
Investments in intangibles	(1,355,359)	(1,341,889)	(13,470)
Financial investments	(740,831)	(364,199)	(376,632)
Free Cash Flow of Cash after Investments)	**(579,589)**	**909,347**	**(1,488,936)**
Financial income and charges	(100,251)	147,209	(247,460)
Net Cash flow	**(679,840)**	**1,056,556**	**(1,736,396)**
Net Financial Position at start of period	(8,926,967)	(9,983,523)	1,056,556
Net Financial Position at end of period	**(9,606,807)**	**(8,926,967)**	**(679,840)**

"The current financial year shows an Operating Cash Flow of € 1,646,671"



▶ TABLE 5 - NFP Effect of Cash flow and Outflow on Net Financial Position

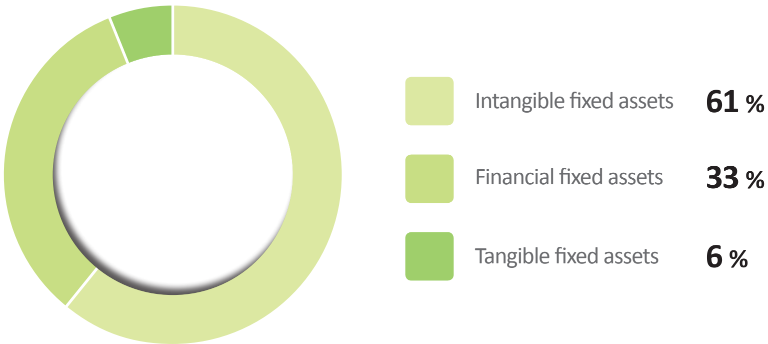
The current financial year shows an Operating Cash Flow of € 1,646,671, with a Current flow produced by operations of € 1,192,348 and a change in Net current capital of € 454,323.
Such Operating Cash flow has permitted the financing of much of the investment in tangible, intangible and financial assets. The Net Financial Position went from € 8,926,967, at start of period figure, to € 9.606.807 at the end of period.

Investments

Investments were made in the following areas during the financial year,:

Fixed assets	Purchases during the year
Development	1,201,302
Industrial patent rights	136,361
Grants, licenses, trademarks	17,696
Intangible assets	**1,355,359**
Plant and machinery	97,593
Industrial and commercial equipment	7,837
Miscellaneous assets	24,640
Tangible assets	**130,070**
Shareholdings in allied companies and subsidiaries	740,831
Financial assets	**740,831**
	2,226,260

The financial year 2016 is characterised by a robust policy of investment in Fixed assets for a total of € 2,226,260. Investments were made in allied companies and subsidiaries, as well as major development projects of Development such as to ensure the continued improvement of the products, along with a strong spirit of innovation in the industrial process.



▶ TABLE 6 - Investments 2016: Investments by category

Research and development

" the company has incurred in the last financial year € 1,201,302 in development costs "

In accordance with Article 2428 paragraph 2 number 1 we provide you with the following information.

During the year 2016 our company carried out research and development work for new technologies and committed itself in particular to what were deemed were especially innovative projects carried out in the factor at Lugo di Grezzana. These were:

Project 1 - Development activity for new Diamond tools with innovative DIM (Diamond Injection Moulding) technology.
Project 2 - R&D activity for tools and new ceramics processes.

In developing these projects the company has incurred in the last financial year € 1,201,302 in development costs.

It should be said that the good outcome of such innovations could yield good results in terms of turnover with a favourable effect on the economics of the company and on its subsidiaries.

Informazioni relative ai rischi e alle incertezze ai sensi dell'art. 2428, comma 2, al punto 6-bis, del Codice civile

Under the provisions of article 2428, paragraph two, n. 6-bis, of the civil code, we provide here the information on the use of financial instruments, insofar as relevant to the evaluation of the balance sheet and financial situations.

"Dellas has undertaken a risk assessment process aimed at identifying, analysing and managing not only the business and credit risk but also IT, social, natural calamity, reputation and country risks to which the Group is subject"

Dellas has undertaken a risk assessment process aimed at identifying, analysing and managing not only the business and credit risk but also IT, social, natural calamity, reputation and country risks to which the Group is subject.

There were in particular four categories of risks:
- STRATEGIC RISKS
- FINANCIAL RISKS
- OPERATIONAL RISKS
- HAZARD RISKS

Such risks are covered not only by insurance but also with specific protective strategies.

The international socio-economic context in which the company finds itself necessitates controls on various factors, linked not only to errors or accidents within the organisation, but also to macro-economic events that lie outside the control of the individual company realities. In relation to such eventualities it is essential to have in place suitable continuous refreshment strategies to mitigate negative effects and maintain competitive advantages.

To this end the company has planned and started up the following actions during the financial year in question.

STRATEGIC RISKS
Within this class should be included the risks relating to competition, social trends and capital availability. The main action regarded on the one hand the organisation of a system of medium and long term planning and on the other had an investment relation as overall company strategy going beyond civil accounting matters to provide a clear sustainable and enduring value to product key performance indicators that make it possible to measure the evolution of the business and the relationships with customers, suppliers, employees and the community.

FINANCIAL RISKS
In this category are included the pricing risk, asset risk, currency risk and liquidity risk. The key role in this context has been the implementation of a single organisation for the Finance area to be applied to the parent company and the subsidiaries, favouring the adoption in the Group of a sole International Enterprise Resource Planning permitting the measurement and the monitoring of the performance of the companies in the Group on a monthly basis.
With specific regard to the management of the credit risk, the liquidity and the market risk the following can be seen:

Credit risk
It must be considered that the financial activities of the company have good credit quality.
The amount of financial assets deemed doubtful as regards their collection is negligible with respect to the total.
Nevertheless, given the generally uncertain economic picture, the management has considered it advisable to take out credit risk insurance for overall turnover.

Liquidity risk
In relation to the liquidity risk no specific financial hedging instruments were employed due to the low liquidity risk guaranteed by the effective correlation between short term assets and short term liabilities, as illustrated by the liquidity indices in the first part of this Report.

Market risks
In relation to market risk, on the other hand, the management adopted in the course of the financial year, suitable hedging instruments against interest rate risks, negotiating suitable derivatives to enable the company to control the principal financial flows. Nevertheless, at the end of the financial year there were no derivatives.

OPERATIONAL RISKS
In this case we refer to customer satisfaction, product failure, integrity and reputation risk. The risks associated with customer satisfaction and the question of company reputation are managed exploiting as much as possible R&D investment to ensure that ever better performing products are made but also to make the Analysis Centre Laboratory available to customers.

HAZARD RISKS
These risks that it is considered advisable to be insured against third party liability, property damage and natural catastrophe. In this case an International Liability Program has been implemented with the aim of standardisation of insure insurance cover with centralised monitoring of the insurance situation. Such action responds to the need to pursue insurance policy compliance with the tranquillity from being up to speed with the legislations of the various countries, but maintaining through the parent company the control of risks and the same level of insurance guarantees. Furthermore we have sought to rationalise cover, avoiding double cover of risks or worse, not being covered, and also enables claims to be kept under control. In detail, as well taking out a policy for Directors and Officers Liability, Statutory Auditors' liability general directors liability, a Controlled Master Program has been put in place with the so-called Dic/Dil/Drop Down clause for Primary foreign policies, ensuring standardisation of local policies with the Italian master policy, which intervenes in the case of differences in compensation limits and conditions in law, as well as in the event of superseding excess.

Personnel, Environment and Security

During the year 2017, from the point of view of production, work has been carried out to increase their involvement and awareness of their individual roles with the organisation, through the compulsory meetings between managers and direct staff members.
Production personnel, traditionally little accustomed to such meetings, was called to a talk at the start of the year with the head of department, at which objectives were set and problems were shared relating to the management of the process, areas of competence and working hours etc. Following the talk there was an intermediate meeting as a check and lastly a final review in which the head of department submitted feedback on the achievement of the objectives set. These meetings certainly represented the start of a process change on the perception of the relationships between the various company figures, with a view to establishing working relations entirely in turn with the needs of a constantly changing market.

The presence of correlated risks, particularly those regarding the handling of particulate, has lee to the company continuously improving working conditions.

Dealings between companies in the group

The company, in its dealings with the companies Dellas Diamond Tools Suzhou Co Ltd, Dellas Istanbul Makina Sanayi Ve Ticaret As, Dellas Spagna Sl, Dellas Spa Ethiopian Branch, Dellas Do Brasil Ferramentas Diamantadas Ltda and Dellas Stone Tools India Private Limited, as well as holdings through Cordusio Società Fiduciaria Per Azioni, has conducted its business under normal market conditions and in the absence of any atypical or unusual transactions.

Treasury shares

There are no treasury shares.
The company is not a subsidiary of any other company.

General Meetings

During the year 2016 the General meeting of shareholders was held to pass resolutions on the following matters:
- Approval of the company's balance ending 31/12/2015: a unanimous vote was passed.
- Appointment of the Board of Statutory Auditors and its Chairman for the three year period 2016-2018 and the determination of their corresponding remuneration.
- Conferment on the External auditor of engagement for legal audit of the accounts pursuant to article 13 of the legislative decree n 39/2010.

Company headquarters and branches

Under the provisions of article 2428, paragraph four of the civil code, it should be pointed out that in addition to the main place of business at Lugo di Grezzana (VR) in Via Pernisa 12, its activities are also carried out at the branch in Pietrasanta (LU) office at Via degli Opifici 22.

Subsequent events and expected operational developments

Dellas expects there to be the essential maintenance of current turnover for the financial year 2017. The first quarter of 2017 has seen a downturn in turnover but on the basis of the portfolio of acquired orders this will be made up during the second quarter.

Allocations of the operating result

Dear Shareholders,

The governing body of the company considers that the business carried out and the results achieved in economic and trading terms demonstrate that you trust in it has been justified in that it has worked with professionalism, care and correctness.

After setting forth the most important management and operational facts of the financial year concluded, those in the recitals and the positive prospects for the year that has started, and thanking you for the trust you have put in us, the Governing body requests you to:

- approve the Annual Financial Statements of year ending 31/12/2016, which show a loss € 486,519, and their accompanying Reports;
- approve the proposal of the CEO on the use of the extraordinary reserve of to cover the loss of the financial year, reclassifying the Reserve excess under article 2426 8-bis, set aside in the previous year, of € 44,002, to the extraordinary reserve, freely available.

Lugo di Grezzana (VR), 30/03/2017

DANIELE FERRARI
President and Chief Executive Officer (CEO)

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DELLAS S.p.A. FINANCIAL STATEMENTS
as of 31/12/2016

FINANCIAL STATEMENT TABLES

Assets		31/12/2016	31/12/2015
A) Accounts receivable from shareholders in respect of unpaid share capital *(of which called up)*			
B) Fixed assets			
I. Intangible assets			
1) Start-up and expansion costs			
2) Development costs		3,328,268	3,030,483
3) Industrial patent and intellectual property rights		542,649	469,970
4) Concessions, licenses, trademarks and similar right		38,811	55,459
5) Goodwill			
6) Work-in-progress and advances			
7) Other intangible assets			
		3,909,728	3,555,912
II. Tangible assets			
1) Land and buildings		3,997,524	4,212,102
2) Plant and machinery		798,295	1,043,159
3) Industrial and commercial equipment		7,729	270
4) Other assets		59,129	54,141
5) Work-in-progress and advances			
		4,862,677	5,309,672
III. Financial assets			
1) Shareholdings in:			
a) controlled undertakings	2,117,508		1,309,085
b) affiliated undertakings			
c) controlling companies			
d) undertakings under control by the controlling companies			
d - bis) other companies	33,021		419,658
		2,150,529	1,728,743
2) Accounts Receivables			
a) from controlled undertakings			
- falling due within one year	87,912		
- falling due after more than one year	231,133		
		319,045	
b) from affiliated undertakings			
- falling due within one year			
- falling due after more than one year			
c) from controlling companies			
- falling due within one year			
- falling due after more than one year			
d) from undertakings under control by the controlling companies			
- falling due within one year			
- falling due after more than one year			

d-bis) Other accounts receivable			
- falling due within one year			
- falling due after more than one year			
		319,045	
3) Other securities			
4) Derivative financial instruments			
		2,469,574	1,728,743
Total fixed assets		**11,241,979**	**10,594,327**

C) Current assets

I. Stock			
1) Raw materials, subsidiary materials and consumables		3,885,549	4,112,613
2) Work in process and semi-finished products		2,096,220	1,790,192
3) Work in progress on order			
4) Finished products and goods		2,911,986	2,973,097
5) Advances			
		8,893,755	8,875,902
II. Accounts receivable			
1) From customers			
- falling due within one year	7,300,485		7,626,915
- falling due after more than one year	1,190,123		1,142,248
		8,490,608	8,769,163
2) From controlled undertakings			
- falling due within one year	882,825		1,022,353
- falling due after more than one year	2,062,797		2,087,512
		2,945,622	3,109,865
3) From affiliated undertakings			
- falling due within one year			
- falling due after more than one year			
4) From controlling companies			
- falling due within one year			
- falling due after more than one year			
5) From undertakings under control by the controlling companies			
- falling due within one year			
- falling due after more than one year			
5-bis) Tax credits			
- falling due within one year	236,204		164,279
- falling due after more than one year			
		236,204	164,279
5-ter) Tax assets			
- falling due within one year	293,580		284,284
- falling due after more than one year			
		293,580	284,284

5-quater) Other accounts receivable				
- falling due within one year	308,652			150,210
- falling due after more than one year				
		308,652		150,210
		12,274,666		12,477,801
III. Financial assets other than fixed assets				
1) Shareholdings in controlled undertakings				
2) Shareholdings in affiliated undertakings				
3) Shareholdings in controlling companies				
3-bis) Shareholdings in undertakings under control by the controlling companies				
4) Other shareholdings				
5) Derivative financial instruments				
6) Other securities				
7) Financial assets for centralised cash management				
IV. Cash-in-hand, cash-at-bank and cash equivalents				
1) Bank and postal accounts		143,511		621,102
2) Cheques				
3) Cash and cash equivalents		9,913		7,312
		153,424		628,414
Total current assets		**21,321,845**		**21,982,117**
D) Accrued income and Prepayments		**562**		**802**
Total assets		**32,564,386**		**32,577,246**

Liabilities		31/12/2016	31/12/2015
A) Shareholders' equity			
I. Share capital		8,000,000	8,000,000
II. Share premium reserve			
III. Revaluation surplus		1,535,712	1,535,712
IV. Legal reserve		1,600,000	1,600,000
V. Reserves provided for by the articles of association			
VI. Other reserves			
Extraordinary reserve	8,051,536		7,870,749
Non-distributable reserve pursuant to article 2426	90,801		201,058
Reserve from rounding-offs to whole Euros	2		(2)
		8,142,339	8,071,805
VII. Cash flow hedge reserve			
VIII. Retained earnings (loss carryovers)			
IX. Profit (loss) for the year		(486,519)	70,530
X. Negative reserve for Treasury Shares			
Total shareholders' equity		**18,791,532**	**19,278,047**
B) Provisions for contingent liabilities and charges			
1) Provision for pensions and similar benefits			
2) Provision for taxes, including deferred taxes		67,917	152,297
3) Derivative financial instruments			
4) Other provisions			
Total provisions for contingent liabilities and charges		**67,917**	**152,297**
C) Employees’ leaving indemnity		**463,701**	**526,873**
D) Accounts Payables			
1) Bonds			
- falling due within one year			
- falling due after more than one year			
2) Convertible bonds			
- falling due within one year			
- falling due after more than one year			
3) Shareholders’ loans			
- falling due within one year			
- falling due after more than one year			
4) Accounts payable to banks			
- falling due within one year	7,065,724		6,658,843
- falling due after more than one year	2,694,507		2,896,538
		9,760,231	9,555,381
5) Accounts payable to third party lenders			
- falling due within one year			
- falling due after more than one year			

6) Advances			
- falling due within one year			
- falling due after more than one year			
7) Accounts payable to suppliers			
- falling due within one year	2,182,560		2,076,494
- falling due after more than one year			
		2,182,560	2,076,494
8) Accounts payable represented by debt instruments			
- falling due within one year			
- falling due after more than one year			
9) Accounts payable to controlled undertakings			
- falling due within one year	86,841		
- falling due after more than one year			
		86,841	
10) Accounts payable to affiliated undertakings			
- falling due within one year			
- falling due after more than one year			
11) Accounts payable to controlling companies			
- falling due within one year			
- falling due after more than one year			
11-bis) Accounts payable to undertakings under control by the controlling companies			
- falling due within one year			
- falling due after more than one year			
12) Tax liabilities			
- falling due within one year	229,946		255,257
- falling due after more than one year			
		229,946	255,257
13) Accounts payable to social security institutions			
- falling due within one year	199,535		189,321
- falling due after more than one year			
		199,535	189,321
14) Other accounts payable			
- falling due within one year	613,630		428,425
- falling due after more than one year			
		613,630	428,425
Total accounts payable		**13,072,743**	**12,504,878**
E) Accrued liabilities and deferred income		**168,493**	**115,151**
Total shareholders' equity and liabilities		**32,564,386**	**32,577,246**

Profit and loss account		31/12/2016	31/12/2015
A) Revenues			
1) From sales and services		14,293,259	14,383,773
2) Changes in stocks of work in process, semi-finished and finished products		244,916	640,868
3) Changes in work in progress on order			
4) Capitalised internal work in progress			
5) Other revenues and proceeds:			
- others	184,636		307,814
- contributions toward operating expenses	64,626		3,840
		249,262	311,654
Total revenues		**14,787,437**	**15,336,295**
B) Expenses			
6) Raw materials, subsidiary materials, consumables and goods		6,059,038	6,120,103
7) Services		2,849,205	3,368,001
8) Rent/lease		94,522	103,358
9) Personnel costs			
a) social contributions	2,483,374		2,077,208
b) Oneri sociali	888,501		1,069,791
c) employees' leaving indemnity	214,771		204,320
d) accruals for pension and similar benefits			
e) other costs	16,260		17,123
		3,602,906	3,368,442
10) Amortisation, depreciation and value adjustments			
a) amortisation of intangible assets	1,001,543		789,173
b) depreciation of tangible assets	577,066		652,516
c) other value adjustments			
d) write-down of accounts receivable recorded among current assets and liquid assets	37,549		13,583
		1,616,158	1,455,272
11) Changes in raw materials, subsidiary materials, consumables and goods		227,064	631,158
12) Accruals to provisions for contingent liabilities and charges			
13) Other accruals			
14) Miscellaneous running costs		818,488	390,138
Total expenses		**15,267,381**	**15,436,472**
Difference between revenues and expenses(A-B)		**(479,944)**	**(100,177)**
C) Financial income and costs			
15) Income from shareholdings:			
- in controlled undertakings			
- in affiliated undertakings			
- in controlling companies			
- in undertakings under control by controlling companies			

- other income			14
			14
16) Other financial income:			
a) from accounts receivable recorded among fixed assets			
- from controlled undertakings	16,698		
- from affiliated undertakings			
- from controlling companies			
- from undertakings under control by controlling companies			
- other financial income			
		16,698	
b) from securities recorded among fixed assets			
c) from securities recorded among current assets			
d) other income:			
- from controlled undertakings			
- from affiliated undertakings			
- from controlling companies			
- from undertakings under control by controlling companies			
- other income	456		1,164
		456	1,164
		17,154	1,164
17) Interest and other financial costs:			
- to controlled undertakings			
- to affiliated undertakings			
- to controlling companies			
- from undertakings under control by controlling companies			
- other income	181,644		226,513
		181,644	226,513
17-bis) Exchange gains and losses		64,239	372,544
Total financial income and costs		**(100,251)**	**147,209**

D) Value adjustments of financial assets

18) Write-ups:			
a) of shareholdings			
b) of financial fixed assets which do not constitute shareholdings			
c) of securities recorded among current assets which do not constitute shareholdings			
d) of derivative financial instruments			
19) Write downs:			
a) of shareholdings			
b) of financial fixed assets which do not constitute shareholdings			
c) of securities recorded among current assets which do not constitute shareholdings			
d) of derivative financial instruments			
Total value adjustments of financial assets			

Result before taxes (A-B±C±D)		**(580,195)**	**47,032**
20) Taxes on the income for the year: current taxes and deferred tax assets and liabilities			
a) Current taxes			43,576
b) Taxes of prior years			
c) Deferred tax assets and liabilities	(93,676)		(67,074)
d) Income (expense) arising from the adoption of the tax consolidation /fiscal transparency regime			
		(93,676)	(23,498)
21) Profit (loss) for the year		**(486,519)**	**70,530**

Cash flow statement	**31/12/2016**	**31/12/2015**
A.1 Cash flow from operating activities (indirect method)		
Profit (loss) for the year	(486,519)	70,530
Income taxes	(93,676)	(23,498)
Interest expense (interest income)	164,490	225,349
(Dividends)		(14)
Total capital (gains)/losses from the disposal of assets	2,500	7,200
A.2 Adjustments in connection with non-monetary items with no offsetting items in the net working capital		
Accrual to provisions		
Amortisation/depreciation of fixed assets	1,578,609	1,441,690
Write-downs of assets due to permanent value impairment	37,549	13,583
Value adj. to financial assets and liabilities generated by derivative financial instruments with do not involve a cash flow		
Other adjustments in connection with non-monetary items	(102,971)	(128,649)
Cash flow before changes in working capital	**1,099,982**	**1,606,191**
A.3 Changes in working capital		
Decrease/(increase) of inventory	(17,852)	(9,710)
Increase/(decrease) of accounts receivable from customers	442,799	1,242,307
Increase/(decrease) of accounts payable to suppliers	192,907	161,752
Decrease /(Increase) of accrued income and prepayments	240	61
Increase /(decrease) of accrued liabilities and deferred income	53,342	115,151
Other decreases/(increases) in working capital	(69,554)	19,561
Cash flow after changes in working capital	**1,701,864**	**3,135,313**
A.4 Other adjustments		
Interest collected/(paid)	(164,490)	(225,349)
(Income taxes paid)		(43,576)
Dividends collected		14
Other adjustments	2,984	157,278
Cash flow from operating activities (A)	**1,540,358**	**3,023,680**

B.1 Tangible assets		
(Investments)	(130,070)	(261,035)
Realisation price of divestments	6,060	
B.2 Intangible assets		
(Investments)	(1,355,358)	(1,341,889)
Realisation price of divestments		
B.3 Financial fixed assets		
(Investments)	(740,830)	(364,200)
Realisation price of divestments		
B.4 Financial assets not included among fixed assets		
(Investments)		
Realisation price of divestments		
(Acquisition undertakings or business concerns not including cash-in-hand and cash-at-bank)		
Disposal undertakings or business concerns not including cash-in-hand and cash-at-bank		
Cash flow from investing activities (B)	***(2,220,198)***	***(1,967,124)***
C.1 Debt		
Loans taken out	2,050,538	1,850,000
(Loans repaid)	(1,845,688)	(3,620,645)
C.2 Equity		
Share capital increase		
(share capital reimbursement)		
Sale (purchase) of treasury shares		
Dividends (and interim dividends) paid		
Cash flow from financing activities (C)	***204,850***	***(1,770,645)***
Cash increase (Decrease) (A ± B ± C)	**(474,990)**	**(714,089)**
1. Exchange differences in cash-at-bank, cash-in-hand and cash equivalents		
2. Cash at the beginning of the year		
Bank and post office deposits	621,102	1,338,331
Cheques		
Cash-in-hand and cash equivalents	7,312	4,172
3. Cash at the end of the year		
Bank and post office deposits	143,511	621,102
Cheques		
Cash-in-hand and cash equivalents	9,913	7,312
Changes in in cash-at-bank, cash-in-hand and cash equivalents	**(474,990)**	**(714,089)**

DANIELE FERRARI
President and Chief Executive Officer (CEO)

Lugo di Grezzana (VR), 30/03/2017

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DELLAS S.p.A. FINANCIAL STATEMENTS

as of 31/12/2016

NOTES TO THE ACCOUNTS

Foreword

In these years of business Dellas has reached a leading position in the international market for the manufacture and sales of diamond tools for marble and granite, as well as for natural stone, concrete, asphalt and ceramic.

The product range of Dellas is becoming ever more complete and ever more capable of satisfying all of the needs of this industrial sector and ensuring its consolidated competitiveness in terms of quality and costs in the international markets.

The Company is a member of a group, of which it is the controlling undertaking: exercising management and coordination over the companies Dellas Diamond Tools Suzhou Co Ltd, Dellas Istanbul Makina Sanayi Ve Ticaret As, Dellas Spagna Sl, Dellas Spa Ethiopian Branch, Dellas Do Brasil Ferramentas Diamantadas Ltda and Dellas Stone Tools India Private Limited, and other holdings through Cordusio Società Fiduciaria Per Azioni.

Evaluation methods accounting principles and financial statement reporting standards

Drafting principles

The methods used for the formation and the measuring of closing balance items as of 31/12/2016 take account of the new rules introduced in national law with Legislative Decree 139/2015 implementing EU Directive 2013/34/EU. Pursuant to legislative decree D. Lgs. 139/2015 changes have been made to the national accounting standards (OIC).

For comparative purposes only, there has been re-assessment of the effects that the previous year's financial statements would have on this year's balance as if the new accounting standards had been previously applied, proceeding with an adjustment of the balance at the opening of net Shareholders' Equity.
For details of the adjustments and the corresponding effects on bonds on the net shareholder equity, see the table below in these Notes to the accounts.

The following financial statements comply with the provisions of articles 2423 et seq. of the Italian Civil Code as shown in these Notes to the accounts, which have been drawn up in accordance with article 2427 of the Civil Code, pursuant to article 2423 forms an integral part of the balance sheet for the year.
The financial statements' figures are in Euros with rounding up of the amounts. Any differences from rounding up-down have been indicated in the item “Rounding up-down reserve in Euros” included in the postings in the Net shareholder equity in accordance with the provisions of article 2423, sixth paragraph, of the civil code, the Notes to the Accounts have been drawn up in thousands of Euros/(in Euro units).
The Notes to the Accounts presents the information in the items in the balance sheet and the profit and loss account in the order that the corresponding entries are indicated in the various heads of the financial statements.

Evaluation methods

(Ref. article 2427, first paragraph, n. 1, of the civil code and OIC accounting standard n. 12)

The evaluation of balance entries followed the general principle of prudence and period of competence, in the expectation of the business as ongoing concern.
The application of the prudence principle led to individual evaluation of items and entries in assets or liabilities to avoid setting off losses that should be entered against profits that should not be entered insofar as not realised.
In compliance with the accrual principle the effect of transactions and of other events has been accounted in and attributed to the financial year to which such transactions and events regard, and not that in which they numerically occur (i.e. the collection of sums and payments).
Applying the relevance principle, obligations were not followed in relation to the accounting, measuring, presentation and information when their compliance would have had irrelevant effects, in order to ensure correct and true representation of the company.
The continuity of application of evaluation methods over time is necessary for comparability of the financial statements of the Company in the various financial years.

The accounting and the presentation of balance sheet items was carried out taking account of the substance of the transaction or contract.

Exceptions

(Ref. article 2423, fifth paragraph, of the civil code.)

There have been no exceptional situations that required recourse to the departures available under article of article 2423, paragraph 5 of the Civil Code.

For the purpose of ease of understanding, to the notes to the accounts there is an annexed pro forma summary document of the economic situation and equity of the company that shows the effects of the changes in the accounting standards where these are relevant.

Effects on opening balances resulting from the application of legislative decree D.Lgs. 139/2015 on the net equity

Adjustments and/or reclassification on the financial statements as of 31/12/2015 for the purposes of comparison, **Item description**	Amount shown in the financial statements for31/12/2015	Reclassifications under D.Lgs. 139/2015	Adjustments D.Lgs. 139/2015	Amount shown in the financial statements for the purposes of comparison
research costs	4,517,586	(4,517,586)		
Long term loans and investments				
Current assets				
Net Shareholders' Equity				
Liabilities				
Profit and loss account				
Extraordinary income and charges	(20,862)	20,862		
Effects on the opening net shareholder equity at 31/12/2015				
Net Shareholders' Equity 31/12/2015	19,278,047			
Net shareholder equity 31/12/2015 for the purposes of	19,278,047			

In particular, the evaluation criteria adopted in drawing up of the financial statements were as follows:

Undertakings, guarantees and contingent liabilities

Commitments not indicated in the balance sheet, representing obligations undertaken by company to third parties originate from contracts with obligatory and certain effects that have not yet been performed by either of the parties. The commitments category comprises both undertakings of certain execution and their corresponding amounts, and undertakings for which execution is certain but the amount in question is not. The amount of the commitments is the face value taken from the corresponding documentation.

The guarantees given by the company include both personal and guarantees and those backed by security.
In the case of a surety from the company together with other guarantors (co-sureties), the whole amount of the guarantee given is recorded, if less, the total amount of the guaranteed debt at the date of the financial statement.

Breakdown of Statement of Assets

A) Receivables from shareholders for payments still due

The company capital is fully paid up

B) Fixed assets

I. Intangible fixed assets

Balance at 31/12/2016	Balance at 31/12/2015	Changes
3,909,728	3,555,912	353,816

These are recorded at historic purchase cost and shown net of write downs made in the financial year and attributed directly to the individual items.
The costs of development with multi-year utility have been recorded in the assets with the consent of the Statutory Auditors' Board. The costs of plant and enlargement are written down within a period that does not exceed five years; the costs of development are written down in accordance with the their useful life: in exceptional cases in which it is not possible to estimate the useful life, these are written down within a period not exceeding years.

The rate of depreciation adopted is the following:

- Costs of plant and enlargement: 20%
- research and development costs: 20%
- trademarks of the company: 10%
- patent rights: 10%
- software in license for use: 33.33%

The improvements to assets of third parties are written down at rates that depend on the duration of the contract.
If, regardless of depreciation already recorded, there is an impairment loss, the asset is written down. If in subsequent years the reasons for the write-down no longer apply, the original value net of accumulated depreciation is restored.

Analysis of the movements of intangible assets

	Expansion and plant costs	Costs of development	Industrial patent rights and intellectual property rights	Grants, licenses, trademarks and similar rights	Total intangible fixed assets
Value at financial year start					
Cost		4,517,586	1,719,708	325,742	6,563,036
Depreciation (Depreciation Reserve)		1,487,103	1,249,738	270,283	3,007,124
Balance value		3,030,483	469,970	55,459	3,555,912
Changes in the financial year					
Increases from acquisitions		1,201,302	136,361	17,696	1,355,359
Depreciation of the financial year		903,517	63,682	34,344	1,001,543
Total variations		297,785	72,679	(16,648)	353,816
Value at financial year end					
Cost	13,579	5,718,888	1,856,069	343,438	7,931,974
Depreciation (Depreciation Reserve)	13,579	2,390,620	1,313,420	304,627	4,022,246
Balance value		**3,328,268**	**542,649**	**38,811**	**3,909,728**

Previous revaluations, write-downs and devaluations

(Ref. article 2427, first paragraph, n. 2 of the civil code.)

Devaluations have not been recorded for lasting losses of value regarding intangible assets.

Costs of development

(Ref. article 2427, first paragraph, n. 3 of the civil code.)

Below are indicated the breakdown of cost of development, recorded with the consent of the Statutory Auditors, as well as the reasons for their itemisation.

Description Costs	Value 31/12/2015	Increase financial year	Decrease Financial year	Depreciation financial year	Value 31/12/2016
Costs of development 2016	3,030,483	1,201,302		(903,517)	3,328,268
Total	**3,030,483**	**1,201,302**		**(903,517)**	**3,328,268**

Development costs in accordance with accounting standard OIC 24, show the requisites to be able to be capitalized and written down within a period not exceeding five years.
The costs recorded relate to a product or process and are reasonably correlated to long term utility over several financial years and are systematically written down in relation to remaining possibility of use.
The capitalised costs of development in total assets are made up of: wages, salaries and the sundry costs regarding personnel engaged in development activities; costs of materials and services involved in development activities; depreciation of real properties, plant and machinery, insofar as such assets are involved in development activities; indirect costs, other than costs and general and administrative expenses, corresponding to development activities; sundry costs, such as for example depreciation on patents and licenses, insofar as these assets are engaged in the development activities.

Industrial patent rights

According to national accounting standard OIC 24, the aforesaid financial statement items include, as well as industrial patent right costs, also licenses for use.

II. Tangible fixed assets

Balance at 31/12/2016	Balance at 31/12/2015	Changes
4,862,677	5,309,672	(446,995)

These are registered at purchase cost adjusted by the corresponding depreciation funds.
The balance sheet entry took account of secondary charges and costs incurred for the use of the fixed assets, with trading and cash discounts reducing the cost.
The write downs amounts attributed to the profit and loss account are calculated according to expected use, the destination of use and the economic and technical duration of the assets, on the basis of the remaining possible utility, which we consider well represented by the following rates which are unchanged compared with the previous period and halved in the year according to the entering into function of the asset.

- sundry and small equipment: 25%
- cars, vehicles and similar: 25%
- transport vehicles: 20%
- light constructions: 10 %
- factory buildings: 3%
- General and specific plant: 10%
- specific automatic machinery: 15.5%
- electronic machines and computers: 20%
- ordinary office machinery and furniture: 12%

If, regardless of depreciation already recorded, there is an impairment loss, the asset is written down. If in subsequent years the reasons for the write-down no longer apply, the original value net of accumulated depreciation is restored.

Land and buildings

(Ref. article 2427, first paragraph, n. 2 of the civil code.)

Description	Amount	
Historical cost	7,663,854	
Depreciation in previous financial years	(3,451,752)	
Balance as of 31/12/2015	**4,212,102**	of which land 399,766
Write-downs in the financial year	(214,578)	
Balance as of 31/12/2016	**3,997,524**	of which land 399,766

Plant and machinery

(Ref. article 2427, first paragraph, n. 2 of the civil code.)

Description	Amount
Historical cost	15,627,928
Depreciation in previous financial years	(14,584,769)
Balance as of 31/12/2015	**1,043,159**
Acquisitions in the period	97,593
Write-downs in the financial year	(342,457)
Balance as of 31/12/2016	**798,295**

Industrial and commercial equipment

(Ref. article 2427, first paragraph, n. 2 of the civil code.)

Description	Amount
Historical cost	385,045
Depreciation in previous financial years	(384,775)
Balance as of 31/12/2015	**270**
Acquisition in the period	7,837
Write-downs in the financial year	(378)
Balance as of 31/12/2016	**7,729**

Miscellaneous assets

(Ref. article 2427, first paragraph, n. 2 of the civil code.)

Description	Amount
Historical cost	1,131,719
Depreciation in previous financial years	(1,077,578)
Balance as of 31/12/2015	**54,141**
Acquisitions in the period	24,640
Write-downs in the financial year	(19,652)
Balance as of 31/12/2016	**59,129**

In the financial year ending 31/12/2016 no current and advance fixed assets were recorded.

Analysis of the movements of tangible assets

	Land and buildings	Plant and machinery	Industrial and commercial equipmenti	Miscellaneous tangible fixed assets	Total fixed tangible assets
Value at financial year start					
Cost	7,663,854	15,627,928	385,045	1,131,719	24,808,546
Depreciation (Depreciation Reserve)	3,451,752	14,584,769	384,775	1,077,578	19,498,874
Balance value	4,212,102	1,043,159	270	54,141	5,309,672
Changes in the financial year					
Increases from acquisitions		97,593	7,837	24,640	130,070
Depreciation of the financial year	214,578	342,457	378	19,652	577,065
Total changes	(214,578)	(244,864)	7,459	4,988	(446,995)
Value at financial year end					
Cost	7,663,854	15,719,461	392,882	1,156,360	24,932,557
Depreciation (Depreciation Reserve)	3,666,330	14,921,166	385,153	1,097,231	20,069,880
Balance value	**3,997,524**	**798,295**	**7,729**	**59,129**	**4,862,677**

On the basis of a precise application of the OIC 16 accounting standard and following also of an audit of the useful life of the operating properties we have for the financial year ending 31.12.2006 to remove the cost share related to the surface area of the premises.

From financial year 2006 there has been no reserve for write down shares regarding the value of the aforesaid land, on the basis of updated asset estimates, capital not subject to depreciation and having an unlimited lifetime.
From financial year 2007, the depreciation reserve has been shared as between land and buildings according to the proportional method in accordance with the provisions of article 1, paragraph 81, L. 244/2007.

In the financial year ending 31/12/2008, on the basis of Decree Law 185 of the 2008, converted into law 2 of 2009, revaluation was carried out on depreciable real property, i.e. the industrial premises and offices at Lugo di Grezzana (VR) and the premises at Pietrasana (LU) of € 1,583,208. For assets subject to revaluation the method used was an adjustment of historical cost. Following the aforesaid revaluation the item was off-set in a revaluation reserve pursuant to D.L. 185/2008 for € 1,535,712, equal to the revaluation amount net of substitute tax.

Total revaluations of tangible assets at the end of the year

Pursuant to article 10 law n. 72/1983, there have not, in 2016, been any monetary revaluations or departure from civil accounting evaluations.
It should be highlighted that there have been revaluations of asset entries recorded in the financial statements on the basis of law 342/2000 and Decree Law 185 of 2008, converted into Law 2 of the 2009.
There have however been no discretionary or voluntary revaluations and the valuations made have their upper limit in the objectively measured value of use of the capital asset itself.

III. Financial assets

Balance as of 31/12/2016	Balance as of 31/12/2015	Changes
2,469,574	1,728,743	740,831

Shareholdings

Shares held, recorded in capital assets, represent a long term and strategic investment of the company.
The interests held in other subsidiaries and allied companies, registered as long-term trading investments, are valued at purchase or subscription cost.
The shares held and recorded at purchase cost have not suffered devaluations for lasting losses of value; there have been no are cases of "reinstatement of value".

Analysis of transfers of shares

	Shareholdings in subsidiaries	Shareholdings held in other companies	Total shares held
Value at financial year start			
Cost	1,309,085	419,658	1,728,743
Balance value	1,309,085	419,658	1,728,743
Changes in the financial year			
Increases from acquisitions	808,423		808,423
Decreases for alienations (of the balance value)		386,637	386,637
Total changes	808,423	(386,637)	421,786
Value at financial year end			
Cost	2,117,508	33,021	2,150,529
Balance value	**2,117,508**	**33,021**	**2,150,529**

Receivables

Description	31/12/2016	Beyond 12 months	Beyond 5 years	Total	Of which transactions with obligation for reconveyance	Fair value
Subsidiaries	87,912	231,133		319,045		
	87,912	**231,133**		**319,045**		

The capitalised accounts receivable from subsidiaries are shown in the financial statements according to the written down cost.
In the initial recording of receivables with the written down cost method, the time factor is complied with by comparing the actual interest rate with market interest rates. If the actual interest rate is significantly different from the market interest rate, this latter is used to discount back future financial flows deriving from receivables, so as to determine the opening itemisation value.
On the closure for the year, the value of receivables valued at cost written down is the current value of future financial flows discounted at the actual interest rate. If there is a fixed contractual rate, the actual interest rate determined at first accounting is not recalculated. If on the other hand the rate is variable rate and lined to market rates, the future financial flows are periodically recalculated to reflect market interest rates changes, with a recalculation of actual interest rate.

Discounting-back of receivables has not been carried out for receivables falling due within 12 months since the effects are irrelevant with respect to the non-discounted back value.
Receivables recorded in the financial statements before 1st January 2016 are entered a presumed sale value insofar as, as provided for in accounting standard OIC 15, it was decided not to use the written down cost and discounting-back method.

In particular the written down cost method was used for capitalised accounts receivable from subsidiaries with due date beyond 12 months arising from 1st January 2016.

Analysis of changes and due date of long-term investments: receivables

	Long term receivables from subsidiaries	Plant and machinery	Industrial and commercial equipment	Misc. assets	Current assets and advances	Total
Changes in the financial year	319,045					319,045
Value at financial year end	319,045					319,045
Amount falling due within the financial year	87,912					87,912
Amount falling due beyond the financial year	231,133					231,133

Shares in directly owned subsidiaries or companies controlled by trust companies or intermediaries

Company name	Town (if in Italy) or foreign Country	Capital in Euros	Share held as percentage	Balance sheet value or corresponding receivables
DELLAS Diamond Tools SUZHOU Co Ltd	Suzhou - China	645,000	77.52	500,000
DELLAS ISTANBUL Makina Sanayi ve Ticaret As	Istanbul - Turkey	668,635	76.2	509,500
Share held through Cordusio Società Fiduciaria Per Azioni	Milan - Italy	386,637	100	386,637
DELLAS SPAGNA Sl	Porrino - Spain	500,000	100	500,000
DELLAS Spa ETHIOPIAN Branch	Addis Abeba - Ethiopia	69,339	100	69,339
DELLAS do BRASIL Ferramentas Diamantadas Ltda	Serra ES - Brazil	146,001	99.99	146,000
DELLAS Stone Tools INDIA Private Limited	Tamil Nadu India	6,032	100	6,032
Total				**2,117,508**

Long-term investments in subsidiaries are not recorded in the financial statements for a value greater than their fair value.

Long-term investments in allied companies are not recorded in the financial statements for a value greater than their *fair value.*

Breakdown of the capitalized accounts receivable by geographic area

Breakdown of receivables as of 31/12/2016 by geographic area shown in the following table (in accordance with article 2427, paragraph 1, 6 of the civil code.).

Geographic area	Long term receivables from subsidiaries	Long term receivables from allied companies	Long term receivables from controlling undertakings	Long term receivables from companies controlled by the parent companies	Misc. long term accounts receivable	Total long term receivables
Turkey	224,177					224,177
Ethiopia	94,868					94,868
Total	**319,045**					**319,045**

Analysis of the value of financial assets

	Accounting value	Fair value
Shareholdings held in other companies	33,021	
Receivables from subsidiaries	319,045	
Total	**352,066**	

C) Current assets

I. Inventory

Balance at 31/12/2016	Balance at 31/12/2015	Changes
8,893,755	8,875,902	17,853

Raw materials, ancillaries and finished products are entered at the lesser of purchase cost or production dost and the presumed market sale value, applying the weighted average cost.
The production cost comprises direct and indirect costs incurred during the production process and necessary to bring the goods on hand into their current place and condition.
The products in progress are entered on the basis of costs incurred in the financial year.
The way items have been calculated has not changed as compared with the previous financial year with the reasons given in the first part of these notes to the accounts.

Analysis of changes in inventories

	Value at financial year start	Changes in the financial year	Value at financial year end
Raw materials, auxiliary materials and consumables	4,112,613	(227,064)	3,885,549
Products in progress and semi-finished goods	1,790,192	306,028	2,096,220
Finished products and goods	2,973,097	(61,111)	2,911,986
Total inventories	**8,875,902**	**17,853**	**8,893,755**

The inventories break down as 44% raw materials, 24% semi-finished goods and products in progress and 32% finished products and goods.

II. Receivables

Balance at 31/12/2016	Balance at 31/12/2015	Changes
12,274,666	12,477,801	(203,135)

The receivables are accounted for in the financial statements at written down cost method, taking into account the time factor and the presumed sale values.
In the initial recording of receivables with the written down cost method, the time factor is complied with by comparing the actual interest rate with market interest rates. If the actual interest rate is significantly different from the market interest rate, this latter is used to discount back future financial flows deriving from receivables, so as to determine the opening itemisation value.
On the closure for the year, the value of receivables valued at cost written down is the current value of future financial flows discounted at the actual interest rate. If there is a fixed contractual rate, the actual interest rate determined at first accounting is not recalculated.
If on the other hand the rate is a variable rate and linked to market rates, the future financial flows are periodically recalculated to reflect market interest rates changes, with a recalculation of actual interest rate.

Discounting-back of receivables has not been carried out for receivables falling due within 12 months since the effects are irrelevant with respect to the non-discounted back value.
Receivables recorded in the financial statements before 1st January 2016 are entered a presumed sale value insofar as, as provided for in accounting standard OIC 15, it was decided not to use the written down cost and discount back d method.

In particular, in the course of the year 2016, there were no receivables with a due date exceeding 12 months.

The adjustment of the face value of the receivables at presumed resale value is obtained by means of provision for doubtful debts, taking into account the existence of indicators of long term losses receivables originally collectible within the year and subsequently changed into long term receivables term have been shown in the balance sheet as long-term financial assets.

The receivables are cancelled from the balance sheet when the contractual rights on the financial flows deriving from the receivables are extinguished or if risks inherent to the cancelled debt have been transferred.

Analysis of changes and due dates of receivables in current assets

	Value at financial year start	Changes in the financial year	Value at financial year end	Amount falling due within the financial year	Amount falling due beyond the financial year	Which have a duration exceeding 5 years
Receivables due from customers recorded in current assets	8,769,163	(278,555)	8,490,608	7,300,485	1,190,123	
Receivables due from subsidiaries recorded in current assets	3,109,865	(164,243)	2,945,622	882,825	2,062,797	
Tax credits recorded in current assets	164,279	71,925	236,204	236,204		
Assets for prepaid taxes registered in current assets	284,284	9,296	293,580			
Receivables due from miscellaneous recorded in current assets	150,210	158,442	308,652	308,652		
Total receivables recorded in current assets	**12,477,801**	**(203,135)**	**12,274,666**	**8,728,166**	**3,252,920**	

Prepaid taxes of € 293,580 relate to allowable temporary differences for a description of which see the paragraph on the subject in the last part of these Notes to the accounts.
As regards the receivables due from customers of a duration exceeding one year, being for € 1,190,123, these consisted of receivables due from customers to whom favourable payment terms were afforded.

Breakdown of receivables recorded in current assets by geographic area

Breakdown of receivables as of 31/12/2016 by geographic area shown in the following table (in accordance with article 2427, paragraph 1, 6 of the civil code.).

Regarding receivables due from Italian customers, through the the Cerved risk predictor database, an analysis of good commercial management through an average national values benchmark. As regards the average mean national probability of insolvency of 6.95%, the mean of Dellas's portfolio stands at 4.73%. Such value of Dellas assumes even greater importance if compared with the national mean insolvency probability in the sector of industry in question, where such insolvency probability stands at 8.81% (data updated as of 31/01/2017).

Geographic area	Receivables due from customers recorded in current assets	Receivables due from subsidiaries recorded in current assets	Tax credits recorded in current assets	Assets for prepaid taxes registered in current assetse	Receivables due from miscellaneous recorded in current assets	Total receivables recorded in current assets
Italy	2,655,409	523,441	236,204	293,580	308,652	4,017,286
Estero	5,835,199	2,422,181				8,257,380
Total	**8,490,608**	**2,945,622**	**236,204**	**293,580**	**308,652**	**12,274,666**

The adjustment to face value of credits at presumed realisation value has been obtained through a special doubtful debts provision that was subject in the period to the following:

Description	F.do svalutazione ex art. 2426 Codice civile	Doubtful debt fund under article 106 D.P.R. 917/1986
Balance as of31/12/2015	94,604	95,796
Utilisation in the period	20,000	(34,763)
Provisions for the year	37,549	13,583
Balance as of31/12/2016	**112,153**	**74,616**

III. Financial assets

No financial assets are itemised in current assets.

IV. Liquid assets

Balance at 31/12/2016	Balance at 31/12/2015	Changes
153,424	628,414	(474,990)

Analysis of changes to cash in hand

	Value at financial year start	Changes in the financial year	Value at financial year end
Bank and post office deposits	621,102	(477,591)	143,511
Money and other cash securities.	7,312	2,601	9,913
Total cash in hand	**628,414**	**(474,990)**	**153,424**

The balance shows cash in hand and the numeric and value figures at the date of closing of the financial year

D) Accruals and pre-payments

Balance at 31/12/2016	Balance at 31/12/2015	Changes
562	802	(240)

Calculated according to the period of actual competence.
As regards accruals and prepayments over several years there have been checks on the conditions that led to the original itemisation, with suitable changes made where appropriate.

Refers to income and charges that are prepaid or postponed with respect to the numeric or documented entry; they are excluded from the date of payment or collection of the corresponding income or charges common to two or more financial years and are broken down by time.
Even for those items, the criteria used in the evaluation and conversion of figures expressed in foreign currency are indicated in the first part of these notes.
There are, as of 31/12/2016, no accruals and prepayments with a duration greater than five years.

Analysis of changes of accruals and pre-payments

	Accrued earnings	Prepayments	Total accruals and pre-payments
Value at financial year start		802	802
Changes in the financial year		(240)	(240)
Value at financial year end		**562**	**562**

Breakdown of Statement of Liabilities

A) Net equity

(Ref. article 2427, first paragraph, nos. 4 and 7-bis of the civil code.)

Balance at 31/12/2016	Balance at 31/12/2015	Changes
18,791,532	19,278,047	(486,515)

Analysis of changes in entries for the net equity

	Value at financial year start	Other allocations	Increases	Decreases	Operating profit/loss	Value at financial year end
Capital	8,000,000					8,000,000
Revaluation reserve	1,535,712					1,535,712
Legal reserve	1,600,000					1,600,000
Extraordinary reserve	7,870,749		180,787			8,051,536
Miscellaneous reserves	201,056	4		110,257		90,803
Total misc. reserves	8,071,805	4	180,787	110,257		8,142,339
Operating profits (loss) for the period	70,530			557,049	(486,519)	(486,519)
Total shareholder equity	**19,278,047**	**4**	**180,787**	**667,306**	**(486,519)**	**18,791,532**

Details of miscellaneous reserves

Description	Amount
Reserve not available for distribution under article. 2426	90,801
Difference from rounding up-down Euros	2
Total	**90,803**

Availability and use of the net equity

The equity items are broken down by origin, the possibility of use, distribution and use in the three previous years (article 2427, paragraph 1, 7 bis of the civil code).

				Summary of utilisations in the last three financial years	
	Amount	Possibility of use (*)	Available share	to cover losses	for other reasons
Capital	8,000,000	B	7,950,000		
Revaluation reserve	1,535,712	A,B	1,535,712		
Legal reserve	1,600,000	A,B	1,600,000		
Sundry reserves					
Extraordinary reserve	8,051,536	A,B,C,D	8,051,536	289,588	
Miscellaneous reserves	90,803				
Total misc, reserves	8,142,339		8,051,536	289,588	
Total	19,278,051		19,137,248	289,588	
Non-distributable portion			3,328,268		
Remaining portion available for distribution			**15,808,980**		

Description	Amount	Origin / nature
Reserve not available for distribution under article. 2426	90,801	A,B,C,D
Difference from rounding up-down Euros	2	A,B,C,D
Total	**90,803**	

(*) A: for capital increases; B: to cover losses; C: for distribution to shareholders; D: for other statutory required uses

The non-distributable portion regards the share of € 3,328,268 not written down of the costs of Development (article 2426, n.5).

As provided for in article 2427, paragraph 1, number 4) of the civil code the information is provided on the formation and the use of items in net shareholder equity:

	Company Share Capital	Revaluation reserve	Legal reserve	Other rerves	Operating profit/loss	Total
At the at start of the previous financial year	8,000,000	1,535,712	1,600,000	8,188,944	(117,136)	19,207,520
Allocations for operating results						
- Allocation of dividends						
- other allocations				(117,136)	117,136	
Other changes						
- Increases						
- Decreases				(3)		
- Reclassifications						
Results for the previous financial year						
On the closing of the previous financial year	8,000,000	1,535,712	1,600,000	8,071,805	70,530	19,278,047
Allocations for operating results						
- Allocation of dividends						
- other allocations				70,530	(70,530)	
Other changes						
- Increases				4		
- Decreases						
- Reclassifications						
Results for the current financial year						
On the closing of the current financial year	**8,000,000**	**1,535,712**	**1,600,000**	**8,142,339**	**(486,519)**	**18,791,532**

Reserves incorporated in the company share capital

The reserves or other funds that in the event of distribution together make up the taxable income of the company, irrespective of the period of formation, for a free increase of company capital with the use available reserves, are the following:

- by resolution of the extraordinary general meeting of shareholders of the 26/10/2000.

Reserves	Value
Extraordinary reserve	535,189

- by resolution of the extraordinary general meeting of shareholders of the 15/09/2004

Reserves	Value
Revaluation reserve under law L.72/983	241,395
Revaluation reserve under law L.342/2000	225,225
Capital account contributions fund (art.55 TU) ex L.675/1977	2,271
Capital account contributions fund (art.55 TU) ex L.317/1991	121,327
Chamber of Commerce [CCIAA] contributions fund to capital account (art.55 TU)	15,494
Extraordinary Reserve	6,257,719
	6,863,431

B) Provisions for contingent liabilities and charges

(Ref. article 2427, first paragraph, n. 4 of the civil code.)

Balance at 31/12/2016	Balance at 31/12/2015	Changes
67,917	152,297	(84,380)

Analysis of changes to the provisions for risks and charges

	Fund for retirement provision and similar obligations	Fund for taxes including deferments	Derivatives (liabilities)	Other funds	Total provisions for risks and charges
Value at financial year start		152,297			152,297
Changes in the financial year					
Utilisation in the period		84,380			84,380
Total changes		(84,380)			(84,380)
Value at financial year end		**67,917**			**67,917**

These are set aside to cover losses or liabilities that are certain or likely, but for which at year-end were not determinable as regards the amount or date of occurrence.
In evaluating such funds the general principles of prudence and accrual have been followed and no general risk funds have been set up without financial justification.
The liabilities are reported in the financial statements and registered in the provisions as deemed probable and estimable reasonably as regards the amount of the burden.

The increases regard provisions of the financial year. The decreases are utilisations of the financial year.
The provisions for taxes are recorded as deferred tax liabilities for Euro 67,917 relating to tax time differences; a description which is found in the relevant section of these notes to the accounts.

C) Employees' leaving indemnity

(Ref. article 2427, first paragraph, n. 4 of the civil code.)

Balance at 31/12/2016	Balance at 31/12/2015	Changes
463,701	526,873	(63,172)

The reserve represents the actual debt accrued to employees according to current law and contracts of employment, considering each form of remuneration as being continuous in nature.
The reserve corresponds to the total of individual indemnities accrued to employees up to 31 December 2006 at the date of the closure of the balance sheet, net of advances paid and equivalent to what would be due to pay to the employees in the event of cessation of the employment agreement as of that date.
The reserve does not include the indemnity accrued from 1st January 2007, for complementary pensions pursuant to the provisions of legislative decree D. D Lgs. n. 252 of 5 December 2005 (transferred to the INPS treasury dept).

Analysis of changes to Employees' leaving indemnity

	Employees' leaving indemnity
Value at financial year start	526,873
Changes in the financial year	
Utilisation in the period	63,172
Total changes	(63,172)
Value at financial year end	**463,701**

D) Accounts payables

(Ref. article 2427, first paragraph, n. 4 of the civil code.)

Balance at 31/12/2016	Balance at 31/12/2015	Changes
13,072,743	12,504,878	567,865

Accounted for according to written down cost, taking into account time factors.
In the initial recording of receivables with the written down cost method, the time factor is complied with by comparing the actual interest rate with market interest rates.
On the closure for the year, the value of debts valued at cost written down is the current value of future financial flows discounted at the actual interest rate.

Discounting-back of receivables has not been carried out for receivables falling due within 12 months since the effects are irrelevant with respect to the non-discounted back value.

With reference to the debts recorded in the financial statements before the financial year starting 1st January 2016, these were entered at their face value because, as provided for in accounting standard OIC 19, it was decided not to use the cost written down and discounting-back method.

In particular among the debts with due date beyond 12 months, arising from 1st January 2016, the written down cost led to an accounting disparity with respect to face value regarding unsecured loans from Medio Credito Centrale, resulting in a difference in the actual interest rate compared with the market interest rates.

The due date of the debts breaks down as follows (article 2427, first paragraph, n, 6 of the civil code).

Changes and date of debts

	Value at financial year start	Changes in the financial year	Value at financial year end	Amount falling due within the financial year	Amount falling due beyond the financial year	Which have a duration exceeding 5 years
Debts to banks	9,555,381	204,850	9,760,231	7,065,724	2,694,507	
Debts to suppliers	2,076,494	192,907	2,269,401	2,269,401		
Debts to Subsidiaries		86,841	86,841	86,841		
Tax debts	255,257	(25,311)	229,946	229,946		
Debts to pension and social security bodies	189,321	10,214	199,535	199,535		
Sundry debts	428,425	185,205	613,630	613,630		
Total debts	**12,504,878**	**567,865**	**13,072,743**	**10,378,236**	**2,694,507**	

The balance of bank loans as of 31/12/2016, being € 9,760,231, inclusive of loans received, expresses the actual amount of principal, interest and charges accrued and collectible.

The "Debts to suppliers" are entered net of trade discounts; the cash discounts cash are on the other hand recorded at the time of payment.

The item "Tax debts" includes only liabilities for certain and determined taxes, as liabilities for taxes probable or uncertain at the date of occurrence, or for deferred taxes, are recorded in item B.2 under liabilities (tax provision) .

There are no significant changes to the amount of the item "Tax debts".

The following table gives the breakdown of debts as of 31/12/2016 by geographical area, (article 2427, paragraph 1, 6, C.c.).

Debts by geographic area

Geographic area	Debts to banks	Debts to suppliers	Debts to Sub-sidiaries	Tax debts	Debts to pension and social security bodies	Sundry debts	Debts
Italy	9,760,231	1,698,504	86,841	229,946	199,535	613,630	12,501,846
Estero		570,897					570,897
Total	**9,760,231**	**2,269,401**	**86,841**	**229,946**	**199,535**	**613,630**	**13,072,743**

Debts with collateral security on company assets

There have been no debts backed by collateral security on company assets (article 2427, first paragraph, n. 6 of the civil code.)

Analysis of debts with collateral security on company assets

	Total debts with collateral security	Debts without collateral security	Total
Debts to banks		9,760,231	9,760,231
Debts to suppliers		2,269,401	2,269,401
Tax debts		229,946	229,946
Debts to Subsidiaries		86,841	86,841
Debts to pension and social security bodies		199,535	199,535
Sundry debts		613,630	613,630
Total debts		**13,072,743**	**13,072,743**

E) Accruals and deferrals

Balance at 31/12/2016	Balance at 31/12/2015	Changes
168,493	115,151	53,342

The item breaks down as follows. (article 2427, first paragraph, n. 7 of the civil code).

Description	Amount
Deferred income on R&D tax credits	168,493
	168,493

According to the provisions of accounting standard OIC 16, the R&D tax credit was deemed a capital account contribution and entered in the financial statements using the deferred income method

Analysis of changes of accruals and pre-payments

Description	Deferred income	Income received in advance	Total accruals and pre-payments
Value at financial year start		115,151	115,151
Changes in the financial year		53,342	53,342
Value at financial year end		**168,493**	**168,493**

Breakdown of Profit and Loss Account

A) Revenues

Balance at 31/12/2016	Balance at 31/12/2015	Changes
14,787,437	15,336,295	(548,858)

Description	31/12/2016	31/12/2015	Changes
Income from sales and services	14,293,259	14,383,773	(90,514)
Changes in product inventories	244,916	640,868	(395,952)
Misc. income and revenues	249,262	311,654	(62,392)
	14,787,437	**15,336,295**	**(548,858)**

Registration of revenues

Revenues from the sale of products are recorded at the time of the transfer of the property, which is normally at the time of delivery or shipping. Revenues of a financial nature and those arising from the performance of services are recorded on the basis of their time accrual.
The revenues and income, the costs and charges and burdens in foreign exchange transactions are valued at current rate of date of carrying out of the transaction.
Revenues and charges relating to purchase and sale transactions with obligation for reconveyance, including the difference as between forward price and spot price, are recorded for the accrued share in the financial year.

Revenues by activity category

(Ref. article 2427, first paragraph, n. 10 of the civil code.)

Activity category	Value in current financial year
Sales of goods	14,063,571
Performance of services	229,688
Total	**14,293,259**

Revenues by geographic area

Geographic area	Value in current financial year
Italy	5,219,537
Abroad	9,073,722
Total	**14,293,259**

The change is strictly correlated with that shown in the Annual business report.

In Misc. income and revenues are included reimbursement of travelling expenses, pay-outs by insurance company on claims, consideration for sales of depreciable assets and revenues from real property.

B) Expenses

Balance at 31/12/2016	Balance at 31/12/2015	Changes
15,267,381	15,436,472	(169,091)

Description	31/12/2016	31/12/2015	Changes
Raw materials, auxiliaries and goods	6,059,038	6,120,103	(61,065)
Services	2,849,205	3,368,001	(518,796)
Third party property leasing charges	94,522	103,358	(8,836)
Salaries and wages	2,483,374	2,077,208	406,166
Social security charges	888,501	1,069,791	(181,290)
Severance payments funds	214,771	204,320	10,451
Misc. personnel costs	16,260	17,123	(863)
Depreciation of fixed intangible assets	1,001,543	789,173	212,370
Depreciation of tangible fixed assets	577,066	652,516	(75,450)
Devaluations of current receivables	37,549	13,583	23,966
Changes in inventories of raw materials	227,064	631,158	(404,094)
Miscellaneous operating charges	818,488	390,138	428,350
	15,267,381	**15,436,472**	**(169,091)**

Costs of raw materials, auxiliaries, consumables and goods and costs of services

These are directly correlated to what is indicated in the part of the Management report point A) (Value of Production) of the Profit and loss account.

Personnel costs

The item comprises the costs incurred for the employment of personnel, including new staff members, improvements on merit, seniority increases, promotions, the costs of holidays not taken and provisions required by law and by collective bargaining contracts.

Write down of tangible fixed assets

As regards the write-downs, these have been calculated on the basis of the useful life of the assets and their suitability for exploitation in the production stage

Devaluations of receivables in current assets and cash in hand

The adjustment of face value of receivables at presumed realisation value has been obtained by means of a special provision for doubtful debts as illustrated in these Notes to the accounts at point C.II of Assets.

C) Financial income and charges

Balance at 31/12/2016	Balance at 31/12/2015	Changes
(100.251)	147.209	(247.460)

Interest and miscellaneous financial charges

(Ref. article 2427, first paragraph, n. 12 of the civil code).

Description	Controlling undertakings	Subsidiaries	Allied companies	Subject to control of Parent company	Miscellaneous	Total
Bank interest					84,745	84,745
Suppliers interest					231	231
Average credit interest					96,668	96,668
					181,644	**181,644**

Breakdown of interest and miscellaneous financial charges by type of debt

	Interest and miscellaneous financial charges
Debts to banks	181,413
Miscellaneous	231
Total	**181,644**

Miscellaneous financial income

Description	Controlling undertakings	Subsidiaries	Allied companies	Companies controlled by the parent companies	Miscellaneous	Total
Bank and post office interest					58	58
Interest on loans		16,698				16,698
Misc. income					399	399
Rounding up-down					(1)	(1)
		16,698			**456**	**17,154**

Conversion method for foreign currency items

Receivables and the debts originally expressed in foreign currency, recorded on the basis of the exchange rates in force on the date in which they arose, are aligned with the exchange rates current on the date of closing of the period.
In particular, the assets and liabilities that do not amount to fixed assets as well as the financial receivables are recorded at the exchange rate at the period end date. The profits and the losses arising from the conversion of the receivables and the debts are respectively credited and debited to the Income Statement as item 17 b - Profits and losses on foreign exchange transactions.
Any net profits arising from exchange rate adjustments at the end of the financial year make up part of of the operating results for the financial year and, at the time of the approval of the company's financial statements, a reserve not available for distribution until such time as realisation was registered for the part not taken up by any operating loss.
As regards, on the other hand, the foreign currency fixed assets in value, they have been entered at the exchange rate at the time of their purchase or such lower rate at the date of the closure of the financial year only if the negative changes have resulted in a loss of value of the fixed assets themselves.

Currency exchange profits and losses

From the total amount of net profits recorded in the profit and loss account, the unrealised value component amounts to 46,799 Euros.
Such amount has been entered in a reserve not available for distribution until such time as subsequent realisation.

Financial income

Description	31/12/2016	31/12/2015	Changes
From shareholdings		14	(14)
From receivables recorded in immobilisations	16,698		16,698
Income other than that indicated above	456	1,164	(708)
(Interest and miscellaneous financial charges)	(181,644)	(226,513)	44,869
Exchange rate profits (losses)	64,239	372,544	(308,305)
	(100,251)	**147,209**	**(247,460)**

Taxes on operating income

Balance at 31/12/2016	Balance at 31/12/2015	Changes
(93,676)	(23,498)	(70,178)

The taxes are set aside according to the principle of the period of accrual; representing therefore:

- the provisions for taxes liquidated or to be liquidated for the period, calculated according to the rates applicable under current law and regulations;
- the amount of deferred taxes or prepaid taxes in relation to time differences arisen or erased in the year.
- the adjustments to the balances of deferred taxes to take account of changes to rates.

Ires (corp. income tax) and prepaid differences calculated on time differences between the assets and liabilities in accordance with civil criteria and the corresponding tax figures with reference solely to the company.

Irap regional tax, deferred and prepaid and determined exclusively with reference to the company.

Taxes	Balance as of 31/12/2016	Balance as of 31/12/2015	Changes
Current taxes		43,576	(43,576)
IRES income tax		19,127	(19,127)
IRAP (regional tax)		24,449	(24,449)
Substitute taxes			
Taxes corresponding to previous financial years			
Deferred (prepaid) taxes	(93,676)	(67,074)	(26,602)
IRES income tax	(93,081)	(66,509)	(26,572)
IRAP (regional tax)	(595)	(564)	(31)
Income (charges) from adhering to the consolidated tax / tax transparency system			
	(93,676)	**(23,498)**	**(70,178)**

Taxes recorded are those accrued in the year.

Reconciliation between tax burden in the financial statement and the theoretical tax burden (IRES)

Description	Value	Taxes
Before tax result	(580,195)	
Taxable time differences in subsequent financial years:		
Non deductible depreciations	15,249	
Losses on currency exchange	92,033	
	107,282	
Time differences deductible in subsequent financial years:		
Exchange rate profits	138,832	
	138,832	
Reversal of time differences from previous financial years		
Currency exchange losses	(337,202)	
Currency exchange profits	428,004	
	90,802	
Differences not carried over to subsequent financial years		
Total increases and decreases	(6,142)	
	(6,142)	
Taxable amount	**(249,421)**	

Calculation of IRAP regional tax

Description	Value	Taxes
Difference between value and costs of production	3,160,511	
Costs pursuant to 11, paragraph 1 B of legislative decree D, Lgs, 446	(4,391,439)	
Total increases	866,550	
Total decreases	(229,688)	
	(594,066)	
Theoretical tax burden (%)	3.9	
Deductible time difference in subsequent financial years:		
Non deductible depreciations	15,249	
Taxable for Irap regional tax	**(578,817)**	

In accordance with article 2427, first paragraph n 14 of the civil code we show the information requested on the deferred and prepaid tax principle.

Deferred / prepaid tax

The deferred taxes have been calculated according to the total allocation method taking into account the accumulated amount of all time differences on the basis of the actual rate for the last financial year.
Prepaid taxes have been recorded insofar as there is a reasonable certainty of the existence, in the financial year in which the temporary differences will fall, of a taxable income not less than the amount of the differences that will be wiped out.

The main time differences that had led to the accounting of deferred and prepaid taxes are indicated in the following table together with the corresponding bills.

Reporting of deferred and prepaid taxes and consequent effects

	IRES income tax	IRAP (regional tax)
A) Time differences		
Total deductible time differences	422,631	15,249
Total taxable time differences	138,832	
Net time differences	(283,799)	(15,249)
B) Tax effects		
Deferred taxes (prepaid) of the financial year	(68,112)	
Deferred taxes (prepaid) reserve at end of the financial yr.	(68,112)	(595)

Details of deductible time differences

Description	Change inspectors of the financial year	Amount at the end of year	IRES (corp, income tax) rate	Tax effect IRES income tax	Rate of IRAP regional corp, tax	Tax effect IRAP (regional tax)
Provisions for doubtful debts that are greater than these on the share	23,966	23,966	24	5,752		
Depreciation of intangible assets that are greater than these on the share of deprecia-tion tax	15,249	15,249	24	3,660	3.90	595
Losses on cur-rency exchange	92,033	92,033	24	22,088		
Tax loss	249,421	249,421	24	59,861		
Ace Excess	41,962	41,962	24	10,071		

Details of taxable time differences

Description	Change inspectors of the financial year	Amount at the end of year	IRES (corp. income tax) rate	Tax effect IRES income tax	Rate of IRAP regional corp. tax	Tax effect IRAP (regional tax)
Income on currency exchange	138,832	138,832	24	33,320		

Miscellaneous information

Employment data

(Ref. article 2427, first paragraph, n. 15 of the civil code.)

The average company staff numbers, broken down by categories, has been subject to the following changes as compared with the previous financial year.

Personnel	**31/12/2016**	**31/12/2015**	**Changes**
Senior managers	2	2	
Middle management	8	8	
Office staff	21	25	(4)
Workers	63	63	
	94	**98**	**(4)**

The national employment contract is that of the Chemical industry - Abrasives

Average number of employees by category

	Senior managers	Middle management	Office staff	Workers	Other employees	Total Employees
Average number	2	8	21	63		94

Information on remuneration due to directors and members of statutory auditors

In accordance with the law we show the total reward payable to the directors and the Supervisory board (article 2427, first paragraph, 16 of the civil code.).

	Directors	**Statutory Auditors**
Reward	153,300	16,200

Information corresponding to rewards to external auditor

(Ref. article 2427, first paragraph, n. 16 bis of the civil code)

In accordance with the law, the consideration for the year's services by the external auditor or auditing company is indicated below:

	Value
Annual external audit of accounts	9,000

Information about financial instruments issued by the company

(Ref. article 2427, first paragraph, n. 19 of the civil code.)
The company has issued no financial instruments.

Fair value information on derivatives

(Ref. article 2427 bis, paragraph 1, 1 of the civil code.)

Here below fair value is indicated together with information on the extent and nature of each category of derivatives effected by the company broken down by class, taking into consideration such matters as their characteristics and purpose of their use.

Derivatives used to hedge financial flows:
Contract type: IR SWAP
Negotiation date: 10/01/2013
Expiry date: 31/03/2017
Notional: € 61,063
Mark to market: € (202)

Obligations, guarantees and contingent liabilities

In accordance with the provisions of article 2427, first paragraph, n. 9) of the civil code the following information is provided on obligations, guarantees and contingent liabilities not recorded in the statement of assets and liabilities.

Information regarding agreements not indicated in the statement of assets and liabilities

(Ref. article 2427, first paragraph, n. 22-ter of the civil code.)

Company guarantees by way surety for a total of € 599,894, of which 250,000 as against subsidiaries.

	Importo
of which in relation to subsidiaries	250,000

Allocations of the operating result

The proposal is submitted to use the extraordinary reserve to cover the loss of € 486,519.

Information on transactions carried out with allied parties

(Ref. article 2427, first paragraph, n. 22 bis of the civil code)
The important transactions made by the company with allied parties, have solely regarded raw materials, semi-finished goods and finished products to the subsidiary companies Dellas Diamond Tools Suzhou Co Ltd, Dellas Istanbul Makina Sanayi Ve Ticaret As, Dellas Spagna Sl, Dellas Spa Ethiopian Branch, Dellas Do Brasil Ferramentas Diamantadas Ltda, Dellas Stone Tools India Private Limited and another shareholding through Cordusio Società Fiduciaria Per Azioni.
Such transactions have been concluded under normal market conditions.

Conclusions

We confirm that these Financial statements, made up of the Statement of assets and liabilities, the Profit and loss account and Notes to the accounts are a true and accurate representation of the company's net worth and financial position, as well as the profit and loss result for the period and corresponds faithfully to the accounting records.

DANIELE FERRARI
President and Chief Executive Officer (CEO)

Lugo di Grezzana (VR), 30/03/2017

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DELLAS S.p.A. FINANCIAL STATEMENTS

as of 31/12/2016

RELATIONS

DELLAS SPA

Registered office at VIA PERNISA, 2- 37023 LUGO DI GREZZANA (VR)

fully paid up Company share capital 8,000,000.00 Euros.

Independent Auditor's report

Dear Shareholders of DELLAS SPA

I carried out the independent audit of the financial statements of the Company DELLAS SPA, made up of its balance sheet at 31/12/2016, the profit and loss account, the financial cash-flow statement for the period closing on that the notes to the accounts.

Liability of the directors for the financial statements

The directors are responsible for the drafting of the financial statements and their correct and truthful representation of the company's situation and their compliance with Italian drafting rules.

Liability of the auditor

It is my responsibility to give my judgement on the financial statements for the period on the basis of an independent audit.

I have carried out the independent audit in compliance with international auditing standards (ISA Italy) in accordance with the provisions of article 11 of the Legislative Decree 39/2010 Such standards require compliance with ethical principles and the planning and the carrying out of the accounts audit so as to obtain reasonable certainty that the financial statements do not contain significant errors.

The audit involves the carrying out of procedures aimed at obtaining evidence supporting the amounts and the information contained in the financial statements for the period. The procedures chosen reflect the professional judgement of the auditor, including risk assessment for errors in the financial statements for the period due to any fraud or conduct or unintentional events. In carrying out such risk assessment, the auditor considers the internal checks on the drafting of the financial statements for the period for a correct and truthful picture for the carrying out an audit suited to the circumstances, and not to express a judgement on the effectiveness of the internal audit of the business. The audit also includes evaluation of the appropriateness of the accounting standards employed, of the reasonableness of the accounting estimates made by the directors, as well as an evaluation of the representation of the financial statements for the period as a whole.

I feel that I have acquired sufficient and appropriate evidence on which to base my judgement.

Judgement without change

In my judgement, the financial statements for the period offer a truthful and correct picture of the equity and financial position of the company DELLA SPA as of 31 December 2016 as well as the profit and loss result for the financial year as of that date, which is in compliance with the Italian drafting laws

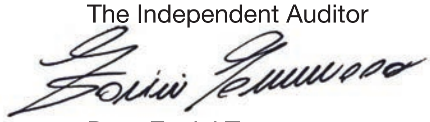
Report on other provisions of law and regulations

Judgement on the consistency of the annual report with the financial statements for the period

I have carried out the procedures indicated in auditing standard (SA Italy) n° 7208 for the purpose of expressing, as required by the law, a judgement on the consistency of the business report which is the responsibility of the directors of the company DELLAS SPA with the financial statements of the company DELLAS SPA as of 31/12/2016. In my judgement, the business report is consistent with the financial statements of the company DELLA SPA as of 31/12/2016.

Grezzana, 10 April 2017

The Independent Auditor



Dott. Zanini Tommaso

Independent Auditor's report on the financial statement of 31/12/2016. page 1

DELLAS S.p.A.

Registered office at Via Pernisa,12- 37023 Lugo Di Grezzana (VR)
Fully paid up company share capital Euro 8,000,000.00
Tax identification number and Companies' Registry number 00519470173
VAT number: 01715880231- N. REA (economic and administrative repertory) 176288

Report of Board of Statutory Auditors to the General Meeting of Sharheolders

Report of statutory auditors' committee without accounting control

Dear Shareholders,

During the financial year ending 31/12/2016 our activity followed the rules of Conduct of the Statutory Auditors' Committee as recommended by the National Council of Business Consultants and Accountants.

In particular:

- we have supervised compliance with the law and the memorandum of association of the principles of correct corporate management;
- we have taken part in one general meeting of the shareholders, and two meetings of the Board of Directors held in accordance with the articles of association. the law and the regulations on these, and as a result we can reasonably verify that the resolutions cast were in compliance with the law and with the Articles of Association, and were not manifestly imprudent, risky, in potential conflict of interest or such as to compromise the equity of the company;
- we obtained from the director during the two Board of Directors meetings on the general running of the company and its likely development, as well as on the more important transactions, both as regards size and type, entered into by the company and its subsidiary and we are reasonably able to assure those reading this report that the actions carried out by the company complied with the law and the company's Articles of Association and were not manifestly imprudent or risky, nor involved potential conflicts of interest or were such as to jeopardise the company's worth;
- we have taken account of the four meetings with the person in charge of accounting control and no relevant data or information emerged that need be mentioned in this report;
- we have acquired knowledge on and supervised the adequacy of the company's organisation, including by gathering suitable information from the heads of department and we have in this regard no particular observations to make;
- we have valued and monitored the adequacy of the administrative and accounting system, as well as the reliability of the latter for correct representation of management actions by obtaining information from the heads of department, from the person responsible for accounting controls, and the examination of company documents company, and in this regard we have in no particular discrepancies to report.

The Statutory Auditors' Committee has found no transactions that could be described as atypical or unusual, including those with correlated parties or within the group itself.

There have been no complaints made pursuant to article 2408 of the civil code.
In the course of the financial years no legal opinions have been given by the Statutory Auditors' Committee Board required by the law.
The directors, in their business report, indicate and illustrate in adequate manner the main transactions with related or intragroup parties, also as regards the characteristics and the transactions and their economic effects.
The Independent Auditor Dr ZANINI TOMMASO issued on 10/04/2017 a report in accordance with the provisions of article 14 of legislative decree n°39/100, which stated that the Financial Statements for the financial year ending 31/12/2016 represented in a truthful and accurate fashion the net worth and financial and profit and loss results of your Company.
During the supervisory work, as described above, no other significant facts emerged that need to be mentioned in this report.

We examined the Financial Statements for the period closing 31/12/2016, which can be summarised as follows:

BALANCE SHEET		
ASSETS	Euros	32,564,386
LIABILITIES	Euros	13,754,854
NET SHAREHOLDER EQUITY	Euros	19,278,051
OPERATING LOSS	Euros	486,519

PROFIT AND LOSS ACCOUNT

REVENUES	Euros	14,787,432
EXPENSES	Euros	15,267,381
DIFFERENCE	Euros	479,944
FINANCIAL INCOME AND CHARGES	Euros	100,251
BEFORE TAX RESULT	Euros	580,195
TAXES ON INCOME	Euros	93,676
OPERATING LOSS	Euros	486,519

The Board of Statutory Auditors acknowledges that in the course of 2016 costs were incurred of € 1,201,302 relating to research and development regarding the following projects:

- Project 1: development activities for the realisation of new Diamond tools with innovative technology called DIM (Diamond lnjection Molding);
- Project 2: R&D work for the realisation of tools and new solutions for working on ceramics processes.

Not being remitted to us the analytic checks on the merits with regard to contents of the financial statements, we have supervised the general set up of the data for the statements and their general compliance with the law as regards their formation and structure. In the periodic audits we considered the problems that on Board of Directors found they had to face due to sluggish markets in the stone sector, while the foreign market was subject to strong competition from emerging countries often richer in raw materials. The ceramic products market was also considered, in strong expansion with new innovative and replacement products.
We have in particular gone in detail into the following matters, that the directors will have to take account of in management programming:

- Measuring of receivables with reference also to foreign customers;
- Warehouse intervention to remove obsolete stocks;
- Measuring of the development costs in relation to increases in sales;
- Reorganisation of the foreign subsidiaries with an evaluation of their economic character.

We have monitored compliance with the law on the drafting of the business report and have nothing particular to report in this regard.
When drawing up the annual balance, the Directors have not, to the best of our knowledge, stepped outside the provisions of article 2423, paragraph 5 four of the Civil Code.
In accordance with the provisions of article 2426, point 5 c.c., we have given our consent to the enering in Balance Sheet Assets of the costs of research and development of € 3,328,268.00.
We have checked that there were no discrepancies between the annual financial statements and the facts and information that have come into our possession in the performance of our duties and we have no observations to make in this regard.

Considering what came out of the work of the accounting supervisory body, which results feature in its report attached to the financial statements themselves, we recommend that the ordinary general meeting approve the Financial Statements for the financial year ending 31/12/2016, as drawn up by the Directors.

Grezzana (VR), 10 April 2017

The Statutory Auditors board

Chairman of the auditors board Claudio Bellorio	Executive auditor Arnaldo Caprara	Executive auditor Eugenio Marrone

Minutes of the ordinary general meeting

In this year of 2017, on the 29th day of the month of May, at 10.30 in the morning at the head office of the Company at Via Pernisa 12 - 37023 Lugo di Grezzana (VR), an ordinary general meeting is held, on second calling, the first having been unattended, of the Company DELLAS SPA, to discuss and decide on the following

agenda

1. Financial statements and Business report for the company year ending on 31/12/2016: consequential and inherent decisions regarding these. Report of the Statutory Auditors' Committee and the Accounts Auditor.
2. PROJECT freeD.I.M.ension TOOLS
3. Any other matters

In the place and at the time indicated, the following persons are physically present:

FERRARI DANIELE	*CEO*
BELLORIO CLAUDIO	*Chairman of the Statutory Auditors' Board*
CAPRARA ARNALDO	*Executive auditor*
MARRONE EUGENIO	*Executive auditor*
ZANINI TOMMASO	*Accounts Auditor*

as well as the majority of the Board d the directors and Shareholders, representing as themselves or by proxy, 8,000,000 shares, amounting to the entirety of the company share capital.
The attendance of the participants is also recorded on the sheet signed by all of those present. The attendance sheet shall be filed with the records of the company.

The chair is taken by Mr. FERRARI DANIELE, CEO, and the persons present call upon Mr. PASQUOTTI MARCO to act as secretary to the meeting with the general meeting waiving the need to appoint tellers.
With the chair thus formally established, the Chairman ascertains that company general meeting on first calling was unattended and that this second calling must be deemed valid in view of the fact that the majority of the Directors, the Board of Statutory Auditors, the Accounts Auditor and the Shareholders, in person or by proxy, are here present representing 8,000,000 shares, being the whole of the company capital and since the general meeting has been called in manner and in accordance with the terms provided for in the Articles of Association.

The meeting thus moves on to the first item on the Agenda.
The Chairman asks if any person wishes to declare that they have not been properly informed on the items on the Agenda.
Having obtained consent to proceed with discussion of the items on the agenda, the Chairman declares the session fit to pass its resolutions.
The Chairman asks the participants to state if there is any situation that exists that impedes them from exercising their right vote, and no person intervenes in this regard.

1. Financial statements and Business report for the company year ending on 31/12/2016: consequential and inherent decisions regarding these. Report of the Statutory Auditors' Committee and the Accounts Auditor.

With regard to the first item on the Agenda, the Chairman hands out to those present copies of the:

- draft of financial statements for the period ending 31/12/2016
- draft of the Annual Report on the financial year closing on 31/12/2016
- the report of the Board of Statutory Auditors relating to the financial year closing 31/12/2016
- the report of Auditor on the Financial statements for the year closing 31/12/2016

The Chairman of the Board of Statutory Auditors Mr. BELLORIO CLAUDIO reads the report of the Board of Statutory Auditors relating to the year ending 31/12/2016.
The auditor Mr. TOMMASO ZANINI reads the Report of the Auditor to the financial statements for the year closing 31/12/2016.

The discussion is opened on the various questions and the Chairman gives the answers to the queries put. After broad and full discussion, the Chairman puts the first items on the agenda to the vote. After hearing the arguments for and against the persons present unanimously

pass their resolution

- to acknowledge the Report of the Board of Statutory Auditors and the Accounts Auditor for the financial statements for the financial year ending 31/12/2016, which reports are annexed hereto;
- to approve the Financial Statement and the annual business report for the financial year closing 31/12/2016, as prepared by the CEO, that show a net negative result of € 486,519, being annexed hereto;
- to approve the recommendation of the CEO to use the Extraordinary reserve to the operating loss of € 486,519,
- to reclassify the Reserve pursuant to article 2426 8-bis, set aside in the previous year, of € 44,002, to Extraordinary Reserve, freely available.

2. PROJECT freeD.I.M.ension TOOLS

[OMISSIS]

There being no other matters to discuss, and with no other person requesting the floor, the session is closed at 1 pm, after the reading of and the unanimous approval of these minutes.

The Secretary
MARCO PASQUOTTI

The Chairman
DANIELE FERRARI

Giving the best...
because we are.

diamond tools

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