PiovanGroup

# ANNUAL FINANCIAL REPORT

at December 31, 2020

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## Company information of the parent company Piovan S.p.A.

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Share capital: Euro 6,000,000 fully paid-in

Tax No.: 02307730289 VAT No.: 02700490275

Venice Economic & Administrative Registration No. 235320

## CHAIRMAN'S LETTER

Dear Shareholders,

The year 2020 will unfortunately remain engraved in our minds as the year of the global pandemic.

Despite the challenges of this moment, the attention of Piovan Group has been dedicated to CUSTOMERS, PEOPLE AND INNOVATION.

Financially, the Group reports revenues that have remained largely steady throughout this unusual period, in addition to improved margins and a solid balance sheet. These figures assure us that the right strategies have been adopted, and make us optimistic for the Group's future growth.

In this move towards a sustainable economy that brings together long-term profitability, environmental considerations and social equality, our Collaborators play a vital strategic role. Even during this difficult year, the Group has stayed true to its policy of training, development and valuing its human capital, and has laid the groundwork for further undertakings in this area.

In this regard, we are particularly satisfied with our ability to safeguard all jobs and even strengthen the organizational structure worldwide.

Special thanks go to our employees and all collaborators, who have helped us to achieve this performance in 2020, and to our shareholders for the faith you continue to show in our Group.

Best regards,

Nicola Piovan

Executive Chairman

Piovan S.p.A.

## SHAREHOLDERS' AGM CALL NOTICE

The company informs Shareholders that where the Competent Authorities issue additional orders regarding the Covid-19 emergency, the date of the Shareholders' AGM and its hosting method indicated in this call notice may change. In this case, the company will inform Shareholders and the public in a timely manner.

It should be noted that Decree Law No. 183 of December 31, 2020, converted, with amendments, by Law No. 21 of February 26, 2021, provided in Article 3, paragraph 6, for a new extension of Article 106 of Decree Law No. 18 of March 17, 2020, converted, with amendments, by Law No. 27 of April 24, 2020, allowing joint-stock companies to continue to apply the measures provided by paragraphs 2 to 6 of said Article 106 for Shareholders' Meetings held by July 31, 2021.

The Company , availing itself of this option, has decided to establish, even in the absence of a specific provision in the By-Laws, that attendance at the Shareholders' Meeting shall take place exclusively by means of the conferral by the shareholders, at no cost to themselves (except for any shipping costs), of a written proxy with voting instructions on all or some of the proposals on the Agenda to a person designated pursuant to Article 135-*undecies* of Legislative Decree No. 58 of February 24, 1998 (the "**Designated Agent**" and the "**CFA**" respectively).

The Designated Agent must also be granted - by shareholders proxy - sub-delegations pursuant to Article 135-*novies* of the CFA, as an exception to Article 135-*undecies*, paragraph 4 of the same decree.

The Meeting will therefore take place without the physical participation of the shareholders. Members of the Board of Directors and the Board of Statutory Auditors attending the Meeting, in addition to the Designated Agent and any other person who may be authorized to participate in the Meeting, may participate by electronic means only (provided that such means allows them to be identified, participate and exercise their voting right) and will not physically take part in it, as per the recent emergency regulations.

Those with the right to attend and vote are called to the Shareholders' Meeting at the registered office of Piovan S.p.A. ("Piovan" or the "Company") in Santa Maria di Sala (VE) on **April 29, 2021**, at 10.30 AM in single call, to discuss and vote upon the following

### Agenda

1. 2020 Separate and Consolidated Financial Statements.

    1.1 Approval of the Financial Statements of Piovan S.p.A. for the year ended December 31, 2020 and presentation of the Consolidated Financial Statements at December 31, 2020; Board of Directors Report on Operations; Board of Statutory Auditors' Report; Independent Auditors' Reports; resolutions thereon. Presentation of the Consolidated Non-Financial Report prepared as per Legislative Decree No. 254/2016. Resolutions thereon.

    1.2. Allocation of the result for the year ended December 31, 2020. Resolutions thereon.

2. Remuneration Policy and Report pursuant to Article 123-ter, paragraphs 3-bis and 6 of Legislative Decree No. 58/98:
   2.1 Binding motion on Section I regarding the remuneration policy, drawn up as per Article 123-ter, paragraph 3 of Legislative Decree No. 58/1998;
   2.2 Non-binding motion on second section on remuneration paid, drawn up as per Article 123-ter, paragraph 4 of Legislative Decree No. 58/1998.

3. Appointment of the Board of Directors:
   3.1 Establishment of the number of members of the Board of Directors
   3.2 Establishment of the duration of the mandate of the Board of Directors;
   3.3 Appointment of the members of the Board of Directors;
   3.4 Appointment of the Chairperson of the Board of Directors.
   3.5 Establishment of the total remuneration of the Board of Directors.

4. Appointment of the Board of Statutory Auditors for the three-year period 2021-2023:
   4.1 Appointment of three Statutory Auditors and two Alternate Auditors for the three-year period 2021-2022-2023;
   4.2 Appointment of the Chairperson of the Board of Statutory Auditors;
   4.3 Establishment of the remuneration of Statutory Auditors.

For the Board of Directors

Executive Chairman

Nicola Piovan

Santa Maria di Sala (VE), March 19, 2021

# DIRECTORS' REPORT

Dear Shareholders,

We present for your review and approval the separate financial statements at December 31, 2020, of the parent company, Piovan S.p.A., which reports "Total revenues and other income" of Euro 98.5 million and a net profit of Euro 10.4 million, after total net current and deferred taxes of Euro 3.3 million.

The Board of Directors of the parent company, Piovan S.p.A., in accordance with the accounting rules, prepared also the Piovan Group consolidated financial statements for 2020.

The consolidated financial statements present "Total revenues and income" of Euro 225.2 million and a net profit of Euro 17.4 million, of which Euro 17.6 million refers to the owners of the parent company.

## Introduction

Both financial statements were prepared in accordance with international accounting standards issued by the International Accounting Standards Board (IASB), endorsed by the European Union (IFRS) as required by Regulation No. 1606/2002 issued by the European Parliament and European Council and adopted with Legislative Decree No. 38/2005.

The Parent Company Piovan S.p.A. availed of the option contained in Legislative Decree 32/2007 which permits companies that must prepare consolidated financial statements to present a single Directors' Report for the separate and consolidated financial statements and therefore greater attention was focused in this Report, where appropriate, on the most significant matters concerning the companies included in the consolidation scope.

This Directors' Report does not contain the disclosure required by Legislative Decree 254/2016, enacting directive 2014/95/EC concerning the communication of non-financial disclosure which are included in a separate document to which reference should be made.

## BOARD OF DIRECTORS' OF THE PARENT COMPANY PIOVAN S.P.A.

Piovan S.p.a. ("the Company" or "the Parent Company") is the parent company of the group of the same name and headquartered in Via delle Industrie 16, Santa Maria di Sala (Venice), Italy. The Company's Board of Directors and Board of Statutory Auditors are as follows.

### Board of Directors

In office until the Shareholders' AGM for the approval of the 2020 Annual Accounts.

| Name | In charge |
|---|---|
| Nicola Piovan | Executive Chairman |
| Filippo Zuppichin | Chief Executive Officer |
| Marco Stevanato | Director |
| Marco Maria Fumagalli (*) (**) | Independent Director |
| Lucia Giancaspro (*) | Independent Director |
| Mario Cesari (*) | Independent Director |
| Chiara Mio (*) | Independent Director |

(*) Independent Director pursuant to Article 147-ter of the CFA and Article 3 of the Self-Governance Code (reflected in Article 2 of the Corporate Governance Code).

(**) Director appointed Lead Independent Director as per Article 2.C.4 of the Self-Governance Code (reflected in Article 3 of the Corporate Governance Code).

### Board of Statutory Auditors

In office until the Shareholders' AGM for the approval of the 2020 Annual Accounts.

| Name | In charge |
|---|---|
| Carmen Pezzuto | Chairman |
| Luca Bassan | Statutory Auditor |
| Patrizia Santonocito | Statutory Auditor |
| Kristian Sartor | Alternate Auditor |
| Stefania Targa | Alternate Auditor |

### Control, Risks and Sustainability Committee

| Name | In charge |
|---|---|
| Chiara Mio | Chairman |
| Marco Maria Fumagalli | |
| Mario Cesari | |

### Nomination and Remuneration Committee

| Name | In charge |
|---|---|
| Lucia Giancaspro | Chairman |
| Marco Maria Fumagalli | |
| Chiara Mio | |

## Related Parties Committee

| Name | In charge |
|---|---|
| Marco Maria Fumagalli | Chairman |
| Lucia Giancaspro | |
| Mario Cesari | |

## Significant shareholdings

Based on the shareholders' register, through communications received in accordance with Article 120 of Legislative Decree No. 58/98 and other information available to the company, the shareholders of Piovan S.p.A. with holdings of greater than 5% as of the latest update and effective subsequent to January 8, 2021, were:

| Declarant | Direct shareholder | % of ordinary share capital (*) | % of voting share capital (**) | % of ordinary share capital (***) | % of voting share capital (****) |
|---|---|---|---|---|---|
| Nicola Piovan | Pentafin S.p.A | 57.915 | 62.466 | 60.952 | 64.841 |
| 7INDUSTRIES HOLDING BV | 7INDUSTRIES HOLDING BV | 9.282 | 1.412 | 9.769 | 13.922 |
| Allianz SE | ALLIANZ IARD SA | 7.799 | 5.735 | 8.207 | 5.953 |

(*) Total No. ordinary shares: 53,600,000, including Piovan S.p.A. treasury shares equal to 2,670,700

(**) Share capital expressed as number of votes as per Article 120, paragraph 1 of Legislative Decree No. 58 of February 24, 1998 ("CFA") including Piovan S.p.A. treasury shares.

(***) Total No. ordinary shares: 50,929,300, excluding the Piovan S.p.A. treasury shares

(****) Share capital expressed as number of votes as per Article 120, paragraph 1 of Legislative Decree No. 58 of February 24, 1998 ("CFA") excluding Piovan S.p.A. treasury shares.

## Executive Officer for Financial Reporting

Elisabetta Floccari, in office until the Shareholders' AGM for the approval of the 2020 Annual Accounts.

## Independent Audit Firm

Deloitte & Touche S.p.A., in office until the Shareholders' AGM for the approval of the 2026 Annual Accounts.

## PRESENTATION AND GROUP STRUCTURE

The Group began operating in the early 1930's, when Costante Piovan founded a small workshop in Padua specializing in precision mechanics and molds for the manufacture of metal sheets.

In 1964, Luigi Piovan began a process of market diversification, and the Group moved into auxiliary machinery for the plastics industry. It introduced the first granulator to the Italian market, and this was followed by the Convair dryer and the Convector feeder for injection molding machines. The Group increasingly specialized in the design and production of automation systems for the storage, transport and treatment of plastics, and in 1969 moved its main production plant to Santa Maria di Sala (Venice).

Between 1970 and 1980, the Group expanded gradually in both geographical distribution - establishing its first foreign subsidiary Piovan Germania in 1974 - and its range of products and technologies. This came to include a complete range of machines used in the automation process for the storage, transport and processing of plastics, laying the foundations for future worldwide leadership. During the same period, the Company also launched its first line of refrigerators, and introduced the market's first centralized system for granule feeding, dosing and dehumidification.

This was also a time of significant production growth within the Group, which, from a generalist foundation, soon began to develop specific expertise in the application of plastics to the packaging, automotive, consumer and construction markets. This laid the groundwork for future specializations in customer industrial processes, and the consequent ability to offer innovative solutions. Anticipating future market trends, the Company also developed its first plant supervision and control software, which guarantees constant monitoring of machine operativity.

During the 1990's, the Group continued to grow globally and to improve its technological and qualitative expertise, gaining ISO 9001 certification and expanding its commercial and production capacities in overseas markets by opening new subsidiaries.

In the early 90s Nicola Piovan, Luigi Piovan's son, joined the company. He has been Chief Executive Officer since 2002 and Sole Director from 2011 to 2018. The Group continued its international expansion and established production plants outside Italy, specifically in Brazil and China. Additional foreign subsidiaries were soon opened in Mexico, Great Britain, Austria, Hungary, the Czech Republic, India, Turkey, Thailand, and Vietnam.

This expansion aimed to guarantee customers a global presence, providing constant, high-quality service "close to the customer", to ensure that the complex machinery being sold worked flawlessly. It also ensured commercial presence in every relevant geographical area, allowing the Group to anticipate new market trends. As a result, continuous technological evolution, proximity to customers, high-quality service and sales, along with a focus on employees and their professional and personal growth, now form part of the Group's DNA.

In recent years the Group has developed the first solutions for the processing of recycled plastics, enabling the construction of hundreds of plants in the coming years and the development of the Group’s technological leadership.

2007 saw the launch of the first version of the Group’s proprietary software “Winfactory”. Since then a new version has been released annually, leading to the current version “Winfactory 4.0”, which still represents one of the Group’s advantages over its main competitors.

Continuous investment in hi-tech solutions and energy saving processes have also contributed to attracting worldwide leaders in packaging, construction, basic commodities, and the food and automotive industries.

Piovan S.p.A. became publicly listed on the Milan stock exchange, within the Star segment, on October 19, 2018.

Today the Group comprises a network of direct or indirect subsidiaries of Piovan S.p.A., with sites in Europe, the United States and Asia, both thanks to organic growth dynamics and acquisitions. In October, Doteco S.p.A., an Italian leader globally in technology for the dosing of plastic film and synthetic fibers, along with its U.S. subsidiary Doteco, Inc., joined the Piovan Group.

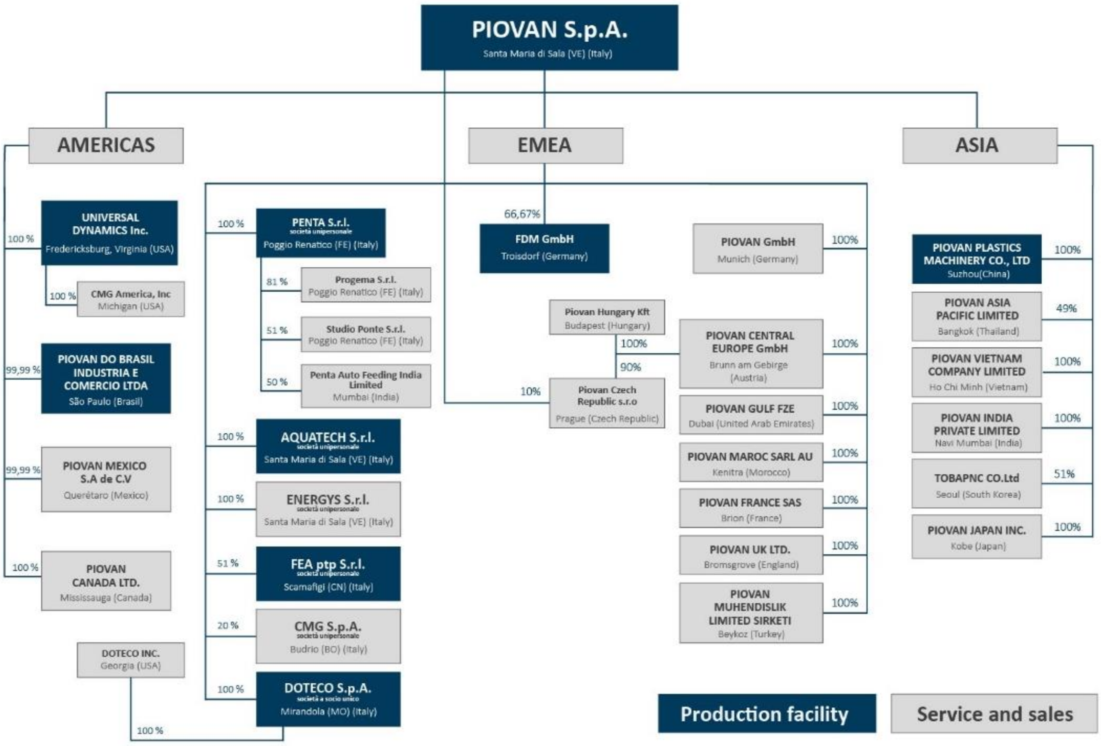
The strategic, managerial and operational direction of the Group, which as of December 31, 2020, comprises 31 service and commercial companies, including 9 production plants on 4 continents, is entrusted directly to Piovan S.p.A.

The global spread of Piovan Group companies creates a major competitive advantage, providing customers across its various markets with a uniform level of service quality, in addition to an extremely broad and constantly developing range of products. This range is a core feature of the Group’s commercial offering, both for the processes of automated storage, transport and processing of plastics to every final sector, and for the transport and processing of food powders and creams, which has recently become an area of development within the Group’s range, thanks to the subsidiaries Penta S.r.l. and FEA Process & Technologica Plants S.r.l.

On September 2, 2019 Nicola Piovan was appointed "*Cavaliere del Lavoro*" by the Head of State, Sergio Mattarella, on the occasion of the Republic Day and on October 22, 2019, however, was held the official ceremony for the delivery of the insignia of "*Knight of the Order of Merit of Labor*" to the previously appointed Knights.

This honor represents an important recognition and an expression of the excellence of Italian entrepreneurship.

## Group Structure at December 31, 2020



## GROUP OVERVIEW

### General economic overview

Within a landscape of ongoing uncertainty, in January 2021 the International Monetary Fund (IMF) raised its estimates for the 2020 global economy, with the expected contraction shifting to -3.5%, compared to the -4.4% indicated in the October 2020 update to the *World Economic Outlook*.

This trend is also reflected in the outlook for 2021, with the IMF expecting the economy to return to 5.5% growth in 2021 and to then settle at 4.2% in 2022.

These forecasts consider the positive effects of the start of vaccinations and the support measures introduced, above all, in the United States and Japan during the year 2020. Uncertaintenties remain due to the timing and efficacy of the vaccination campaigns, as well as the new waves of infection, in part, caused by potential variants of COVID-19.

In this environment of continued uncertainty regarding the timing and extent of the economic recovery, the Piovan Group continued to operate through an organizational structure based on the presence of subsidiaries with production sites on different continents and a global network providing technical and commercial assistance across all the areas in which the Group operates. This structure has both limited the effects of the restrictions on mobility and minimized the risk related to local markets, facilitating the tapping into a broader range of opportunities.

In addition, its presence in highly diversified geographical areas and sectors allowed the Group to mitigate the overall risk and benefit from possible improvements in certain areas/sectors.

### Significant events in the year

### Implications of the COVID-19 pandemic

The year 2020 was characterized by the global spread of the COVID-19 pandemic. The pandemic, and above all the lockdown policies imposed by various governments, have had widespread repercussions in many sectors of the world economy. Thanks to the Group’s presence in a number of geographical areas and in very diverse industrial sectors, it was possible to mitigate overall risk and limit the reduction in turnover volumes.

The effects of the pandemic and the restrictions put in place by the governments of various nations have impacted the various companies of the Group to varying degrees in terms of both timing and significance. The following is a summary of the primary effects that COVID-19 has had on Group processes:

- Production plants: Production at the Chinese subsidiary Piovan Plastic Machinery was shut down for about 3 weeks. Full production efficiency was only restored towards the end of February 2020. The other production sites of the Group continued operating by implementing measures to safeguard employee health. Nonetheless, due to restrictions to individual mobility, production experienced a slowdown in March, April and May of 2020 in correlation with employee travel and, in particular, for the on-site service and installation activities of a number of projects for customers.

All production sites began returning to full operations in June 2020.

- Supply chain and logistics: The Group experienced no particular delays in provisioning.

- Health and Safety: The utmost emphasis was placed on managing all processes at all of the Group's companies so as to mitigate the risk of infection. In particular, all measures recommended in the various national protocols were implemented at production sites such that production was able to continue safely, whereas remote working was promoted for administrative and commercial personnel.

- Support measures: In the first part of the year, where possible, the Group took advantage of the stimulus measures and mechanisms made available by the various governments. The Italian companies of the Group, specifically, made limited use of furlough programs for a number of months beginning in March 2020. Similar measures were adopted also at other Group companies.

From a financial viewpoint, the parent company obtained 3, 6 and 12-month moratoriums on loan repayment commitments. In addition, the US company received in May 2020 a government loan as per the Paycheck Protection Program (PPP) of USD 1,855,042, of which approx. USD 1,400,000 may be converted into a non-refundable grant on meeting certain conditions. These conditions included that the loan be used to pay wages and salaries, interest on financing, leases and rents, and utilities. It is also essential that the workforce and wage levels be maintained for a given period of time. It is reasonable to expect these conditions to be met; however, given that requests for repayment waivers are subject to verification and approval by the issuer and by the US Small Business Administration (SBA) and that this process is still under way, the loan remains recognized entirely as a financial liability as at December 31, 2020. For any portion not converted into a grant, this loan must be repaid, including interest, in 24 equal instalments from its disbursement on an amortization schedule that is to be defined once the amount of the grant has been determined.

In regards to the pandemic effects from Covid-19 on the Group economic and financial outlook, a reference is done to further sections.

## Incentive plans

On May 12, 2020, the Shareholders' Meeting of the Parent Company approved three new medium/long-term incentive plans, which aim to retain and incentivize those beneficiaries who are key players in achieving the Group's objectives. This will align the remuneration of these beneficiaries with increases in value and return on shareholder investment.

The first plan, called the "2020-2022 Performance Shares Plan", stipulates that the beneficiaries are identified from among the Executive Directors, excluding the Executive Chairperson, and the Senior Executives at the Piovan Group companies, providing for the free allocation of Piovan S.p.A. shares already held by the Company. The second, called the "2020-2022 Long-Term Monetary Incentive Plan", establishes that the beneficiaries are identified from among the Executives and employees or collaborators at the Piovan Group's companies, providing for monetary incentives. The plans commenced from their approval by the Shareholders' AGM and conclude on December 31, 2022, comprising three rolling cycles (vesting periods), each of three years, with the last period concluding in 2024. The vesting periods concern periods on the conclusion of which the shares of the company, or a monetary incentive, shall be granted or issued to beneficiaries, on verification of the achievement for each cycle of the performance objectives linked to the Group’s sales volumes and consolidated EBITDA by the Board of Directors and within the limits and according to the means indicated in the respective regulations and disclosure documents.

The third plan, called the “2020-2022 Phantom Stock Option Plan”, is for the Executive Directors and Senior Executives at Piovan Group’s companies.

This is a long-term plan divided into three cycles (also known as “Vesting Periods”), each lasting three years. The Vesting Periods are the periods at the end of which it is possible to request payment of the incentive. The duration of the Phantom Stock Option Plan, therefore, will be from the date of the plan’s approval by the Ordinary Shareholders' Meeting until the date the incentive is paid. This will be in 2025, while the last Vesting Period will end on December 31, 2024.

### Acquisitions

On September 21, 2020, Piovan S.p.A. acquired the remaining 10% interest in Penta S.r.l., as a result of the exercising of the minority shareholder’s put option. This acquisition, with Piovan S.p.A. reached the 100% of the share capital of Penta S.r.l., represents another step forward in the Group’s effort to strengthen in the Food segment.

On October 2, 2020, the parent company, Piovan S.p.A., announced the signing of the agreement to acquire 100% of Doteco S.p.A., closed on October 15, 2020. The company, based in Modena, was founded in 1994 and is currently among the world leaders in dosing technology for plastic films (for food and non-food packaging) and synthetic fibers. In 2019, Doteco S.p.A. had realized Euro 19.7 million in consolidated revenues, Euro 3.4 million in consolidated EBITDA, consolidated EBIT of Euro 2.8 million, and a net cash position of Euro 6 million. Doteco S.p.A. operates at the international level and its partners include the main extrusion producers at the global level.

The objective of the Doteco acquisition is to reinforce and increase Piovan’s global technology leadership, consolidating the strategic growth process for which the Piovan Group has always been known.

The transaction was carried out through a share purchase by Piovan S.p.A. for an outlay of Euro 20.5 million, inclusive of the value of estimated NFP. NFP is to be adjusted according to the actual amount on the same date concerned, and a maximum earn-out mechanism of Euro 7 million also applies, to be calculated on the basis of the performance measured on the basis of 2020-2021 EBITDA, which was taken into account in the preparation of the financial statements as at December 31, 2020.

### Dividends

On October 13, 2020, the Company’s Shareholders approved the distribution of dividends totaling Euro 5,602,223.00 from earnings retained in previous years. This dividend was paid beginning on October 28, 2020, with a coupon date of October 26, 2020, and record date of October 27, 2020.

## Governance

On October 13, with the resignation of board member Marco Milani in 2020, the Shareholders approved the appointment of Mario Cesari, who had already been co-opted onto the Board of Directors on May 14, 2020, as an independent director. He also serves on the Control, Risk and Sustainability Committee and the Related Parties Committee.

## GROUP OPERATING PERFORMANCE

| (amounts in €'000) | Economic performance indicators | | | | Changes | |
|---|---|---|---|---|---|---|
| | 2020 (1) | % on total revenues and other income | 2019 | % on total revenues and other income | 2020 vs 2019 | % |
| Revenue | 221,117 | *98.2%* | 228,526 | *97.5%* | (7,409) | *(3.2%)* |
| Other revenue and income | 4,063 | *1.8%* | 5,834 | *2.5%* | (1,771) | *(30.4%)* |
| **TOTAL REVENUE AND OTHER INCOME** | **225,180** | *100.0%* | **234,360** | *100.0%* | **(9,180)** | ***(3.9%)*** |
| **EBITDA (2)** | **32,242** | *14.3%* | **30,571** | *13.0%* | **1,671** | ***5.5%*** |
| **OPERATING PROFIT** | **26,033** | *11.6%* | **25,795** | *11.0%* | **238** | ***0.9%*** |
| **PROFIT BEFORE TAXES** | **23,991** | *10.7%* | **26,257** | *11.2%* | (2,266) | *(8.6%)* |
| Income taxes | 6,576 | *2.9%* | 7,253 | *3.1%* | (677) | *(9.3%)* |
| **NET PROFIT** | **17,415** | *7.7%* | **19,004** | *8.1%* | (1,589) | *(8.4%)* |
| **Attributable to:** | | | | | | |
| Owners of the parent | **17,643** | *7.8%* | **18,700** | *8.0%* | | |
| Non-controlling interests | **(228)** | *-0.1%* | **304** | *0.1%* | | |
| **Earnings per share** | **0.35** | | **0.37** | | | |
| **Basic and diluted earnings per share (in Euros)** | **0.35** | | **0.37** | | | |

(1) There are no non-recurring items in 2020. The comparative figures at December 31, 2019, were stated at their total amounts. We highlight however that they included non-recurring revenues in the amount of Euro 714 thousand and non-recurring costs for a total of Euro 804 thousand.

(2) EBITDA for 2019 (indicated in the 2019 Annual Financial Report originally amounting to Euro 30,920 thousand) has been restated net of the caption "Accruals" for the purposes of the comparison with 2020, following a change in the indicator's definition.

Piovan Group revenue and other income in 2020 amounted to Euro 225,180 thousand, down on Euro 234,360 thousand in 2019 (-3.9%).

Excluding revenues recognized by the Doteco Group, which are consolidated into the financials of the Piovan Group as a result of gaining a controlling interest in Doteco (i.e. since October 1, 2020), total revenues and other income total Euro 219,110 thousand, a decrease of 6.5%.

In terms of revenue only, 2020 Piovan Group revenue amounted to Euro 221,117 thousand, reducing on Euro 228,526 thousand in 2019 (-3.2%).

Revenue, calculated on a like-for-like exchange rates basis (i.e. at the 2019 average exchange rate), would increase by Euro 3.702 thousand with revenue equal to Euro 224,819 thousand and down 1.6% on December 2019. Revenue was, in fact, mainly impacted by a negative effect deriving from Brazilian Real fluctuation.

Revenue for the fourth quarter of 2020 (Euro 71.7 million) increased (+47%) compared to both the third quarter of 2020 (Euro 48.8 million) and the fourth quarter of 2019 (Euro 64.5 million, +11.1%).

Excluding the revenue of the Doteco group for the purposes of comparison, revenue for the fourth quarter of 2020 (Euro 65.6 million) increased (+34%) compared to both the third quarter of 2020 (Euro 48.8 million) and the fourth quarter of 2019 (Euro 64.5 million, +1.7%).

EBITDA improved both in absolute value and in terms of margin on revenue, totaling Euro 32,242 thousand, with an increase of 5.5% from the Euro 30,571 thousand of 2019. The margin on total revenue went from 13.0% in 2019 to 14.3% in 2020, having benefited from a number of cost-reduction and optimization efforts during the year. With regard to personnel expense in particular, the organization promoted the use of accrued holiday time and furlough programs beginning in March at the Italian companies. Similar measures were also adopted at the companies abroad.

Excluding the figures for the Doteco group for the purposes of comparison, EBITDA comes to Euro 30,972 thousand, an increase of 1.3%.

EBIT totaled Euro 26,033 thousand, up from Euro 25,795 thousand in the previous year (+0.9%).

The EBIT margin on total revenues and other income came to 11.6%, compared to 11.0% for the previous year.

The net profit was Euro 17,415 thousand, decreasing on Euro 19,004 thousand for the same period of the previous year. The margin on total revenue and other income was 7.7%.

Net profit was reduced by a net exchange loss of Euro 2.2 million (vs. a loss of Euro 46 thousand in 2019) on total exchange losses of Euro 4.7 million (Euro 2.7 million in 2019).

Basic and diluted earnings per share came to Euro 0.35 at December 31, 2020, compared to Euro 0.37 for the same period of the previous year.

## Revenues by market and region

The breakdown of revenue by market is as follows:

| | 2020 | 2019 |
|---|---|---|
| Plastic | 171,823 | 180,616 |
| Food & non plastic | 20,780 | 18,697 |
| Services | 28,514 | 29,213 |
| **Revenue** | **221,117** | **228,526** |

Revenue by market indicates:

- Revenues of the Plastic Systems market decreased compared to the same period of the previous year due, essentially, to COVID-19 restrictions on mobility, which, particularly in the second quarter of 2020, limited the ability to carry out installations and to collect orders. This affected revenue for the third quarter, which was only partially offset by improved performance in the fourth quarter;

- revenues of the Food & Non-plastic market increased to above 2019 levels thanks to good backlog at the start of the year 2020 and an increase in new orders due to an increased number of customers and of active geographical areas in this market;
- the Services market posted a decrease in revenue compared to the previous year. Again in this case, the contraction is due to the mobility restrictions imposed, particularly in the second quarter of 2020, which did not permit for the normal activity of post-sale services to customers.

The breakdown of revenue by region is as follows:

| | 2020 | 2019 |
|---|---|---|
| EMEA | 140,745 | 140,954 |
| ASIA | 28,070 | 29,237 |
| NORTH AMERICA | 42,198 | 45,805 |
| SOUTH AMERICA | 10,104 | 12,530 |
| **Revenue** | **221,117** | **228,526** |

The stability of revenue in the EMEA may be attributed to strong performance in the Food market, which essentially offset the decline in Plastic and in Services.

Asia and North America reflect the reduction in system sales in the Plastic and Services markets, which were penalized by the restrictions put in place in the second quarter of 2020 in particular, making it more difficult to start up the systems delivered and slowed deliveries.

The strong performance in South America (+6.75% increase in BRL revenue, which accounted for 64% of total revenue), driven by the Food market, was heavily penalized by trends in the EUR/BRL exchange rate.

## Equity and Financial profile of the Group

The financial structure of the Piovan Group as at December 31, 2020, is summarized below.

### Group net financial position

| €/000 | 31.12.2020 | 31.12.2019 |
|---|---:|---:|
| A. Cash | 21 | 15 |
| B. Current accounts and post office deposits | 87,431 | 59,108 |
| **C. Cash & cash equivalent (A+B)** | **87,452** | **59,123** |
| **D. Current financial assets** | **5,146** | **6,319** |
| E. Current bank loans and borrowings | (21,305) | (25,026) |
| F. Current portion of non-current debt | (17,833) | (11,961) |
| G. Other current financial liabilities (*) | (1,741) | (1,727) |
| **H. Current financial position (E+F+G)** | **(40,879)** | **(38,713)** |
| **I. Net current financial position (H+C+D)** | **51,719** | **26,730** |
| J. Long term loans | (38,262) | (20,939) |
| K. Bond issued | - | - |
| L. Other non-current financial liabilities (*) | (9,117) | (6,731) |
| **M. Non-current financial position (J+K+L)** | **(47,379)** | **(27,670)** |
| **N. Net financial position (I+M)** | **4,340** | **(940)** |

(*) "Other current and non-current financial liabilities" include the effect of application of IFRS 16.

The Group's net financial position at December 31, 2020, was a cash position of Euro 4,340 thousand, compared to a net debt position of Euro 940 thousand at the end of December 2019, with net cash generated of Euro 5,280 thousand.

During the year, the slowdown and/or non-completion of the installation activities, due to the COVID-19 mobility restrictions, delayed in certain cases the achievement of the contractual milestones required for a number of payment receipts from projects in progress. At the same time, payments to suppliers involved in these projects were made according to that originally agreed under contract, with consequent temporary absorptions of cash. This effect was most evident in the first half of 2020 and decreased in the second half of the year.

In September 2020, with acquisition of the remaining 10% interest in Penta S.r.l. as a result of exercising the put option granted to the seller, Euro 2,836 thousand was paid. In October 2020, the Parent Company also distributed dividends totaling Euro 5,602 thousand (Euro 7,7639 thousand in 2019).

Capital expenditures totaling Euro 2,160 thousand were made in 2020 (Euro 14,128 thousand in 2019).

The Group's net cash position (excluding the effects of application of IFRS 16) at the end of December 2020 was Euro 13,640 thousand, compared to net cash of Euro 6,924 thousand at the end of 2019, on cash generated in the amount of Euro 6,717 thousand.

The financial position includes medium/long-term loans, mainly relating to the Parent Company, for Euro 56.1 million, of which Euro 17.8 million repayable within 12 months and the remaining Euro 38.3 million within 5 years. Loans are not backed by guarantees, with the exception of new financing as described below, and are almost entirely denominated in Euro.

As mentioned previously, the US subsidiary Unadyn received a loan in May 2020 from the Paycheck Protection Program (PPP) in the amount of USD 1,855,042, which is to be repaid in 24 months from its disbursement for the portion not converted into a grant.

In October 2020, the Parent Company received a new, 5-year amortizing loan in the amount of Euro 20 million at a fixed rate of less than 1% to finance the acquisition of the Doteco group, which resulted in a cash outlay of Euro 20.5 million, Euro 5.5 million of which from the acquired NFP.

Also in 2020, the Parent Company received two amortizing loans to support working capital totaling Euro 7.5 million. These loans have durations of 36 and 48 months and an average interest rate of less than 0.5%. One of the two loans is backed by a guarantee issued by the Small and Medium Enterprise Guarantee Fund managed by Banca del Mezzogiorno – MedioCredito Centrale S.p.A.

In March and April 2020, the Parent Company benefited from a moratorium on the medium/long-term loans, with a consequent extension of their duration up to a maximum of 12 months. As a result of this moratorium, the amount of medium/long-term financing repaid during the year totaled Euro 5.8 million.

## Net non-current assets

Net non-current assets include property, plant and equipment, intangible assets, and equity investments in the amount of Euro 80,009 thousand and increased by Euro 19,800 thousand due to the combined effect of amortization and depreciation for the year, capital expenditure, and the acquisition of the Doteco group in October 2020 (particularly in relation to intangible assets for goodwill and intellectual property).

| Net non-current assets (amounts in €'000) | At 31st December 2020 | At 31st December 2019 |
|---|---|---|
| Property, plant and equipment | 52,324 | 52,430 |
| Intangible assets | 27,529 | 7,510 |
| Equity investments | 155 | 270 |
| **Net non-current assets** | **80,009** | **60,209** |

At December 31, 2019, as a result of the first application of IFRS 16 – Lease, the Group had recognized leased assets with a net carrying value of Euro 7,788 thousand. At December 31, 2020, the net carrying value of rights-of-use amounted to Euro 10,328 thousand. The change compared to December 31, 2019, is mainly attributable to the net effect of amortization and depreciation recognized in 2020, the recognition of the new lease agreement (in particular signed by Piovan France) and the change in consolidated area, referring mainly to Doteco group, that increased the value of the right of use for an amount of Euro 2,537 thousand. There were no significant changes in 2020 in the lease terms of existing contracts.

### Investments

Total investments for the period under review came to Euro 2,160 thousand (Euro 14,128 thousand in 2019), within which non-recurring investments in the amount of Euro 461 thousand concerned investments to increase production capacity for the Parent Company.

### Net trade capital and net working capital

Net working capital for the year ended December 31, 2020, was as follows:

| *Net working capital (amounts in €'000)* | **At 31st December 2020** | **At 31st December 2019** |
|---|---:|---:|
| Trade receivables | 41,931 | 52,816 |
| Inventories | 36,920 | 29,264 |
| Contract assets for work in progress | 6,477 | 3,712 |
| Trade payables | (39,912) | (40,556) |
| Advance from customers | (19,421) | (16,063) |
| Contract liabilities for work in progress | (5,101) | (2,527) |
| **Net trade capital** | **20,893** | **26,646** |
| Tax receivables | 3,263 | 3,735 |
| Other current assets | 3,497 | 3,705 |
| Tax liabilities and social security contributions | (9,360) | (6,738) |
| Other current liabilities | (18,243) | (11,102) |
| **Net working capital** | **50** | **16,246** |

Net Working Capital decreased by Euro 16,196 thousand on December 31, 2019.

In detail, current assets remained essentially stable, with a decrease in trade receivables being offset by an increase in inventories and in contract work in progress, the latter of which related to an increase in average project value and to a number of orders in the Food market that have longer execution periods.

Current liabilities increased significantly due to an increase in advances received from customers (Euro 19.421 thousand in 2020 vs Euro 16.063 thousand in 2019) and, above all, to the recognition, among other current liabilities, of earn-outs and price adjustments totaling Euro 7.715 thousand related to the Doteco acquisition.

## Medium/long-term liabilities

| *(amounts in €'000)* | As at 31th December 2020 | As at 31st December 2019 |
|---|---|---|
| Liabilities for employee benefits plans | 6,376 | 4,814 |
| Provision for risks and charges | 3,813 | 2,954 |
| Other non-current liabilities | *363* | *268* |
| Deferred tax liabilities | 2,713 | 1,987 |
| **Medium/long-term liabilities** | **13,265** | **10,023** |

During the year, medium/long-term liabilities increased by Euro 3,242 thousand compared to the previous year. The main changes concern the increase in the liabilities for employee benefit plans due to the change in the consolidation scope in the second half of 2020, with regards to Doteco S.p.A. and Studio Ponte S.r.l. fully consolidated starting from fourth quarter 2020. Provisions for risks and charges increased Euro 859 thousand, while deferred tax liabilities increased Euro 726 thousand due to the allocation of deferred taxation on intangible assets related to the Doteco acquisition in the amount of Euro 1.189 thousand as at December 31, 2020.

## Research and development

In 2020, the Piovan Group incurred research and development expenses amounting to 3.9% of total revenues and other income (Euro 8,837 thousand compared to Euro 9,826 thousand in 2019). In 2020, Euro 7.850 thousand concerned personnel operating in R&D and engineering, entirely expensed to the income statement, for the execution of complex and innovative projects. The scale of this commitment to investment in research and development is a clear demonstration of the Group's unwavering desire to position itself as a supplier of solutions, and not merely of machinery or systems. This desire has always set the Group apart and, over the years, has led to its position of market dominance. The Group is defined, in fact, by a range of products that are constantly being updated, thanks to research and development activity carried out in collaboration with its customers, an aspect which is of fundamental importance in the initial phase of the development of customer-specific solutions. The Group's competitive position is linked to constant improvement and investments in technology and processes.

For some years, the Piovan Group has been active in promoting industrial change towards a circular economy, working on various levels, continually innovating its services, paying maximum attention to technologies used to manufacture recycled plastics and biopolymers.

## Human Resources and Industrial Relations

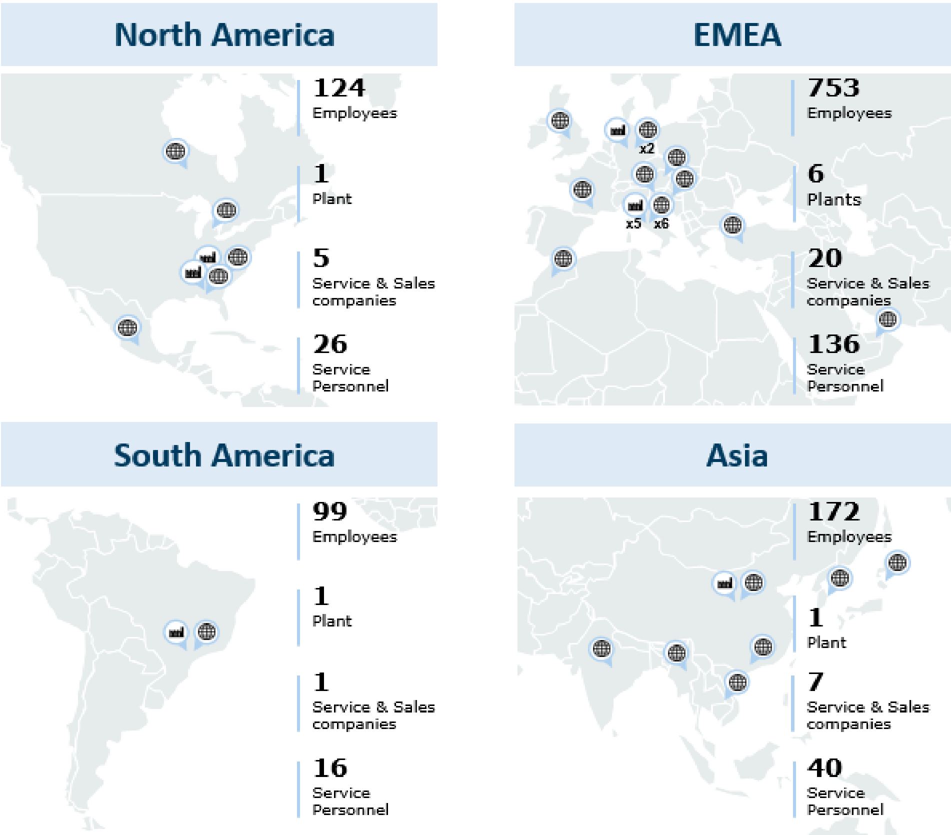
### Workforce

During 2020, the Group employed an average of 1,153 people - compared to 1,104 in 2019 - as activities grew in the various countries where the Group is present, and in the Parent Company. The distribution of operating personnel by category was as follows:

| | 31.12.2020 | | 31.12.2019 | |
|---|---|---|---|---|
| | period end | average | period end | average |
| Managers | 30 | 30 | 28 | 29 |
| Junior managers | 72 | 71 | 63 | 65 |
| White collars | 667 | 664 | 617 | 609 |
| Blue collars | 379 | 388 | 393 | 401 |
| **Total** | **1,148** | **1,153** | **1,101** | **1,104** |

The complex, constantly evolving contexts in which the Group operates require personnel with initiative and drive, motivated by a desire to learn and improve continuously. As such, Piovan also works ceaselessly in the district proximity system to adapt its organizational and management models to the "knowledge economy", where professional careers, which are increasingly discontinuous and transversal, feed the more "generalist" skills that go hand in hand with the high level of professionalism required to operate in an international context, deal with innovative technologies and succeed in a competitive market.

The Group workforce at December 31, 2020, by geographical area and by function is presented below:



The Parent Company figures follow:

| | 31.12.2020 | | 31.12.2019 | |
|---|---|---|---|---|
| | Actual | Average | Actual | Average |
| Managers | 10 | 10 | 10 | 10 |
| Junior managers | 14 | 14 | 12 | 13 |
| White Collars | 180 | 181 | 182 | 181 |
| Blue Collars | 190 | 192 | 196 | 197 |
| **Total** | **394** | **397** | **400** | **401** |

### Transactions with parent companies, subsidiaries and associated companies

There were numerous inter-company transactions carried out in the ordinary course of business and at normal market conditions.

Inter-company transactions are inherent in the organization structure of the Group. These relationships concern both commercial activities (subsidiaries of Piovan S.p.A. and established in various countries which distribute the products of the Group as agents or as distributors), and production activities (subsidiaries of Piovan S.p.A. which, producing certain types of systems, supplement the Piovan S.p.A. product range or offering the same range to clients selling or acquiring machines to or from Piovan S.p.A.), as well as participation in the national tax consolidation by the Italian companies Piovan S.p.A., Aquatech S.r.l. and Penta S.r.l. with the parent company Pentafin S.p.A.

There are also financial transactions between the companies belonging to the Group, which are also carried out in the normal course of business and at normal market conditions, while there are no transactions that can be considered atypical.

For further information, reference should be made to the comments in the Explanatory Notes to the Consolidated Financial Statements at Note 41.

### Transactions with Related Parties

The "Regulation containing the provisions concerning transactions with related parties", adopted by Consob with motion No. 17221 of March 12, 2010, amended with motion No. 17389 of June 23, 2010, enacted Article 2391-*bis* of the Civil Code.

The Board of Directors motion of November 12, 2018 therefore approved the procedure on transactions with related parties as per Article 2391-*bis* of the Civil Code and the CONSOB regulation adopted with motion No. 17221 of March 12, 2010 and subsequent amendments and supplements.

The identification of transactions with related parties is undertaken in accordance with the afore-mentioned Consob regulation.

On December 11, 2020, Consob announced its approval of the regulatory amendments necessary to bring secondary legislation into line with the second European Shareholder Rights Directive 2. The amendments also affected, among others, the Regulation on Related Party

Transactions; the Company therefore started the necessary activities relating to the adjustment of its own RPT Policy, in order to approve the updated text of the RPT Policy by the end of the transition period set for June 30, 2021.

The company, in addition to the inter-company transactions commented upon above, also undertakes transactions with other related parties principally relating to persons that exercise administration and management functions in Piovan S.p.A., or entities controlled by such parties. These mainly concern real estate (property leases) and commercial transactions and are carried out as part of the ordinary operations and at normal market conditions, as well as participation in the tax consolidation with the parent company Pentafin S.r.l.

Transactions with related parties are commented upon in the consolidated financial statements at Note 41, to which reference should be made for further information.

## Disclosure by operating segment

IFRS 8 - Operating segments defines an operating segment as a component (i) involving business activities generating revenues and costs, (ii) whose operating results are reviewed periodically at the highest decision-making level and (iii) for which separate financial data is available.

The information analyzed by the Board of Directors, which constitutes the highest decision-making level for strategic decisions, the allocation of resources and the analysis of results, identified a single operating segment

In fact, the Group structure identifies a strategic and singular vision of the business and this representation is consistent with the manner in which management takes its decisions, allocates resources and defines the communication strategy. Dividing the business into separate divisions is therefore currently viewed as detrimental to its economic interests.

Therefore, the information required by IFRS 8 corresponds to that presented in the consolidated income statement. The breakdown of consolidated revenues by region and by product line is therefore reported by market (Plastic/Food & Non-Plastic/Services and Spare parts).

## Alternative performance indicators

It should be noted that some financial information in this report illustrates intermediate profitability indicators, including the gross operating margin (EBITDA). This indicator, however, is not identified as an accounting measure within IFRS and therefore the criterion for its determination may not be uniform with other groups or companies.

In this Directors' Report, various alternative performance indicators or intermediary earnings indicators are presented in order to permit a better assessment of operating performance and financial position. These indicators, however, are not identified as an accounting measure within IFRS and therefore the criterion for their determination may not be uniform with other groups or companies.

The calculation criteria of each of these indicators are described below, as required by Consob Communication no. 0092543 of 3 December 2015, which transposes the ESMA / 2015/1415 guidelines on the subject of alternative performance indicators.

## Gross Operating Profit (EBITDA)

*EBITDA is composed by the following items: (i) + income taxes, (ii) - profit/(loss) from investments measured at equity, (iii) - income/(charges) from valuation of liabilities for options granted to minority shareholders, (iv) - exchange gains/(losses), (v) + financial expenses, (vi) - financial income, (vii) + amortization, depreciations and write-downs and (viii). The EBITDA Margin is calculated as a percentage on the total revenues and other income.*

## EBIT

*EBIT corresponds to the operating result indicated in the accounting statements. The EBIT Margin is calculated as a percentage of total revenues and other income.*

## Contribution Margin

*The contribution margin is calculated as the sum of: (i) total revenues and income less, (ii), raw material purchases, components, goods and inventory changes, (iii) external processing, (iv) transport costs, and (v) commissions. The Contribution Margin in percentage terms is calculated on total revenues and other income.*

## Net Financial Position

*This was calculated as per Consob Communication of July 28, 2006 and the ESMA/2013/319 Recommendations, to which reference should be made.*

## Research and development costs

*Research and development costs mainly include costs sustained by the Group related to personnel dedicated to the R&D and engineering activities, which have been ebìventually capitalized in the year, where applicable, and costs for the production of prototype and new product systems incurred by the parent company.*

## Recurring Capex and Non-recurring Capex

*Recurring Capex includes the Group's total recurring investments in property, plant and equipment and in intangible assets. They are calculated as the sum of the following items: (i) Capex in property, plant and equipment, which principally includes the costs relating to the purchase of production machinery, extraordinary plant maintenance and motor vehicles; and (ii) Capex in intangible assets, which mainly includes software licenses.*

*Excluded in the calculation of Recurring Capex are extraordinary investments mainly relating to the increase and shifting of long-term production capacity; these investments are defined as Non-Recurring Capex.*

## Net Trade Working Capital

*Net trade working capital is calculated as the sum of the positive values relating to current trade receivables, inventories and contract work-in-progress and the negative values relating to liabilities for contract work-in-progress, trade payables and customer advances.*

## Net Working Capital

*Net working capital is calculated as the sum of the net trade working capital and of the positive values relating to tax receivables and other current assets and the negative values relating to tax and social contribution payables and other current liabilities.*

## Main production and commercial sites

The company’s activities are carried out in the locations listed below:

*Piovan S.p.a – S. Maria di Sala (VE), Italy*

The Piovan Group’s production and administrative headquarters are located at No. S. Maria di Sala (VE), where Parent Company management and administration, finance, operating control, marketing and ICT system control are overseen. The production site specializes in the production of auxiliary systems for the plastics processing industry, and in particular in the production of auxiliary machinery that responds to the sector’s specific and varying requirements.

*Aquatech S.r.l - S. Maria di Sala (VE), Italy*

The Aquatech plant is located in S. Maria di Sala (VE) and produces industrial refrigeration and temperature control systems for all Group companies and also for customers outside the plastic sector.

*Penta s.r.l. – Poggio Renatico, Ferrara, Italy*

The Penta plant is located in the province of Ferrara, where systems for the transport of powders, mainly in the food sector, are designed and constructed. The work complements that of Piovan S.p.A., and the Group expects significant growth, thanks in part to the Group's foreign commercial network.

*FDM GmbH – Troisdorf, Germany*

The company operates in a specific segment of the Group's business, producing and marketing special dispensers mainly for the extrusion sector.

*Piovan Plastics Machinery Ltd – Suzhou, China*

The plant is located in SuZhou, China, and the industrial enterprise was established in 2004 to develop and produce machinery mainly for the Chinese market.

*Universal Dynamics Inc. – Fredericksburg, Virginia, United States*

The company was acquired in October 2008. It produces plastic powder transport, storage and dehumidification systems and markets the Group's products in the United States.

*Piovan do Brasil LtdA – Osasco, Brazil*

The plant is located in Osasco, Brazil, and is responsible for the production and marketing of Piovan products in South America. It is the first manufacturer of auxiliary machines for these countries.

*Energys S.r.l - S. Maria di Sala (VE), Italy*

Energys S.r.l. operates in the field of energy certification and also provides related services to the companies of the Piovan group and others. The company was founded in 2012, and was acquired by Piovan S.p.A. in 2016.

*Piovan GmbH – Garching, Germany*

The company distributes Piovan products on the German market, which is Europe's most important market and a shop window for the rest of the world.

*Piovan Mexico S.A. – Queretaro, Mexico*

The company was established in 2004, and is responsible for marketing Piovan products in Mexico.

*Piovan Central Europe GmbH - Brunn am Gebirge, Austria*

The company was founded in 2005 and is based near Vienna. It aims to sell the our products to the Austrian markets and in particular represents our main sale channel for Eastern Europe area.

*Piovan UK Ltd – Bromsgrove, England*

The company was founded in 2005, and sells our products in the UK.

*Piovan France Sas – Nurieux Volognat, France*

The French market leader in auxiliary machinery sales, the company was acquired in October 2008. In early 2016, Piovan S.p.A. acquired 100% of the company's shares.

*Piovan Canada Ltd - Mississauga, Ontario, Canada*

The company was established in 1994. It is responsible for the marketing of the Group's products on the Canadian market, especially those of Piovan S.p.A. and Universal Dynamics Inc.

*Piovan Asia Pacific Ltd – Bangkok, Thailand*

The company is responsible for the marketing of Piovan products in Asian markets.

*Piovan India Private Limited – Mumbai*

The company's main responsibility is assisting customers and promoting sales in India.

*Piovan Muhendislk Ltd. - Beikoz, Turkey*

The company is responsible for marketing Piovan systems in the Turkish market.

*Piovan Japan Inc.- Kobe - Japan*

The company is responsible for marketing Piovan systems in the Japanese market.

*Piovan Maroc - Kenitra, Morocco*

The company is responsible for marketing Piovan systems in the African market.

*Piovan Gulf FZE – Dubai, United Arab Emirates*

The company is responsible for marketing Piovan systems in the Middle East market.

*Piovan Vietnam Company Ltd - Mai Chi Tho, Vietnam*

The company is responsible for marketing Piovan systems in the Southeast Asian market.

*FEA Process&Technological Plants S.r.l. - Cuneo, Italy*

The company operates in Cuneo, and specializes in the automation of transport and storage systems for viscous liquids for the food industry.

*TOBA PNC – Seoul, South Korea*

The company leads South Korea in industrial process automation in the plastic sector, specializing in systems for the transport and storage of plastic powders.

*Doteco S.p.A. – Modena, Italy*

The company, based in Modena, was founded in 1994 and is currently among the world leaders in dosing technology for plastic films (for food and non-food packaging) and synthetic fibers. The company was acquired by Piovan S.p.A. in October 2020.

*Doteco Inc. – Dalton, Georgia, U.S.A.*

A wholly owned subsidiary of Doteco S.p.A. and based in Georgia (USA), the company markets Doteco products in the American market.

*Studio Ponte – Poggio Renatico, Ferrara, Italy*

Studio Ponte S.r.l., based in Poggio Renatico (Ferrara), 51% held by Penta S.r.l., provides engineering and design services mainly to the Group companies operating in the Food market.

## Parent Company key financial highlights and performance of Piovan S.p.A.

The separate financial statements of the parent company, which we submit for your approval, reports for the year 2020 "Total revenues and other income" of Euro 98,462 thousand and a net profit of Euro 10,448 thousand.

As previously illustrated, the company presents a single Directors' Report for the separate financial statements and for the consolidated financial statements and therefore the main events relating to the parent company were implicitly outlined in the report on the Group performance.

### Parent company operating performance

| (amounts in €'000) | Economic performance indicators | | | | Changes | |
|---|---|---|---|---|---|---|
| | 2020 (1) | % on total revenues and other income | 2019 | % on total revenues and other income | 2020 vs 2019 | % |
| Revenue | 96,540 | *98.0%* | 102,694 | *97.3%* | (6,154) | *(6.0%)* |
| Other revenue and income | 1,922 | *2.0%* | 2,800 | *2.7%* | (878) | *(31.4%)* |
| **TOTAL REVENUE AND OTHER INCOME** | **98,462** | *100.0%* | **105,494** | *100.0%* | **(7,032)** | ***(6.7%)*** |
| **EBITDA (2)** | **16,422** | *16.7%* | **20,381** | *19.3%* | **(3,960)** | ***(19.4%)*** |
| **OPERATING PROFIT** | **13,790** | *14.0%* | **18,001** | *17.1%* | **(4,211)** | ***(23.4%)*** |
| **PROFIT BEFORE TAXES** | **13,729** | *13.9%* | **19,464** | *18.5%* | (5,735) | *(29.5%)* |
| Income taxes | 3,281 | *3.3%* | 5,066 | *4.8%* | (1,785) | *(35.2%)* |
| **NET PROFIT** | **10,448** | *10.6%* | **14,398** | *13.6%* | (3,950) | *(27.4%)* |
| **Attributable to:** | | | | | | |
| **Earnings per share** | **0.21** | | **0.28** | | | |
| **Basic and diluted earnings per share (in Euros)** | **0.21** | | **0.28** | | | |

(1) There are no non-recurring items in 2020. The comparative figures at December 31, 2019, were stated at their total amounts. We highlight however that they included non-recurring revenues in the amount of Euro 714 thousand and non-recurring costs for a total of Euro 353 thousand.

(2) EBITDA for 2019 (indicated in the 2019 Annual Financial Report originally amounting to Euro 20,137 thousand) has been restated net of the caption "Accruals" for the purposes of the comparison with 2020, following a change in the indicator's definition.

Piovan S.p.A. revenues and other income in 2020 amounted to Euro 98,462 thousand, down on Euro 105,494 thousand in 2019 (-6.7%).

The revenue account amounted to Euro 96,540 thousand, contracting 6% on the previous year.

EBITDA totaled Euro 16,422 thousand, down on Euro 20,381 thousand in the previous year (-19.4%), with a decrease of Euro 3,960 thousand.

This reduction was due to both the decrease in sales volumes, impacted by the restrictions on mobility brought about by the COVID-19 pandemic, and fewer allocations to provisions for risks and charges compared to the previous year (Euro 904 thousand in 2020 vs releases of provisions in the amount of Euro 244 thousand in 2019).

Personnel expenses decreased as a result of the cost-containment measures implemented in order to combat the effects of the pandemic, including the use of employee holiday time and the partial use of social safety nets.

EBIT came to Euro 13,790 thousand, down on Euro 18,001 thousand in 2019 (-23.4%), with a decrease of Euro 4,211 thousand.

The EBIT Margin amounted to 14% of revenues, down from 17.1% for the previous year.

Basic and diluted earnings per share were Euro 0.21 in 2020 (compared to Euro 0.28 in the previous year).

### Revenues by market and region

| €'000 | 2020 | 2019 |
|---|---|---|
| Plastic | 83,637 | 89,336 |
| Food & non Plastic | 213 | 28 |
| Services | 12,690 | 13,330 |
| **Revenues** | **96,540** | **102,694** |

| €'000 | 2020 | 2019 |
|---|---|---|
| EMEA | 79,393 | 82,790 |
| ASIA | 6,625 | 7,594 |
| NORTH AMERICA | 7,645 | 9,000 |
| SOUTH AMERICA | 2,877 | 3,311 |
| **Revenues** | **96,540** | **102,694** |

Revenue by market indicates:

- Plastic Systems revenue decreased by Euro 5,699 thousand, or -6.4%, compared to 2019. As described in relation to the consolidated figures, this was due, essentially, to COVID-19 restrictions on mobility, which, particularly in the second quarter, limited the ability to carry out installations and to collect orders. This affected revenue for the third quarter, which was only partially offset by improved performance in the fourth quarter.
- the *Food & Non-plastic* Systems market is marginal for Piovan S.p.A. as it is the market for the subsidiaries Penta S.r.l. and FEA ptp S.r.l.
- the *Services* market posted a decrease in revenue compared to the previous year. Again in this case, the contraction is due to the mobility restrictions imposed, particularly in the second quarter of 2020, which did not permit for the normal provision of post-sale services to customers.

In terms of geographical areas, the EMEA remains the Company's primary market, accounting for 82.2% of total revenue.

## STATEMENT OF FINANCIAL POSITION

### Parent Company net financial position

| €/000 | 31.12.2020 | 31.12.2019 |
|---|---|---|
| A. Cash | 1 | 1 |
| B. Current accounts and post office deposits | 46,131 | 39,590 |
| **C. Cash & cash equivalent (A+B)** | **46,132** | **39,591** |
| **D. Current financial assets** | **9,984** | **12,307** |
| E. Current bank loans and borrowings | (21,300) | (25,025) |
| F. Current portion of non-current debt | (16,325) | (11,768) |
| G. Other current financial liabilities (*) | (23,246) | (15,977) |
| **H. Current financial position (E+F+G)** | **(60,871)** | **(52,770)** |
| **I. Net current financial position (H+C+D)** | **(4,755)** | **(872)** |
| J. Long term loans | (37,233) | (20,069) |
| K. Bond issued | - | - |
| L. Other non-current financial liabilities (*) | (1,099) | (1,263) |
| **M. Non-current financial position (J+K+L)** | **(38,331)** | **(21,332)** |
| **N. Net financial position (I+M)** | **(43,086)** | **(22,203)** |

(*) "Other current and non-current financial liabilities" include the effect of application of IFRS 16.

The company's net financial position at the end of 2020 reported a net debt position of Euro 43,086 thousand, increasing on Euro 22,203 thousand at the end of 2019, with net cash absorption of Euro 20,883 thousand.

The net financial position of the Parent Company includes financial receivables and payables to subsidiaries, as outlined in the Explanatory Notes.

In September 2020, the company acquired the remaining 10% interest in Penta S.r.l., as a result of exercising the put option granted to the seller, at a price of Euro 2,836 thousand. In October 2020, dividends totaling Euro 5.602 thousand (Euro 7.639 thousand in 2019) were distributed.

Capital expenditures totaling Euro 1,220 thousand were made in 2020 (Euro 11,718 thousand in 2019).

The financial position includes medium/long-term loans for Euro 53.6 million, of which Euro 16.3 million repayable within 12 months and the remaining Euro 37.2 million within 5 years. Loans are not backed by guarantees, with the exception of new financing as described below, and are almost entirely denominated in Euro.

In October 2020, as described above, the Parent Company received a new, 5-year amortizing loan in the amount of Euro 20 million at a fixed rate of less than 1% to finance the acquisition of the Doteco Group, which resulted in a cash outlay of Euro 20.5 million.

During the year, two amortizing loans to support working capital totaling Euro 7.5 million were also obtained. These loans have durations of 36 and 48 months and an average interest rate of less than 0.5%. One of the two loans is backed by a guarantee issued by the Small and Medium Enterprise Guarantee Fund managed by Banca del Mezzogiorno – MedioCredito Centrale S.p.A.

In March and April 2020, the company benefited from a moratorium on the medium/long-term loans, with a consequent extension of their duration up to a maximum of 12 months. As a result of this moratorium, the amount of medium/long-term financing repaid during the year totaled Euro 5.7 million.

## Other information

### Principal risks and uncertainties to which the Group is exposed

Group operations are exposed to a series of financial and operating risks which may impact the balance sheet/financial position, the result and the cash flows, through the relative impact on financial instrument transactions.

These risks may be summarized as follows:

a) credit risk;

b) liquidity risk;

c) market risk (foreign exchange risk, interest rate risk and other price risks).

Overall responsibility for the creation and supervision of the Group's financial and operating risk management system lies with the Board of Directors. The various organizational units functionally responsible for the operational management of each type of risk report to the Board of Directors.

Under guidelines issued by the Board of Director and for each specific risk, these units define the tools and techniques to cover the risks and/or transfer them to third parties (insurance) and evaluate risks neither covered nor insured.

The level of the Group's exposure to the various categories of financial risk identified and as well as the safeguards put in place to mitigate themselves are commented upon below.

### Credit risk

The Group operates on various national markets with a large number of medium and large-sized customers, mainly end customers in the various countries. Consequently, the Group is exposed to credit risk linked to the ability of its customers to settle the amounts due.

The Group applies a policy based on the credit ratings and credit limits for its customer base and the periodic issue of standard reports, in order to achieve a high degree of control over debt collection.

Each company of the Group directly manages the collection of receivables on sales made in the respective markets and their possible recovery, also through the activation of legal actions. Coordination between companies operating in the same market (e.g. Italian companies) is based on the electronic exchange of information relating to common customers and through coordination on the possible blocking of deliveries or the initiation of legal action.

The doubtful debt provision is recorded on the nominal value of the portion considered uncollectible after deducting the receivables backed by bank guarantees. All guarantees are critically assessed with regard to collectability.

### Liquidity risk

The Group's overall debt, mainly relating to Piovan S.p.A., is partially fixed-rate to take advantage of the opportunities currently offered by the interest rate market for medium/long-term loans. Given the high level of liquidity available, the Group has a limited risk with regard to short-term maturities and therefore the risk associated with interest rate fluctuations is essentially linked to the portion of medium/long-term loans expressed at variable rates.

The Group deals mainly with well-known and reliable customers; it is the Group's policy to subject the positions of customers who request payment extensions to the credit line and to constantly monitor them. In addition, the Group's activities are characterized by customer advances against orders placed, which significantly reduces the financial requirements related to working capital.

The Group has a positive net financial position net of the effect deriving from IFRS 16, and has been able to generate positive cash flows that are considered sufficient to finance both its growing operations and investments. Expectations for future years are consistent with this historical trend and therefore the liquidity risk is considered limited overall. Furthermore, as previously illustrated, in response to the emergency context connected to the spread of the Covid-19 pandemic, the Group in 2020 obtained the suspension of the short-term instalments of the long term loans.

For the information required by IFRS 7 on the cash flows relating to the Group's financial liabilities by maturity, please refer to note [16]

### Market risk linked to the exchange rate

As the Group's business is undertaken in various countries around the world, it is exposed to the risk of foreign exchange fluctuation. The exchange rate risk arises mainly from transactions involving the US dollar, the Chinese renminbi, the British pound, the Brazilian real and the Canadian dollar against the euro. Transactions between the Parent Company and the subsidiaries are generally carried out in the local currency of the subsidiary, therefore the individual companies are not significantly exposed to exchange rate risk, which is nevertheless transferred to the consolidated financial statements, with an impact on margins and net income.

The Parent Company carries out transactions (typically sales) in currencies other than its functional currency. The Group does not currently carry out hedging policies either with reference to the economic effects of purchase and sale transactions in foreign currency or with reference to exchange rate differentials that arise between the time of invoicing in a currency other than that of account in each country and the time of collection or, to a lesser extent, of payment.

In addition, the Parent Company holds equity investments in subsidiaries whose financial statements are in foreign currency. Changes in equity due to exchange rate fluctuations are recorded in the "Translation reserve". The risk resulting from the translation of equity is not currently hedged by the Group.

### Market risk related to interest rate

The interest rate risk is the risk that the value of a financial instrument and/or the level of cash flows generated by it might change due to fluctuation in market rates of interest.

Exposure to the interest rate risk arises from the need to finance operating activities, in terms of manufacturing activities and financing the acquisition of businesses, as well as the employment of available liquidity. Changes in market interest rates may have a negative or positive impact on the Group’s result for the period, indirectly affecting costs and returns on financing and investment operations.

As described above, part of the Group's loans are at a fixed rate. This makes it possible to take advantage of the current extremely low level of interest rates. The Group has not put in place hedging instruments as, given the Group's high liquidity, it is believed that the risk of fluctuations in interest rates can still be adequately managed.

### Product and component price risk

The Group's exposure to price risk is not very significant, thanks to the specific nature of the range of products offered and the Group's competitive position in the marketplace.

### Risks associated with economic conditions

With regards to the risks related to the general economic conditions, at the end of February 2020, following the outbreak of the COVID-19 health emergency, the general economic environment significantly deteriorated as a result of the restrictions introduced by the governments of the countries involved. These developments, which are extraordinary in nature and extent, have had and continue to have direct and indirect repercussions on economic activity, giving rise to an environment of general uncertainty. For further details, reference should be made to the "Covid-19 Impacts” paragraph.

The global macro-economic picture may affect the Company's economic, equity and financial situation. However, the Company's and its subsidiaries presence in different geographical areas makes it possible to mitigate the overall risk and to benefit from possible improvements in some areas compared to others. In addition, as already described in detail, at the end of February 2020, following the outbreak of the COVID-19 health emergency, the general economic environment significantly deteriorated as a result of the restrictions introduced by the governments of the countries involved. These developments, which are extraordinary in nature and extent, have had and continue to have, direct and indirect repercussions on economic activity giving rise to an environment of general uncertainty and whose evolution and effects are unforeseeable.

In 2020, the Piovan Group was able to meet this challenging environment of general uncertainty, thanks also to the fact that (i) the Company and its subsidiaries are present in a number of geographical areas and in very diversified sectors, thus allowing for a mitigation of the overall risk; (ii) although the turbulence on the financial markets, and in particular on the Italian Stock Exchange, as a result of the emergency described above, led to a sharp drop in prices, which also entailed a significant reduction in the stock market value of the Company's shares compared to the previous year, the current value, although severely depressed, still largely supports the book value of the Group's net assets.

### Risks associated with climate change

Protecting the environment is an issue of great importance around the world. Issues regarding climate change, scarce resources and supply shortages require companies to use materials reasonably and efficiently. The Piovan Group is attentive to these issues and has analyzed how climate change will impact the Company in terms of risks, opportunities and financial impacts.

Physical risks are associated with increased economic costs and financial losses due to the increased severity and frequency of extreme weather events related to climate change. In this regard, it should be noted that this risk is not considered significant, taking into account the positions of the production plants and their reduced complexity.

With reference to the transition risks that may lead to a reduction in the potential market, such as the risk of not adequately exploiting technological innovation that may lead to the replacement of existing products and the risk associated with the transition to a low-carbon economy, the Piovan Group believes that in this context plastics play a positive role by having a low environmental impact in its production phase and a low impact on scarce resources as it is derived from processing waste, if virgin or from recycled material.

Plastic polymers can potentially be recycled to create new products, thus minimizing environmental pollution. It takes the concrete, concerted commitment of the primary actors in waste management and the circular economy.

The Piovan Group mitigates these risks by contributing proactively, through a sustainable approach based on three pillars:

- critical analysis and assessment of sustainability practices within the Group aimed at constant improvement and with a focus on the emerging needs of processors;
- constant focus on product and process innovation with a view to developing technologies and other solutions for the processing of recycled plastics.
- A commitment to developing increased awareness of sustainability throughout the value chain.

### Other information

### The environment and personnel

The Group carries out work with no potential negative impact on the region and the environment. It always, however, seeks to operate in accordance with best practices, working towards risk prevention and the reduction and minimization of its environmental impact. The

Piovan Group also places great importance on the safety of its workers, and is committed to spreading the culture of safety within the Group and the various local organizations.

### Atypical and/or unusual transactions

There were no significant atypical and/or unusual transactions concerning the Parent Company Piovan S.p.A. or the Piovan Group in 2020.

### Treasury shares or parent company shares in portfolio

Pursuant to Article 2428, paragraphs No. 2, No. 3 and No. 4 of the Civil Code we report that the company holds at December 31, 2020 2,670,700 treasury shares, for a total value of Euro 2,249,744, recorded in the financial statements as Treasury shares in portfolio reserve, after, which on August 2, 2018, the Shareholders' Meeting approved the cancellation of 6,400,000 treasury shares held in portfolio by the company, maintaining the share capital unchanged. No other company in the Group holds treasury shares or shares of the parent company.

With regard to shares issued, there are no limitations on voting rights, and no securities exist to which special control rights or special powers attach.

### Compliance with the Issuers' Regulation

In accordance with Articles 70 and 71 of the Issuers' Regulation, the company opted to apply the exemption under paragraph 6 of Article 70 and paragraph 1 of Article 71 regarding the publication of a disclosure document drawn up as per Annex 3B of the Issuers' Regulation amid mergers, spin-offs or share capital increases through conferment in kind and significant acquisitions or disposals.

### Legislative Decree No. 231/2001

The Board of Director's meeting of August 2, 2018 adopted the Organization, Management and Control Model in accordance with the provisions of Legislative Decree No. 231/2001 in relation to administrative responsibility of legal persons.

Piovan's organization, management and control model essentially outlines the company's corporate governance structure, the means to establish the Supervisory Board and its functioning, while outlining the penalty system. This Model will be subject to adaptation to the application findings and the regulatory framework.

As of the date of this report, the primary Italian subsidiaries have adopted their own organization, management and control models in accordance with Legislative Decree No. 231/01. Work is under way to establish procedures for the recently acquired companies to also adopt such a model.

The overseas Group subsidiaries have been included in the Group's system of compliance by adopting specific policies for these companies, particularly with regards to the matters of money laundering and corruption, so as to make the overall internal regulation as consistent as possible with the Group's international structure.

The organization, management and control model of Piovan, together with the Ethics Code, are available on the company's website: www.piovangroup.com

### Consolidated Non-Financial Report

The company, in accordance with Article 5, paragraph 3, letter b of Legislative Decree 254/2016 has drawn up the consolidated non-financial information as a separate report. The 2020 consolidated non-financial information report, drawn up as per the "GRI Standards", is available on the Company website: https://ir.piovangroup.com/en/financial-statements/

### Corporate Governance and Ownership Structure Report in accordance with Article 123-bis of the CFA

The company, opting for the permission under Article 123 bis, paragraph 3 of the CFA, issued the Corporate governance and ownership structure report separately from the Directors' Report. The document in question is therefore made available through publication on the company's website: www.piovangroup.com.

Subsidiaries incorporated and governed under the laws of State not belonging to the European Union.

The subsidiaries incorporated and governed by the laws of states not belonging to the European Union, in accordance with Article 15, paragraph 1, of Consob Regulation No. 20249 of December 28, 2017, were Piovan Do Brasil LTDA, Piovan Mexico Sa, Piovan Plastics Machinery Co. Ltd, Universal Dynamics Inc., Piovan Asia Pacific Ltd, Toba PNC, and Piovan Canada Ltd and therefore fulfill the requirements as per paragraph 1 of said article.

### Sovereign debt exposure

In accordance with Consob Communication No. DEM/11070007 of August 5, 2011 (which restates ESMA document No. 2011/266 of July 28, 2011) concerning the information to be presented in financial reports concerning exposures held by companies listed on sovereign debt markets, it is communicated that the Group does not hold Sovereign debt securities.

### Management and co-ordination

The Piovan S.p.A. is not subject to management and co-ordination pursuant to Article 2497 and subsequent of the Civil Code.

Piovan S.p.A. exercises management and co-ordination, as per Articles 2497 and subsequent of the Civil Code, over the Group companies and the direct and indirect subsidiaries, imparting Group strategies, particularly in terms of industrial objectives, commercial and marketing policies and operating and financial results.

In particular, management and co-ordination over subsidiaries is carried out by the company, among other means, through approval of their industrial, financial and strategic plans, the approval of their annual budgets, the drafting of Group directives, procedures and guidelines and of general operating, human resources and finance policies, in addition to the appointment of their corporate boards.

## Off-balance sheet agreements

With regards to the information required by Article 2427, paragraph 1 No. 9 of the Civil Code, it is stated that the Group does not have Off-balance Sheet agreements, with the exception of that indicated in the Explanatory Notes.

## Group and consolidated tax procedure

The companies Piovan S.p.A., Penta S.r.l. and Aquatech S.r.l. as consolidated companies adhered to the Group taxation procedures in accordance with the option exercised by Pentafin S.p.A. as consolidating company for the three-year period 2018-2020, as per Articles 117 and 129 of the Presidential Decree 917/1986. Penta S.r.l. is currently in its first three-year period of participation, while the other companies have renewed the option previously taken.

In preparing the financial statements of these companies, the effects of the transfer of the tax positions due to the consolidated tax accounts were taken into account; in particular, the subsequent accounts receivable from/payable to the consolidating company were recognized.

## Reconciliation between parent net equity and net result and group shareholders' net equity and net result at December 31, 2020

A breakdown of the composition and movement of shareholders' equity of the parent company and the Group consolidated financial statements at December 31, 2020 is presented in the following table:

| €/000 as at 31.12.2020 | Equity | Net Profit |
|---|---|---|
| **Equity and net profit attributable to the owners of the parent** | **54,309** | **10,448** |
| Elimination of the book value of consolidated shareholdings (Differences between book value and relevant shareholders' equities) | 26,259 | 5,804 |
| IAS 32 Put Option | (1,865) | 555 |
| Elimination of the effects of transactions between consolidated companies | (4,072) | 608 |
| Shareholders' equity and fiscal year result in the consolidated financial statements | 74,632 | 17,415 |
| Shareholders' equity and fiscal year result attributable to minority interests | 2,219 | (228) |
| **Shareholders' equity and fiscal year result attributable to the Group** | **72,414** | **17,643** |

| €/000 as at 31.12.2019 | Equity | Net Profit |
|---|---|---|
| **Equity and net profit attributable to the owners of the parent** | **49,306** | **14,398** |
| Elimination of the book value of consolidated shareholdings (Differences between book value and relevant shareholders' equities) | 25,037 | 5,447 |
| IAS 32 Put Option | (5,256) | 549 |
| Elimination of the effects of transactions between consolidated companies | (3,936) | (1,390) |
| Shareholders' equity and fiscal year result in the consolidated financial statements | 65,151 | 19,004 |
| Shareholders' equity and fiscal year result attributable to minority interests | 3,774 | 304 |
| **Shareholders' equity and fiscal year result attributable to the Group** | **61,377** | **18,700** |

## Outlook

Continuing along the strategic path undertaken, the Group is focused on increasing its contribution to the circular economy by developing products and solutions for the recycling value chain, increasing acquisitions, and working to achieve greater market share in the Food & Non-plastic market.

Growth in acquisitions is driven by a desire to grow in specific geographical areas in which to improve commercial penetration and continue to develop a strategy that is as comprehensive and customer-centric as possible, with a particular focus on major customers distributed across the globe, thus ensuring the maintenance of its technology and service leadership. The Group is also looking to companies with products/technologies that can lengthen the value chain offered by the Group. See, for example, the acquisition of Doteco S.p.A. in 2020, by which the Group will be able to combine Doteco's film dosing technologies with Piovan's feeding and storage automations to become a leader in turnkey systems in this segment.

In 2020, the Group was impacted by the effects of COVID-19, particularly in terms of revenues, which reduced on 2019. Performance in terms of profitability was good, having benefited from cost reductions in relation to both travel and holidays, as well as directed efforts of cost containment.

The order backlog at December 31, 2020, was in line with typical volumes for the Group. The continuing strength of the most resilient markets (e.g. medical, flexible packaging) and the recovery under way in the most cyclical industries (e.g. automotive, construction) have enabled the Group to look to 2021 with a moderate degree of optimism. However, the risk of restricted mobility and the continuing landscape of uncertainty leave open the possibility of renewed slowdowns in new orders or in the execution of projects in backlog, particularly concerning plant installations and start-up.

The Piovan Group has a presence in many geographical areas and in a diverse range of industries, which will certainly mitigate the overall risk tied to the current crisis.

With regard to developments in European legislation concerning the production and use of plastic, there is a possibility of changes in the marketplace. In particular, legislation could promote the use of recycled plastic or biodegradable polymers at the expense of virgin, petroleum-based polymers.

For the Group, this European legislation represents an opportunity to sell technologies developed in recent years for the automation, processing and screening of recycled and biodegradable plastics.

As such, in recent years the Group has developed patents related to recycling and has a technological advantage over its competitors. The Company currently estimates that more than 20% of the automations sold in the packaging, fiber and recycling segments are being used in order to make use of recycled material.

Piovan is already engaged at various levels in the process of change and is committed to providing solutions to the market for a circular economy, particularly in researching and developing advanced innovative technologies - allowing customers to use recycled polymers and obtaining a quality product with low environmental impact, cutting CO2 emissions and the consumption of scarce resources.

In order to do so, the Group relies on three pillars:

- Developing specific technologies for the recycled material supply chain;
- Raising customer awareness about the existence of good plastics originating from recycled materials or plant-based raw materials;
- Support, to guarantee quality and efficiency across all system life stages.

Since 2006, the Group has built more than 300 plastic recycling plant and thousands of systems that make it possible to create new products out of recycled plastic.

In 2020, the Piovan Group has already provided circular economy automation to more than 20% of the customers operating in the packaging, textile and recycling sectors. This enables the technologies provided by the Company to be a driver towards the objectives of the European Union to reach 25% use of recycled materials in the packaging industry.

The Group’s investments throughout 2017-19 to expand production capacity have made it possible to respond to any significant increases in market demand and to make use of the significant generation of cash to promote growth and acquisitions and to remunerate shareholders.

### Subsequent events after December 31, 2020

There are no particular significant events occurred after year end, except for the continuation of the Covid-19 pandemic.

## Allocation of the result for the year

Piovan S.p.A. closed 2020 with net profit of Euro 10,448,148, which the Board of Directors proposes to allocate

- to Shareholders for the distribution of a dividend totaling Euro 6,620,809, equal to Euro 0.13 for each share with profit rights, excluding therefore treasury shares held by the Company in compliance with Article 2357-*ter*, paragraph 2, of the Civil Code;
- to extraordinary reserve for the remaining Euro 3,827,339.

Dear Shareholders,

we trust that you will be in agreement with the criteria for the preparation of the financial statements for the year ended December 31, 2020, and we invite you to approve them.

Executive Chairman

Nicola Piovan

## CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2020

Consolidated Statement of Financial Position

(thousands of Euro)

| ASSETS | Notes | 31.12.2020 | 31.12.2019 |
|---|---|---|---|
| | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | **Note 1** | 52,324 | 52,430 |
| *- of which related parties* | ***Note 41*** | *935* | *905* |
| Intangible assets | **Note 2** | 27,529 | 7,510 |
| Equity investments | **Note 3** | 155 | 270 |
| Other non-current assets | **Note 4** | 576 | 427 |
| Deferred tax assets | **Note 5** | 4,788 | 4,489 |
| **TOTAL NON-CURRENT ASSETS** | | **85,372** | **65,126** |
| | | | |
| **CURRENT ASSETS** | | | |
| Inventories | **Note 6** | 36,920 | 29,264 |
| Contract assets for work in progress | **Note 7** | 6,477 | 3,712 |
| Trade receivables | **Note 8** | 41,931 | 52,816 |
| *- of which related parties* | ***Note 41*** | *12* | *200* |
| Current financial assets | **Note 9** | 5,146 | 6,319 |
| Tax receivables | **Note10** | 3,263 | 3,735 |
| Other current assets | **Note 11** | 3,497 | 3,705 |
| *- of which related parties* | **Note 41** | *31* | *431* |
| Cash and cash equivalents | **Note 12** | 87,452 | 59,123 |
| **TOTAL CURRENT ASSETS** | | **184,686** | **158,675** |
| **TOTAL ASSETS** | | **270,058** | **223,801** |

| LIABILITIES AND EQUITY | Notes | 31.12.2020 | 31.12.2019 |
|---|---|---|---|
| | | | |
| **EQUITY** | | | |
| Share capital | **Note 13** | 6,000 | 6,000 |
| Legal reserve | **Note 13** | 1,200 | 1,200 |
| Reserve for own shares in portfolio | **Note 13** | (2,250) | (2,250) |
| Translation reserve | **Note 13** | (3,756) | (1,211) |
| Other Reserves and retained earnings | **Note 13** | 53,576 | 38,938 |
| Net profit (loss) | **Note 13** | 17,643 | 18,700 |
| **Equity attributable to the owners of the parent** | | **72,414** | **61,377** |
| Equity attributable to non-controlling interests | **Note 15** | 2,219 | 3,774 |
| **TOTAL EQUITY** | | **74,632** | **65,151** |
| | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Long-term loans | **Note 16** | 38,262 | 20,939 |
| Non-current financial liabilities | **Note 16** | 9,117 | 6,516 |
| *- of which related parties* | ***Note 41*** | *742* | *762* |
| Employee benefits plans | **Note 17** | 6,376 | 4,814 |
| Provision for risks and charges | **Note 18** | 3,813 | 2,954 |
| Non current liabilities for options granted to non-controlling interests | **Note 19** | 1,865 | 2,535 |
| Other non-current liabilities | **Note 20** | 363 | 268 |
| Deferred tax liabilities | **Note 5** | 2,713 | 1,987 |
| **TOTAL NON-CURRENT LIABILITIES** | | **62,509** | **40,013** |
| | | | |
| **CURRENT LIABILITIES** | | | |
| Current portion of long-term loans | **Note 16** | 17,833 | 11,962 |
| Current bank loans and borrowings | **Note 16** | 21,305 | 25,026 |
| Current financial liabilities | **Note 16** | 1,741 | 1,942 |
| *- of which related parties* | ***Note 41*** | *205* | *156* |
| Trade payables | **Note 21** | 39,912 | 40,556 |
| *- of which related parties* | ***Note 41*** | *543* | *698* |
| Advance from costumers | **Note 22** | 19,421 | 16,063 |
| Contract liabilities for work in progress | **Note 7** | 5,101 | 2,527 |
| Current liabilities for options granted to non-controlling interests | **Note 19** | (0) | 2,721 |
| Tax liabilities and social security contributions | **Note 23** | 9,360 | 6,738 |
| Other current liabilities | **Note 24** | 18,243 | 11,102 |
| *- of which related parties* | **Note 41** | *428* | *888* |
| **TOTAL CURRENT LIABILITIES** | | **132,916** | **118,636** |
| | | | |
| **TOTAL LIABILITIES** | | **195,426** | **158,650** |
| | | | |
| **TOTAL LIABILITIES AND EQUITY** | | **270,058** | **223,801** |

## Consolidated Statement of Profit and Loss
## (thousands of Euro)

| CONSOLIDATED STATEMENT OF PROFIT AND LOSS | Notes | 31.12.2020 | 31.12.2019 |
|---|---|---|---|
| Revenue | **Note 25** | 221,117 | 228,526 |
| *- of which related parties* | ***Note 41*** | *21* | *182* |
| Other revenue and income | **Note 26** | 4,063 | 5,834 |
| **TOTAL REVENUE AND OTHER INCOME** | | **225,180** | **234,360** |
| Costs of raw materials, components and goods and changes in inventories | **Note 27** | 86,372 | 88,272 |
| *- of which related parties* | ***Note 41*** | *1,719* | *2,666* |
| Services | **Note 28** | 44,464 | 51,019 |
| *- of which related parties* | ***Note 41*** | *1,367* | *1,351* |
| Use of third party assets | **Note 29** | 1,224 | 1,547 |
| Personnel expenses | **Note 30** | 56,985 | 59,006 |
| *- of which related parties* | ***Note 41*** | *609* | *509* |
| Other expenses | **Note 31** | 2,886 | 3,596 |
| Provisions for risks and charges | **Note 32** | 1,007 | 350 |
| Amortisation and depreciation | **Note 33** | 6,209 | 4,775 |
| *- of which related parties* | ***Note 41*** | *238* | *311* |
| **TOTAL COSTS** | | **199,147** | **208,565** |
| **OPERATING PROFIT** | | **26,033** | **25,795** |
| Financial income | **Note 34** | 504 | 599 |
| Financial Expenses | **Note 34** | (767) | (578) |
| *- of which related parties* | ***Note 41*** | *(31)* | *(30)* |
| Net exchange rate gain (losses) | **Note 35** | (2,243) | (46) |
| Gains (losses) on liabilities for option granted to non controlling interests | **Note 36** | 555 | 549 |
| Profit (losses) from equity investments carried at equity | **Note 37** | (92) | (63) |
| **PROFIT BEFORE TAXES** | | **23,991** | **26,257** |
| **Income taxes** | **Note 38** | 6,576 | 7,253 |
| **NET PROFIT** | | **17,415** | **19,004** |
| | | | |
| **ATTRIBUTABLE TO:** | | | |
| Owners of the parent | | 17,643 | 18,700 |
| Non-controlling interests | | (228) | 304 |
| | | | |
| **Earnings per share** | | | |
| Basic earnings per share (in Euros) | **Note 14** | 0.35 | 0.37 |
| Diluted earning per share (in Euros) | **Note 14** | 0.35 | 0.37 |

## Consolidated Statement of Comprehensive Income

(thousands of Euro)

| CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME | 31.12.2020 | 31.12.2019 |
|---|---|---|
| **Net profit** | **17,415** | **19,004** |
| Items that may be subsequently reclassified to profit or loss: | - | - |
| - Exchange rate differences | (2,573) | 383 |
| Items that may not be subsequently reclassified to profit or loss: | - | - |
| - Actuarial gains (losses) on employee benefits net of the tax effect | 35 | (387) |
| - Actuarial gains on agents' termination benefits net of the tax effect | (6) | 4 |
| **Total Comprehensive income** | **14,871** | **19,006** |
| attributable to: | - | - |
| - Owners of the parent | 15,099 | 18,701 |
| - Non-controlling interests | (228) | 304 |

## Consolidated Statement of Cash Flows

(thousands of Euro)

| Consolidated Statement of Cash Flow | 31.12.2020 | 31.12.2019 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| **Net profit** | ***17,415*** | ***19,004*** |
| **Adjustments for:** | | |
| Amortisation and depreciation | 6,209 | 4,775 |
| Inventory write-down and bad debt provision | 2,983 | 1,356 |
| - Net non-monetary financial (income) | 149 | (37) |
| Change in provisions for risks and charges and employee benefits liabilities | 2,882 | (67) |
| Net capital (gains) losses on sale of fixed assets and equity investments | (24) | (714) |
| Non-monetary changes related to liabilities for options granted to non-controlling interests | (556) | (550) |
| Investment equity valuation | 114 | 63 |
| Other non-monetary variations | (107) | 106 |
| Taxes | 6,576 | 7,253 |
| **Cash flows from operating activities before changes in net working capital** | **35,641** | **31,189** |
| (Increase)/decrease in trade receivables | 9,848 | (356) |
| *- of which related parties* | *(188)* | *33* |
| Increase in inventories | (6,304) | (552) |
| (Increase)/decrease in other current assets | (503) | 279 |
| *- of which related parties* | *(400)* | *(983)* |
| Increase/(decrease) in trade payables | (1,600) | (2,733) |
| *- of which related parties* | *(155)* | *97* |
| Increase/(decrease) in advance from customers | 3,358 | 3,117 |
| Increase/(decrease) in other current liabilities | 2,881 | (1,795) |
| *- of which related parties* | *(460)* | *217* |
| (Increase)/decrease in non-current assets | 177 | (33) |
| Increase/(decrease) in non-current liabilities | (400) | 1 |
| Income taxes paid | (8,107) | (8,286) |
| **CASH FLOWS FROM OPERATING ACTIVITIES (A)** | **34,991** | **20,831** |
| **INVESTING ACTIVITIES** | | |
| Investments in property, plant and equipment | (1,742) | (14,238) |
| Investments in intangible assets | (418) | (761) |
| Disinvestments/(investments) in financial assets | 1,024 | (6,283) |
| Disinvestments in equity investments | 0 | |
| Business combinations net of the acquired cash | (14,915) | (472) |
| | | - |
| **CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)** | **(16,050)** | **(21,753)** |
| **FINANCING ACTIVITIES** | | |
| Issuance of bank loans | 29,012 | 22,000 |
| Repayment of bank loans | (5,851) | (6,786) |
| Change in current bank loans and borrowings | (3,721) | 12,031 |
| Increase/(decrease) in other financial liabilities | (1,721) | 1,703 |
| *- of which related parties* | *28* | *919* |
| Purchase of minority interests in subsidiaries | (2,836) | (187) |
| Dividends paid | (5,602) | (7,723) |
| **CASH FLOWS USED IN FINANCING ACTIVITIES ©** | **9,281** | **21,038** |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A ± B ± C)** | **28,222** | **20,116** |
| **EFFECT OF EXCHANGE RATE CHANGES ON BALANCE OF CASH HELD IN FOREIGN CURRENCY** | **107** | **(106)** |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (E)** | **59,123** | **39,113** |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (G=D+E+F)** | **87,452** | **59,123** |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **28,221** | **20,116** |
| **INTERESTS PAID** | **346** | **396** |

## Statement of changes in consolidated shareholders’ equity (thousands of Euro)

| | Share Capital | Legal reserve | Treasury shares | Transaltion reserve | Other reserves and retained earnings | Profit for the year att, To the owner of the parent | Equity attribuitable to the owners of the parent | Equity att, To non-controlling interests | TOTAL EQUITY |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at Jan, 1st, 2020** | **6,000** | **1,200** | **(2,250)** | **(1,211)** | **38,938** | **18,700** | **61,377** | **3,774** | **65,151** |
| **Distribution of dividends** | - | - | - | - | (5,602) | - | (5,602) | - | (5,602) |
| **Allocation of prior year profit** | - | - | - | - | 18,700 | (18,700) | - | - | - |
| **Incentive plans** | - | - | - | - | 138 | - | 138 | - | 138 |
| **Change in consolidation area** | - | - | - | - | - | - | - | 74 | 74 |
| **Change in non-controlling interests** | - | - | - | 28 | 1,374 | - | 1,402 | (1,402) | - |
| **Total comprehensive income** | - | - | - | (2,573) | 28 | 17,643 | 15,098 | (228) | 14,870 |
| **Balance at December 31th, 2020** | **6,000** | **1,200** | **(2,250)** | **(3,756)** | **53,576** | **17,643** | **72,414** | **2,219** | **74,632** |

| | Share Capital | Legal reserve | Treasury shares | Transaltion reserve | Other reserves and retained earnings | Profit for the year att, To the owner of the parent | Equity attribuitable to the owners of the parent | Equity att, To non-controlling interests | TOTAL EQUITY |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at Jan, 1st, 2019** | **6,000** | **1,200** | **(2,250)** | **(1,594)** | **25,748** | **23,881** | **52,985** | **3,791** | **56,775** |
| **Distribution of dividends** | - | - | - | - | (7,639) | - | (7,639) | (83) | (7,722) |
| **Allocation of prior year profit** | - | - | - | - | 23,881 | (23,881) | - | - | - |
| **Put Option minorities** | - | - | - | - | (2,621) | - | (2,621) | - | (2,621) |
| **Change in non-controlling interests** | - | - | - | - | (48) | - | (48) | (237) | (285) |
| **Total comprehensive income** | - | - | - | 383 | (382) | 18,700 | 18,700 | 304 | 19,005 |
| **Balance at December 31th, 2019** | **6,000** | **1,200** | **(2,250)** | **(1,211)** | **38,938** | **18,700** | **61,377** | **3,774** | **65,151** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Piovan S.p.A. ("the Company" or "the Parent Company"), the parent company of the group of the same name with registered office in Santa Maria di Sala (VE), via dell'Industria 16, is a joint-stock company enrolled in the Venice Companies' Registration Office.

The Company is the holding company of a group of companies operating in Italy and internationally (the "Group" or "Piovan Group") in automation systems for the storage, transport and processing of plastics ("Plastic Systems"), automation systems for the storage and transport of food powders and non plastics ("Food Systems & non plastic") and technical assistance and marketing of spare parts and services ("Services"). The Group is among the world leaders in the Plastic Systems market in the design and production of plants and control systems for the automation of all phases of the plastics production cycle.

The plants and systems developed, produced and marketed by the Group automate and improve the performance of all the various phases of the production and transformation process of plastics, food powders and non plastic powder. The technical solutions proposed by the Group include, for both the Plastic Systems and Food and non plastic markets: (i) the design of machinery and engineering solutions; (ii) the production of plants and systems; and (iii) the installation at the customer's production facilities. In addition, the Group provides its customers with specific technical support from the preliminary design phase to the installation and start-up of the plant and machinery, ensuring ongoing support in order to guarantee optimal operation of the products installed.

The Group at December 31, 2020, comprised of 31 companies located on 4 continents, of which 9 production companies and 22 commercial and service companies.

The shares of Piovan S.p.A. have been listed on the STAR segment of the MTA organized and managed by Borsa Italiana since October 19, 2018.

### Content and form of the consolidated financial statements

The Group prepared the consolidated financial statements at December 31, 2020, using the international accounting standards adopted by the European Union as per European Regulation No. 1606/2002 of July 19, 2002, enacted in Italy by Legislative Decree No. 38/2005.

The consolidated financial statements at December 31, 2020, include the results of the parent company and of the subsidiaries.

### Basis of preparation

The consolidated financial statements of the Piovan Group at December 31, 2020, have been drawn up in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission in accordance with the procedure laid down by Article 6 of Regulation (EC) No. 1606/2002 of the European Parliament and Council dated July 19, 2002.

IFRS includes all IFRS's, all of the interpretations of the International Financial Reporting Interpretations Committee (IFRIC IC) previously called the Standing Interpretations Committee (SIC) approved by the European Union at the reporting date of the financial statements and contained in the relative EU Regulations published at that date.

They consist of the consolidated balance sheet, the consolidated income statement, the consolidated comprehensive income statement, the consolidated statement of changes in shareholders' equity, the consolidated cash flow statement and these explanatory notes. The financial statements have been prepared on the basis of the historical cost convention, with the exception of requirements of IFRS 9 - "Financial Instruments", and on a going-concern basis. The Group considers - also in view of its strong competitive positioning, its high profitability and the solidity of its balance sheet and financial position - that there are no significant doubts in this regard as per paragraphs 25 and 26 of IAS 1.

This assessment also took into account the Covid-19 pandemic health emergency that emerged in the initial months of 2020 and the impact that this situation had on the Group's performance in 2020, due in part to the restrictions introduced in the countries impacted. In this regard, it is expected that, taking account of the Group's strong balance sheet, the credit lines available to the parent company, in addition to that outlined in the "Covid-19 impacts" paragraph, financial, operating or other indicators do not highlight any significant uncertainties with regards to the Group's capacity to meet its obligations in the foreseeable future and in particular in the next 12 months.

These financial statements have been prepared in thousands of euro, which is the "functional" and "presentation" currency of the Piovan Group in accordance with IAS 21 "Foreign currency transactions". There may be rounding differences when individual line items are added together as the individual line items are calculated in euro (rather than in thousands of euro).

### COVID-19 impacts

Starting from the initial months of 2020, the COVID-19 global pandemic emergency evolved, putting significant pressure on national health systems and with the gradual introduction by governmental authorities of a series of measures to contain the risk of the virus's further spread. The impacts of this situation on Group operations mainly took the form of a slowdown to operations, which predominantly affected personnel subject to business trips in the months of March, April and May. The restrictions introduced on the mobility of individuals delayed the execution of the concluding phases of a number of projects requiring installation on-site at customer premises. The Company made recourse to the flexibility instruments made available to businesses to deal with this extraordinary situation and reduce the impacts of costs which otherwise would have been fixed. In particular, the use of accrued holidays was incentivized and recourse was made to the Lay-off scheme from March 2020.

From a financial viewpoint, the parent company obtained 3, 6 and 12-month moratoriums on loan repayment commitments.

The Covid-19 effects (temporary shutdown of operations, potential drop in demand and/or profitability) may indicate that one or more impairment indicators exist. For the Annual Report, management therefore made assessments in this regard. In particular, management did not identify indicators of impairment, taking account of the fact that (i) the company's stock market capitalization at December 31, 2020, remains comfortably above shareholders' equity at the same date, (ii) the order portfolio at the same date appears in line with the Group's usual volumes, (iii) the net financial position was not impacted by the altered general economic environment (iv) the performances in 2020, compared to the same period of the previous year, were still very strong, both in terms of revenues and margins.

## FINANCIAL STATEMENTS

### Consolidated Statement of Financial Position

The Statement of Financial Position adopted the separation of assets and liabilities between current and non-current, as indicated in paragraph 60 and thereafter of IAS 1.

The assets and liabilities are classified as current when they satisfy the following criteria:

- Assets/liabilities for which it is expected the sale or the utilization in the normal operating cycle, or
- Assets/liabilities principally held-for-trading, or
- Assets/liabilities that are expected to be realized/settled within twelve months of the reporting date.

Where none of these conditions apply, the assets/liabilities are classified as non-current.

### Consolidated Statement of Profit and Loss

The company has chosen to present the Statement of Profit and Loss adopting the classification by "nature of expense" as this is the most representative of the operations during the year and of its business structure.  This structure is in line with the internal management reporting procedures and international best practice for the sector.

### Consolidated Statement of Comprehensive Income

With the adoption of IAS 1 Revised the company decided to present the statement of comprehensive income in a separate statement.  The "comprehensive income statement", prepared in accordance with international accounting standards, shows the revenue and cost items which are not recorded in the income statement but recorded directly to equity.

### Consolidated Statement of Cash Flows

The Statement of Cash Flows is presented using the indirect method. The cash and cash equivalents included in the cash flow statement include the Statement of Financial Position captions at the reporting date. Interest income and expense, dividends received and income taxes are included in the cash flow generated from operating activities with the exception of interest matured on securities available-for-sale, included in financial cash flows generated from financial management.  The cash flow deriving from operating activities, investment activities, the change in the non-current financial position and short-term payables as well as current financial assets are shown separately.  Where not specified, the exchange gains and losses are classified under operating activities as these refer to the translation into Euro of trade receivables and payables.

### Statement of changes in consolidated shareholders' equity

The statement of changes in shareholders' equity illustrates the changes to the shareholders' equity accounts with regard to:

- allocation of the Company's profit for the year;
- amounts relating to transactions with shareholders (payment of dividends, purchase and sale of own shares, contributions received);
- each profit and loss account, net of any tax effects which, as required by IFRS is either directly recorded in equity (gains or losses on the purchase or sale of treasury shares) or is recorded in an equity reserve (share-based payments in relation to stock-option plans);
- movements in the cash flow hedge reserve, net of any tax effect;
- the effect deriving from changes in accounting standards.

### Consolidation scope

The consolidated financial statements of the Piovan Group include those of the Parent Company and its Italian and overseas subsidiaries.

Subsidiaries are those entities in which the Group exercises control, as defined by IFRS 10 - "Consolidated financial statements". Control exists when the Group has the power, directly or indirectly, to determine the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are consolidated from the date in which control occurs until the moment in which such control terminates and with reference to associated companies, from the date in which the significant influence is acquired until the date such influence ceases to exists.

Note [41] Other information in the Explanatory Notes outlines the companies included in the consolidation scope at December 31, 2020.

### Consolidation method

In the preparation of the consolidated financial statements, the following principles were applied:

• the assets and liabilities, the revenues and costs, of the consolidated companies are consolidated using the line-by-line method, eliminating the book value of the investments held by the parent company against the related shareholders' equity. Any differences are recognized in accordance with IFRS 10 "Consolidated Financial Statements" and IFRS 3 "Business Combination"; minority interests are recorded at the fair value of the assets and liabilities acquired without recording any goodwill;

- Group companies are deconsolidated when control no longer exists;
- in the preparation of the consolidated financial statements receivables and payables, revenues and costs and significant transactions with companies included in the consolidation are eliminated, including dividends distributed within the Group. Unrealized profits are also eliminated, as are profits and losses deriving from operations between Group companies.
- minority interest shareholders' equity is recorded in a specific account under equity; the minority interest share of the result is recorded in a separate account in the income statement;
- the translation into Euro of the financial statements of companies consolidated in foreign currencies is made adopting the average exchange rate of the period for the income statement items, and the exchange rate in force at the reporting date for the balance sheet items. The difference between the translation rate of the income statement items and the translation rate of the balance sheet items, in addition to the translation differences deriving from the change in the exchange rates between the beginning and the end of the year are recorded under equity.

In accordance with IFRS 10 paragraph 23 (transactions with shareholders) with regard to equity investments acquired subsequent to the acquisition of control (non-controlling interest acquisitions), any difference between the acquisition cost and the corresponding portion of equity acquired is recognized to Group equity; similarly, the effects from the sale of the non-controlling share without loss of control are recognized to equity.

On the other hand, the sale of a stake resulting in the loss of control determines the recognition to the income statement: (i) of any gain/loss calculated as the difference between the payment received and the corresponding share of the consolidated net equity sold; (ii) of the effect of the alignment to the relative fair value of any residual investment maintained; (iii) of any values recorded under other comprehensive income relating to the former subsidiary for which it is expected the reversal to the income statement.

The value of any investment maintained, aligned to the relative fair value at the date of loss of control, represents the new initial recognition value of the investment and therefore constitutes the value for subsequent measurement in accordance with the applicable criteria.

All the subsidiaries consolidated on a line-by-line basis end their financial year on December 31, with the exception of Piovan India Private Limited whose financial year closed on March 31. However, for the purposes of the preparation of the consolidated financial statements, the Indian subsidiary prepares a set of financial information in line with the financial year of the consolidating company.

The company decided not to proceed with the line-by-line consolidation of some investments in subsidiaries as they are not considered significant either individually or collectively and their recognition would not have any significant effect for the purposes of the correct representation of the balance sheet, Statement of Profit and Loss and financial position of the Group.

The subsidiaries excluded from consolidation are:

| Company | % of ownership as at 31.12.2020 | % of ownership as at 31.12.2019 |
|---|---|---|
| CMG America Inc. | 100% | 100% |

(**) CMG America Inc. is held by the company Universal Dynamics Inc.

The companies Doteco S.p.A. and Doteco Inc. have been included in the scope of consolidation following the October acquisition and as of the date nearest that of acquisition of the controlling interest, i.e. October 1, 2020. The effects of the acquisition are described in Note [2] Intangible assets.

The company Studio Ponte S.r.l. has also been consolidated beginning October 1, 2020, given that, following acquisition of the remaining 10% of Penta S.r.l., the Parent Company now indirectly controls 51% of the company through Penta S.r.l.. This change in the consolidation area did not have a significant impact as Studio Ponte S.r.l. was consolidated using the equity method in the previous year.

## Business combinations

Business combinations are recognized according to the acquisition method, as defined by IFRS 3 Business combinations.  According to this method, the amount transferred in a business combination is recognized at fair value, calculated as the sum of the fair value of the assets transferred and the liabilities assumed by the Group at the acquisition date and of the equity instruments issued in exchange for control of the company acquired. Transaction costs are recognized to profit or loss when they are incurred.

At the acquisition date, the assets and the liabilities acquired are recorded at fair value at the acquisition date; the following items form an exception, which are instead valued according to the applicable standard:

- Deferred tax assets and liabilities;
- Assets and liabilities for employee benefits;
- Liabilities or equity instruments relating to share-based payments of the company acquired or share-based payments relating to the Group issued to replace contracts of the entity acquired;
- Assets held-for-sale and discontinued assets and liabilities.

Goodwill is calculated as the excess of the amounts transferred in the business combination, of the value of non-controlling interest equity and the fair value of any holding previously held in the acquired company compared to the fair value of the net assets acquired and liabilities assumed at the acquisition date. If the value of the net assets acquired and the liabilities assumed at the acquisition date exceeds the sum of amounts transferred, of any minority interest and the fair value of any holding previously held in the acquired company, this excess is immediately recorded to the Statement of Profit and Loss as income deriving from the transaction concluded.

The share of equity attributable to non-controlling interests, at the acquisition date, is in proportion to the acquiree's recognized net assets, excluding any goodwill attributed (so-called partial goodwill method). Alternatively, the entire amount of goodwill generated by the acquisition is recorded considering also the share of non-controlling interests (full goodwill method). The choice in the determination method of the goodwill (partial goodwill method or full goodwill method) is made separately for each business combination. Where not otherwise specified the partial goodwill method is utilized.

Where control is acquired in several stages, the acquisition cost is determined through the sum of the fair value of the investment previously held in the investee and the total amount for the additional holding. The difference between the fair value of the investment previously held and the relative carrying amount is recorded in the income statement.

## Main accounting standards applied

The consolidated financial statements for 2020 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) endorsed by the European Commission and in force at the reporting date.

The preparation of the consolidated financial statements in accordance with IAS/IFRS requires management to make estimates and assumptions which have an impact on the amounts reported in the financial statements and the relative notes; actual results may differ from the estimates made. Please refer to the paragraph "Use of estimates" for a description of the areas most subject to the use of estimates.

In the preparation of these consolidated financial statements at December 31, 2020 the accounting standards adopted are those as utilized in the preparation of the consolidated financial statements at December 31, 2019, with the exception of that reported below.

## IFRS accounting standards, amendments and interpretations applicable to the Group and applied from January 1, 2020

- On October 31, 2018, the IASB published the document "Definition of Material (Amendments to IAS 1 and IAS 8)". The document modified the definition of "material" in IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. The amendment aims to provide a more specific definition of "material" and introduce the concept of "obscured information" alongside the concepts of omitted or misstated information previously included in the two amended Standards. The amendment clarifies that information is obscured if it is described in a way that results in an effect for the primary users of the financial statements similar to that which would have resulted if the information in question had been omitted or misstated. The adoption of this amendment does not have effects on the company's financial statements.

- On March 29, 2018, the IASB published an amendment to the "References to the Conceptual Framework in IFRS Standards". The amendment is effective from periods beginning on or after January 1, 2020, although early application is permitted. The Conceptual Framework defines the fundamental concepts for financial reporting and guides the Board in developing the IFRS standards. The document helps to ensure that the Standards are conceptually consistent and that similar transactions are treated in the same way, thus providing useful information to investors, lenders and other creditors. The Conceptual Framework supports companies in developing accounting policies when no IFRS standard is applicable to a particular transaction and, more generally, helps stakeholders to understand and interpret the Standards. The adoption of this amendment does not have effects on the company's financial statements.

- The IASB on September 26, 2019 published the amendment entitled "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform". The same amendment to IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement in addition to IFRS 7 - Financial Instruments: Disclosures. The adoption of this amendment does not have effects on the company's financial statements

- On October 22, 2018, the IASB published the document "Definition of a Business (Amendments to IFRS 3)". The document provides certain clarification on the definition of a business for the purposes of the proper application of IFRS 3. The amendments apply to all business combinations and acquisitions of activities after January 1, 2020, although advance application is permitted. The adoption of this amendment does not have effects on the company's financial statements.

- On May 28, 2020, the IASB published an amendment called "Covid-19 Related Rent Concessions (Amendment to IFRS 16)". The document establishes for lessees the option to account for the reductions in rents connected with COVID-19 without having to assess, through the analysis of contracts, whether the definition of lease modification of IFRS 16 has been complied with.  Therefore, lessees applying this option will be able to account for the effects of rent reductions directly in the income statement on the effective date of the reduction. This amendment applies to financial statements commencing on June 1, 2020, but the Company has made use of the option to apply this amendment earlier to January 1, 2020. The adoption of this amendment does not have effects on the company's financial statements.

IFRS and IFRIC standards, amendments and interpretations approved by the European Union, not yet mandatory and not adopted in advance by the Company at December 31, 2020

- On May 28, 2020, the IASB published an amendment called "Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)". The amendments allow the temporary exemption from the application of IFRS 9 to be extended until January 1, 2023 for insurance companies. The amendments will enter into force from January 1, 2021. The Directors do not expect this amendment to have a significant impact on the company's financial statements.

- on August 27, 2020, the IASB published, in light of the reform on interbank interest rates such as IBOR, the document "Interest Rate Benchmark Reform-Phase 2" which contains amendments to the following standards:

  - IFRS 9 Financial Instruments;

  - IAS 39 Financial Instruments: Recognition and Measurement;

  - IFRS 7 Financial Instruments: Disclosures;

  - IFRS 4 Insurance Contracts; and

  - IFRS 16 Leases.

All the amendments will enter into force from January 1, 2021. The Directors do not expect this amendment to have a significant impact on the company's financial statements.

### IFRS standards, amendments and interpretations not yet endorsed by the European Union

At the date of these financial statements, the relevant bodies of the European Union have not yet concluded the process necessary for the implementation of the amendments and standards described below.

- On May 18, 2017, the IASB published IFRS 17 - Insurance Contracts which replaces IFRS 4 - Insurance Contracts. The new standard ensures that an entity provides pertinent information which accurately presents the rights and obligations under insurance contracts. The standard is effective from January 1, 2023, although advance application is permitted, only for entities applying IFRS 9 – Financial Instruments and IFRS 15 - Revenue from Contracts with Customers. The Directors do not expect that the adoption of this standard will have a significant impact on the company's financial statements.

- On January 23, 2020, the IASB published an amendment entitled "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The purpose of the document is to clarify how to classify payables and other short or long-term liabilities. These amendments shall enter into force on January 1, 2023 and early application is permitted. The Directors do not expect that the adoption of this standard will have a significant impact on the company's financial statements.

- On May 14, 2020, the IASB published the following amendments:
    - amendments to IFRS 3 Business Combinations: the purpose of the amendments is to update the reference in IFRS 3 to the revised version of the Conceptual Framework, without changing the provisions of IFRS 3.
    - amendments to IAS 16 Property, Plant and Equipment: the purpose of the amendments is not to allow the amount received from the sale of goods produced during the testing phase of the asset to be deducted from the cost of the asset. These sales revenues and related costs will therefore be recognized to the income statement.
    - amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that in estimating the possible onerousness of a contract, all costs directly attributable to the contract must be considered.
    - annual Improvements 2018-2020: the amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.

All the amendments will enter into force from January 1, 2022. The Directors do not expect these amendments to have a significant impact on the company's financial statements.

## ACCOUNTING POLICIES

### Revenue and costs

Revenues and costs are accounted for on an accrual basis.

Revenues as per IFRS 15 must be recognized when the contractual obligations are fulfilled on the basis of the transaction price that the Company expects to receive as a result of the fulfilment of the obligation. The contractual obligations may be completed "over time", if the conditions of IFRS 15 are met, or "at a point in time".

The Group operates internationally in the following markets: Plastic & Non-Plastic Systems, Food Systems and Services and Spare parts as defined in the section "General Information". In the Plastics Systems market, the Group is among the world leaders in the design and production of plants and control systems for the automation of all phases of the plastics production cycle.

In order to provide the qualitative disclosures required by IFRS 15, it should be noted that the Group's revenues can also be broken down into:

- revenues from the sale of automation systems for the storage, transport and processing of plastics ("Plastic Systems") and automation systems for the storage and transport of food powders ("Food & no plastic Systems"): an analysis of the contracts usually entered into with customers show that there are two macro-categories of contracts in which to divide the revenues from the sale of plant and ancillary equipment according to how the performance obligations are met. In particular:
    - contracts in which performance obligations are met "at a point in time": this category includes sales of systems, plants and equipment, mainly in the Plastics Systems market. This category includes contracts that generally provide for a single performance obligation represented by the supply of the plant/equipment and others in which there are three performance obligations represented by (i) the design of machinery and engineering solutions and the production of plant and systems; (ii) installation and (iii) start-up and parameterization. In these types of contractual relationships, the Group recognizes revenues when the customer obtains control of the asset, normally identified, according to the contractual conditions, on shipment or delivery of the plant/product to the customer, while for the other two performance obligations the revenue is recorded when the service is provided. It is specified that, on average, systems/equipment belonging to this category require an execution time of between three and six months and that the general terms and conditions of sale provide for advance payments recorded under the item Advances from customers.
    - contracts in which the performance obligations are met "over time": typically these are the sale of certain plants in the Plastics Systems market and those in the Food Systems market with a high degree of customization required by customers and in which the contractual conditions provide that control of the asset is transferred to the customer either on testing or on installation. It is

considered that the contractual performance obligation is unique and that it is fulfilled over time since the product system has no alternative use for the company, being very specific and customized, and since the Group is entitled to receive a fee for what has been completed on the date in the event of cancellation of the order. Therefore the Group records the sales revenues of these plants in proportion to the progress on the performance obligation. In order to determine progress, an input method is used, i.e. the cost-to-cost method, which provides for the proportion of contract costs incurred for work carried out up to the reporting date to the total estimated contract costs. Estimates are based on contract forecasting and reporting data and, where necessary, estimates of contract revenues and costs are revised. Any economic effects are recognized in the period in which the updates are made. Generally, the execution time required for these installations is not more than one year and payments on account are foreseen.

Contract work in progress is stated net of advances concerning the contract in course of execution. Given that the analysis is carried out contract by contract, the statement of financial position recording is as follows: when the costs incurred, increased by the related margins recorded, exceed the advances received from customers, the difference is recognized as an amount due from customers under assets in the item Assets for contract work in progress, when the advances received from customers exceed the costs incurred, increased by the related margins recorded, the difference is recognized as an amount due to customers under liabilities in the item Liabilities for contract work in progress.

- revenue from spare parts sales: revenues from the sale of spare parts are recognized on the transfer of the goods. This normally takes place when the goods are shipped or delivered.
- revenues for technical assistance services: service revenues are recognized on completion and/or maturation.

In accordance with IAS 38 "Intangible Assets", advertising and research costs fully expensed to the income statement.

### Interest

Income and expenses are recorded on an accrual basis with regard to interest accrued on the net value of financial assets and liabilities using the effective interest rate.

### Dividends

They are recorded when the right of the shareholders to receive the payment arises, which normally occurs at the shareholders' meeting for the distribution of dividends. The distribution of dividends is therefore recorded as a liability in the financial statements in the period in which the distribution is approved by the Shareholders’ Meeting.

## Income taxes

Taxes are determined by applying the regulations in force or substantially in force in the countries in which the Group carries out its activities; current tax liabilities are recorded in the Statement of financial position net of any payments on account.

A provision is recorded on those tax aspects for which the determination of taxes is subject to uncertainty, but for which the future payment to the tax authorities is considered probable. The provisions represent the best estimate of the amount that is expected to be paid. The assessment is made by the administrative department, which has previous experience in the tax field and in some cases with the support of external tax consultants.

Deferred tax assets and liabilities reflect the temporary differences between the value attributed to an asset or liability in accordance with IAS/IFRS and the value attributed to them for tax purposes, valued on the basis of the tax rates in force or substantially in force for future years. Deferred tax assets are recognized only if there is a likelihood of their recoverability, i.e. when it is considered probable that there will be future taxable income to use them. Deferred taxes are always recognized except for certain situations that are not in line with IAS 12 "Taxes" as in the case of the recognition of goodwill or if the temporary difference arises from the initial recognition (in addition to a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor profit for the year. Deferred tax assets and liabilities are offset when there is a legal right to offset current tax receivables and payables and when they relate to income taxes applied by the same tax authority and the Group intends to settle the receivables and payables on a net basis. The Company does not offset deferred tax assets against deferred tax liabilities. Deferred taxes on the tax-suspended reserves of the consolidating company are recorded in the year in which the liability relating to the payment of the dividend is recorded.

Deferred tax liabilities are recognized on taxable differences arising from investments in subsidiaries and associates, unless the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are recognized only to the extent that it is probable that there will be sufficient taxable profits against which the benefits of the temporary difference can be used and are expected to reverse in the foreseeable future.

## Translation of balances in foreign currencies

The receivables and payables originally expressed in foreign currencies are converted into Euro at the exchange rate of the relative transactions. The differences arising on the collection of receivables and settlement of payables in foreign currencies are recorded in the income statement.

Revenues and income, costs and charges related to currency transactions are recorded at the exchange rate at the transaction date.

At the end of the period the assets and liabilities measured in foreign currencies, with the exception of non-current non-monetary assets (which maintain the carrying value of the transaction date) are recorded at the exchange rates at the reporting date and the relative gains or losses on exchange are recorded in the income statement.

The main exchange rates (currency for 1 euro) used to translate the financial statements in currencies other than the euro for the years ended December 31, 2020, and December 31, 2019 (comparative data), are summarized below:

| Currency | | Average rate | | Closing rate | |
|---|---|---|---|---|---|
| | | 31.12.2019 | 31.12.2020 | 31.12.2019 | 31.12.2020 |
| BRL | Brazilian Real | 4.4134 | 5.8943 | 4.5157 | 6.3735 |
| CAD | Canadian Dollar | 1.4855 | 1.5300 | 1.4598 | 1.5633 |
| CZK | Czech Koruna | 25.6705 | 26.4551 | 25.4080 | 26.2420 |
| CNY | Yuan Renminbi | 7.7355 | 7.8747 | 7.8205 | 8.0225 |
| GBP | Pound Sterling | 0.8778 | 0.8897 | 0.8508 | 0.8990 |
| HUF | Forint | 325.2967 | 351.2494 | 330.5300 | 363.8900 |
| MXN | Mexican Peso | 21.5565 | 24.5194 | 21.2202 | 24.4160 |
| USD | US Dollar | 1.1195 | 1.1422 | 1.1234 | 1.2271 |
| THB | Baht | 34.7570 | 35.7080 | 33.4150 | 36.7270 |
| INR | Indian Rupee | 78.8361 | 84.6392 | 80.1870 | 89.6605 |
| TRY | Turkish Lira | 6.3578 | 8.0547 | 6.6843 | 9.1131 |
| AED | UAE Dirham | 4.1113 | 4.1947 | 4.1257 | 4.5065 |
| JPY | Yen | 122.0058 | 121.8458 | 121.9400 | 126.4900 |
| VND | Dong | 26,003 | 26,534 | 26,033 | 28,331 |
| MAD | Dirham Marocco | 10.766 | 10.824 | 10.781 | 10.919 |
| KRW | Won sud | 1,305.32 | 1,345.58 | 1,296.28 | 1,336.00 |

Any goodwill or recognition of adjustments to the fair value of net assets on the acquisition of foreign subsidiaries with a functional currency other than that of the parent company must be expressed in the functional currency of the foreign subsidiary and translated at the year-end exchange rate (in accordance with the general rules for translating financial statements with functional currencies other than those of the parent company).

### Property, plant & equipment

Property, plant & equipment are recognized at historical cost, including directly allocated accessory costs and those necessary for bringing the asset to the condition for which it was acquired.

Maintenance and repair expenses, which do not increase the value and/or extend the residual useful life of the asset are expensed in the year in which they are incurred; where they increase the value and/or extend the residual life of the assets, they are capitalized.

Tangible assets are presented net of accumulated depreciation and any losses in value, calculated as described below. Depreciation is calculated on a straight- line basis over the estimated useful life of the asset. This period is reviewed annually and any changes are made on a prospective basis.

The depreciation rates used are as follows:

| | |
|---|---|
| Industrial buildings | from 3% to 5% |
| Plant & machinery: | from 5% to 15.5% |
| Industrial and commercial equipment: | from 12% to 20% |

Land has an indefinite useful life and is therefore not subject to depreciation.

Assets held through leasing contracts, as provided for by IFRS 16, through which the Company holds the right to use the asset, are recognized as assets by the Company, under “right-of-use", at their cost, which includes the present value of the minimum lease payments due, any payment or contribution received even before the commencement date, direct initial costs, estimate of the costs that will have to be incurred for the restoration, dismantling, removal of the underlying asset in accordance with the contractual conditions.

The corresponding liability to the lessor, equal to the present value of payments due for the lease and not paid at the date of initial recognition, is recognized under financial payables. If the lease transfers ownership of the underlying asset to the Company (in those cases where the Company is the lessee) at the end of the lease term or if the cost of the asset consisting of the right of use reflects the fact that the Company will exercise the purchase option, the Company will amortize the asset consisting of the right of use from the effective date until the end of the useful life of the underlying asset. If this is not the case, or if no transfer is envisaged, the asset consisting of the right of use is amortized, from the date of commencement of the lease, over the shorter of the useful life of the asset consisting of the right of use and the duration of the lease.

For the purposes of presentation in the balance sheet, assets consisting of the right of use shall be included under the same item as the corresponding underlying assets if they were owned. Liabilities relating to leasing are classified under "Current financial liabilities" and "Non-current financial liabilities".

At the time of sale, or when there are no expected future economic benefits from the use of an asset, it is eliminated from the financial statements and any loss or profit (calculated as the difference between sale’s price and book value) is charged to the Statement of profit and loss in the year of its elimination.

### Goodwill

Goodwill under intangible assets is related to business combinations and is determined, as more fully described in the paragraph "Business combinations", as the excess of the sum of the consideration transferred in the business combination, the value of equity attributable to non-controlling interests and the fair value of any previously held interest in the acquired company over the fair value of the net assets acquired and liabilities assumed at the acquisition date. The share of equity attributable to non-controlling interests, at the acquisition date, is in proportion to the acquiree’s recognized net assets.

Goodwill is not amortized; an impairment test is undertaken annually to verify any loss in value, or more frequently if specific events or changed circumstances indicate the possibility of an impairment, in accordance with IAS 36 “Impairment of assets”.

For the purpose of the impairment test, goodwill is allocated to each of the Group's cash generating units (or groups of cash generating units) that are expected to benefit from the synergies of business combinations. As specified above in the paragraph “Main accounting policies applied", for goodwill arising from acquisitions prior to the transition date (January 1, 2015), the Company availed of the exemption allowed by IFRS 1 and determined the deemed cost of goodwill.

### Other intangible assets

These are identifiable non-monetary assets, without physical substance, subject to the control of the company, capable of bringing future economic benefits to the company. They are initially recognized at cost when they can be reliably measured in the same way as property, plant and equipment.

These assets are subsequently recorded net of accumulated depreciation and any impairment losses. The useful life is reviewed periodically and any changes, where necessary, are made in accordance with future estimates. Any internally generated intangible assets are capitalized, within the limits and under the conditions set forth in IAS 38.

The estimated average useful life is between 3 and 10 years.

The gains and losses deriving from the disposal of intangible assets are determined as the difference between the disposal amount and the carrying amount of the asset and are recorded in the Statement of profit and loss at the moment of the disposal.

### Impairment of non-financial assets

Assets subject to depreciation are subjected to an impairment test if there are events or circumstances indicating that the carrying amount cannot be recovered (trigger event). In both cases, any impairment is recorded at the amount of the book value that exceeds the recoverable value. This latter is the higher between the fair value of the asset less costs to sell and its value in use. When it is not possible to determine the value in use of an asset individually, the recoverable amount of the cash generating unit (CGU) to which the asset belongs must be determined. Assets are grouped at the smallest level for which there are independent cash flows and the Group then calculates the present value of estimated future cash flows for the CGU by applying a discount rate that reflects current market assessments of the time value of money and risks of the asset.

Subsequently, when a loss on an asset reduces, other than goodwill, the book value of the asset or of the cash-generating unit of cash flows is increased, up to the new estimate of the recoverable value but may not exceed the value of the asset had the impairment not being recorded.

The reversal of a loss in value is immediately recorded in the income statement.

### Investments

Investments in associated companies and joint ventures are measured using the equity method while other investments are measured as per IAS 9.

### Financial assets

Initially all the financial assets are recorded at fair value. In the case of assets other than those valued at fair value with changes recorded in the Income Statement, the fair value is increased by accessory costs. On subscription, the Group assesses whether a contract contains embedded derivatives. The embedded derivatives are separated from the host contract if this is not valued at fair value when the analysis shows that the economic characteristics and the risks of the embedded derivative are not strictly correlated to the host contract.

The Company determines the classification of its financial assets after the initial recording and, where appropriate and permitted, reviews this classification at the end of each reporting period.

All purchases and sales of financial assets are recorded at the transaction date, or on the date on which the Company undertakes to purchase the asset.

IFRS 9 provides for the classification of financial assets, on the basis of the cash flow characteristics of the instrument and the business model used by the entity:

- Amortized cost: the financial asset is held in order to collect the contractual cash flows, which are represented exclusively by the payment of interest and the return of the principal;
- Fair value through OCI (FVTOCI): The asset is held in order to collect the contractual cash flows, both those deriving from the possible sale of the assets, which are represented exclusively by the payment of interest and the return of the principal;
- Fair value through PL (FVTPL): financial assets other than the above.

IFRS 9 replaces the rules on which IAS 39 was based:

- the elimination of the category of instruments held to maturity, the so-called Held To Maturity (HTM);
- elimination of the category Available For Sale (AFS) instruments;
- elimination of the separate recognition (i.e. bifurcated) of derivatives embedded in financial assets;
- changes in the fair value of financial liabilities measured at Fair Value Through Profit or Loss (FVTPL) attributable to changes in the issuer's credit risk are recognized in Other Comprehensive Income (OCI) instead of in the income statement;
- the elimination of the possibility (limited exemption) of measuring unlisted equity investments at cost instead of at fair value, in the rare circumstance that the amount of

fair value is within a significant range and the probability that the various assumptions cannot be reliably verified.

In relation to the loss in value of the financial assets, IFRS 9 requires the application of a model based on expected credit losses, instead of based on the losses on receivables already incurred required by IAS 39. The differing model based on expected losses on receivables requires the Company and the Group to consider these losses and their changes and at each reporting date to reflect changes in the credit risk since the initial recognition of the financial asset. In other words, it is no longer necessary that an event occurs to put in doubt the recoverability of the receivable before the recognition of a doubtful debt.

This rule applies to:

- Investments in debt instruments valued subsequently at amortized cost or FVTOCI;
- Financial lease receivables;
- Trade receivables and contract work-in-progress;
- commitments to issue loans and guarantee contracts to which the reduction in value provisions of IFRS 9 apply.

In particular, IFRS 9 requires that the Group measures the provision to cover the losses of a financial asset at an amount equal to the expected losses over the lifetime of the receivable (lifetime expected credit losses, ECL), where the credit risk of this financial asset is significantly increased after initial recognition, or where the financial instrument is an acquired or arising deteriorated financial asset. Therefore, where the credit risk of a financial instrument has not increased significantly after initial recognition (except for an acquired or arising deteriorated financial asset), the Group should measure the coverage of losses provision for the financial instrument for an amount equal to the expected credit losses from a default event in the 12 subsequent months (12-months expected credit losses). IFRS 9 in addition, in such circumstances, requires the adoption of a simplified method to measure the provision for the coverage of losses for the trade receivables, the contract assets and the finance lease receivables, estimating the lifetime expected credit losses.

### Inventories

Inventories are stated at the lower of purchase and/or production cost, determined by the weighted average cost method, and the net realizable value. Purchase cost includes ancillary charges; production cost includes directly attributable costs and a portion of indirect costs, reasonably attributable to the products.

With regard to work in progress, the valuation was carried out at the weighted average cost for the year, including ancillary charges attributable to the production process, taking into account the progress of the work carried out.

Obsolete and/or slow-moving inventories are written down in relation to their expected future utilization through the recording of an obsolescence provision.

The write-downs made are restored in future years should the reason for the write-down no longer exist.

### Assets and liabilities for contract work in progress

As previously described in the Revenues and costs section, these items arise with reference to the execution of contracts in which the recognition of revenues takes place over time. For these contracts, the Group records sales revenues in proportion to the progress of the performance obligation, which is measured using the cost-to-cost method. Given that the analysis is carried out contract by contract, the recording in the Statement of financial position is as follows: when the costs incurred, increased by the related margins recorded, exceed the advances received from customers, the difference is recognized as an amount due from customers under assets in the item Assets for contract work in progress, when the advances received from customers exceed the costs incurred, increased by the related margins recorded, the difference is recognized as an amount due to customers under liabilities in the item Liabilities for contract work in progress.

### Trade receivables

Receivables are initially recorded at fair value, which corresponds to their nominal value, and subsequently measured at amortized cost and reduced in the event of impairment. In addition, they are adjusted to their estimated realizable value by recording a specific adjustment provision in accordance with IFRS 9.

Receivables in foreign currencies are recorded at the transaction exchange rate and, subsequently, translated at the year-end rate. The gain or loss resulting from translation is recognized in Statement of profit and loss under Exchange gains/(losses).

### Cash and cash equivalents

These include those amounts which are available on demand at short notice (original duration up to three months), certain in nature and with no payment expenses.

### Employee benefits

This item includes the provision for employee severance indemnities ("TFR") and the other provisions for employee benefits envisaged by IAS 19 "employee benefits". As a defined benefit plan, TFR is recognized on the basis of valuations made at the end of each financial year by independent actuaries. The liability recorded in the Statement of financial position represents the present value of the obligation payable at the end of the employment relationship, which employees have accrued at the reporting date calculated taking into account the results obtained by applying the projected unit credit method. As a result of Law No. 296/06, which amended the system of employee severance indemnities payable to employees, the severance indemnities accruing from January 1, 2007 now form a defined-contribution plan (defined contribution plan, using the terminology provided by IAS 19), both in the case of allocation to the treasury fund at the INPS (National Social Security Institute) and in the case of a supplementary pension option. The provision accrued up to December 31, 2006 remains a "defined benefit plan" with the consequent need to make actuarial calculations which, however, must exclude the component relating to future salary increases. It should be noted that there are no assets serving the plan. Actuarial gains and losses are recognized in full in the period in which they arise and, in accordance with IAS 19 as amended, from 2015 these gains and losses are recognized directly in the comprehensive income statement.

### Provisions for risks and charges

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", provisions are recognized: (i) when there is an obligation (legal or constructive) resulting from a past event, (ii) it is probable that resources will be used to settle the obligation and (iii) a reliable estimate can be made of the amount resulting from the settlement of the obligation. Changes in estimates between one year and the next are charged to the income statement.

If the financial effect linked to time is significant and the dates of payment of the obligation can be reliably estimated, the provision is shown at present value. The subsequent change linked to the passage of time is recorded in the Statement of profit and loss under financial components.

For possible but not probable risks, no provision is made but an adequate description is provided in the Notes.

### Trade payables and other current liabilities

Trade payables and other current liabilities, whose due dates fall within normal commercial terms, are initially recorded at fair value, identified by their nominal value, and are not discounted. If the maturity date is not within normal commercial terms, the financial component is separated using an appropriate market rate.

### Financial liabilities

Financial liabilities are recognized at initial fair value and measured at amortized cost. IFRS 9 allows, like IAS 39, to opt for the measurement of financial liabilities on the basis of the FVTPL criterion (in order to manage the effects of an accounting mismatch or in the case of an embedded derivative that is not separated from the financial liability). It should be noted that the latter method is mandatory for derivatives with a negative balance.

Financial liabilities are classified under current liabilities unless the Company has an unconditional right to defer their payment for at least twelve months after the reporting date, and are removed from the financial statements when they are extinguished when the Company has transferred all risks and charges relating to the instrument.

### Liabilities for options granted to minority shareholders

In cases where less than 100 per cent of the shares of a subsidiary in a business combination are acquired, a put option may be granted to the seller allowing the seller to sell its remaining interest in the subsidiary to the acquirer at a specified price. As already described, the acquisition of control of a business is recognized in accordance with IFRS 3 Business Combinations. With regard to the put option granted, regardless of whether the exercise price of the put option is a fixed or variable price, in accordance with IAS 32 (paragraph 23) a liability is recognized at a value equal to the present value of the amount that could be required to be paid to the counterparty. On initial recognition, the value of the liability arising from put options is recorded as a reduction in Group equity. Subsequent changes in the fair value of the liability are recognized in the income statement. The Group also continues to recognize the non-controlling interests in the result for the year and in shareholders' equity until the put option is exercised.

### Stock Grants

The Group has granted incentive plans based on equity-settled instruments and cash-settled incentives, on the basis of which the Group receives services from its employees, collaborators or directors with delegated powers (excluding the executive chairman). These incentive plans are recognized and measured in accordance with IFRS 2.

### Use of estimates

When preparing these consolidated financial statement, the Directors had to apply accounting policies and methods which, in some circumstances, are based on difficult, subjective evaluations, or on past experience or on assumptions that are, periodically, considered reasonable and realistic depending on the relevant circumstances. The application of these estimates and assumptions impact upon the amounts reported in the financial statements, such as the financial situation and balance sheet, the income statement and the cash flow statement, and on the disclosures in the notes to the accounts.

The final outcome of the valuations for which the above estimates and assumptions were used may differ from those reported in the financial statements because of the uncertainty that characterizes the assumptions and the conditions on which the estimates are based.

The items that, given their nature, have provided for greater recourse by the Directors to the use of estimates and for which a change in the conditions underlying the assumptions used may have an impact on the consolidated financial statements are as follows:

- Liabilities for put options granted to minority shareholders: the conditions under which these liabilities exist and their valuation, depending on the contractual provisions, may be based on estimated future forecasts of economic and financial parameters which are characterized by the inherent uncertainty in the assumptions and conditions on which these estimates are based;

- Impairment test on goodwill: this test is used to assess the recoverability of goodwill allocated to cash generating units. The allocation of goodwill to cash generating units and the determination of its value in use requires the use of estimates that depend on factors that may change over time.

It should also be noted that the forecasts on the basis of which the financial statements have been reviewed in order to consider the extraordinary circumstances resulting from the COVID-19 pandemic, which emerged in early 2020.

### Impairment test for goodwill

The Group tests goodwill for impairment at least once a year. For the purposes of this test, the recoverable value generated by the cash generating units (CGUs) was determined as value in use using the discounted cash flow method. When applying this method, the Group uses various assumptions, including an estimate of future increases in sales, operating costs, the growth rate of terminal values, capex, changes in working capital and the weighted average cost of capital (discount rate).

Changes in the main estimates and assumptions in the preparation of the forecast data relating to the CGU’s used for the test, as well as the other variables, could change the value in use and the result of the realizable value of the assets recorded.

### Doubtful debt provision

The doubtful debt provision reflects management’s estimate on losses on the client portfolio for both direct customers and the sales network. The estimate of the doubtful debt provision is based on the expected losses by the Group, determined based on past experience for similar receivables, current and historic amounts overdue, losses incurred and collections, careful monitoring of the credit quality and projections on economic and market conditions and on the estimate of the losses based on the expected losses model. An economic and financial crisis could lead to a further deterioration of the financial conditions of the Group's debtors compared to that already taken into account in the quantification of the provisions recorded in the consolidated financial statements.

### Inventory obsolescence provision

The inventory obsolescence provision reflects management estimates on the expected losses in value by the Group, determined based on past experience, the historic trend and market expectations. A deterioration in the general economic and financial conditions could result in a further worsening of the market conditions compared to that already taken into consideration in the calculation of the provisions recorded in the consolidated financial statements.

### Fair value estimate

IFRS 13 is the only source of reference for fair value measurement and for the relevant information when such a measurement is required or permitted by other accounting standards. The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 establishes a fair value hierarchy that classifies the valuation technique inputs used to measure fair value in three levels. The levels provided for, in hierarchical order, are as follow:

- Level 1 inputs: are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs: are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs: are unobservable inputs for the asset or liability.

For information on the valuation techniques applied, please refer to the specific notes to assets and liabilities.

## INFORMATION ON RISKS AND FINANCIAL INSTRUMENTS

The accounting policies applied when preparing the consolidated financial statements in relation to financial instruments are described in the section “Measurement criteria”.

Group operations are exposed to a series of financial risks which may impact the balance sheet/financial position, the result and the cash flows, through the relative impact on financial instrument transactions.

These risks may be summarized as follows:

a) credit risk;

b) liquidity risk;

c) market risk (foreign exchange risk, interest rate risk and other price risks).

Overall responsibility for the creation and supervision of the Group’s financial risk management system lies with the Board of Directors. The various organization units functionally responsible for the operational management of each type of risk report to the Board of Directors.

Under guidelines issued by the Board of Director and for each specific risk, these units define the tools and techniques to cover the risks and/or transfer them to third parties (insurance) and evaluate risks neither covered nor insured.

The level of the Group’s exposure to the various categories of financial risk identified is commented upon below.

### Credit risk

The Group operates on various national markets with a large number of medium and large-sized customers, mainly end customers in the various countries. Consequently, the Group is exposed to credit risk linked to the ability of its customers to settle the amounts due.

The Group applies a policy based on the credit ratings and credit limits for its customer base and the periodic issue of standard reports, in order to achieve a high degree of control over debt collection.

Each company of the Group directly manages the collection of receivables on sales made in the respective markets and their possible recovery, also through the activation of legal actions. Coordination between companies operating in the same market (e.g. Italian companies) is based on the electronic exchange of information relating to common customers and through coordination on the possible blocking of deliveries or the initiation of legal action.

The doubtful debt provision is recorded on the nominal value of the portion considered uncollectible after deducting the receivables backed by bank guarantees. All guarantees are critically assessed with regard to collectability.

### Liquidity risk

The Group's overall debt, mainly relating to Piovan S.p.A., is partially fixed-rate to take advantage of the opportunities currently offered by the interest rate market for medium/long-term loans. Given the high level of liquidity available, the Group has a limited risk with regard to short-term maturities and therefore the risk associated with interest rate fluctuations is essentially linked to the portion of medium/long-term loans expressed at variable rates.

The Group deals mainly with well-known and reliable customers; it is the Group's policy to subject the positions of customers who request payment extensions to the credit line and to constantly monitor them. In addition, the Group's activities are characterized by customer advances against orders placed, which significantly reduces the financial requirements related to working capital.

The Group has a positive net financial position and has been able to generate positive cash flows that are considered sufficient to finance both its growing operations and investments. Expectations for future years are consistent with this historical trend and therefore the liquidity risk is considered limited overall.

For the information required by IFRS 7 on the cash flows relating to the Group's financial liabilities by maturity, please refer to note [16]

### Market risk linked to the exchange rate

As the Group’s business is undertaken in various countries around the world, it is exposed to the risk of foreign exchange fluctuation. The exchange rate risk arises mainly from transactions involving the US dollar, the Chinese renminbi, the British pound, the Brazilian real and the Canadian dollar against the euro. Transactions between the Parent Company and the subsidiaries are generally carried out in the local currency of the subsidiary, therefore the individual companies are not significantly exposed to exchange rate risk, which is nevertheless transferred to the consolidated financial statements, with an impact on margins and net income.

The Parent Company carries out transactions (typically sales) in currencies other than its functional currency. The Group does not currently carry out hedging policies either with reference to the economic effects of purchase and sale transactions in foreign currency or with reference to exchange rate differentials that arise between the time of invoicing in a currency other than that of account in each country and the time of collection or, to a lesser extent, of payment.

In addition, the Parent Company holds equity investments in subsidiaries whose financial statements are in foreign currency. Changes in equity due to exchange rate fluctuations are recorded in the “Translation reserve”. The risk resulting from the translation of equity is not currently hedged by the Group.

The following table summarizes the exposure relating to foreign currency assets and liabilities while showing the most important currencies for each year:

| 31.12.2020 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| €/000 | EUR | USD | CNY | BRL | MXN | THB | GBP | CAD | Others currency | Total |
| **Total assets** | 191,800 | 27,125 | 12,031 | 8,165 | 5,378 | 7,078 | 7,274 | 4,126 | 6,771 | **269,748** |
| **Total liabilities** | 143,821 | 14,115 | 5,899 | 5,539 | 3,533 | 6,841 | 7,041 | 1,355 | 6,989 | **195,134** |

| 31.12.2019 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| €/000 | EUR | USD | CNY | BRL | MXN | THB | GBP | CAD | Others currency | Total |
| **Total assets** | 151,647 | 26,642 | 10,479 | 9,447 | 5,915 | 5,726 | 3,508 | 3,708 | 6,729 | **223,801** |
| **Total liabilities** | 106,604 | 20,105 | 5,471 | 5,459 | 5,047 | 5,883 | 2,588 | 1,265 | 6,229 | **158,650** |

The table below provides a sensitivity analysis of revenues to the risk arising from the translation into euros of revenues generated in currencies other than the euro, for changes of around + /- 10% compared with the average exchange rate for the year.

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| **Net revenues** | **Current Forex in €** | **Forex +10%** | **Forex -10%** | **Current Forex in €** | **Forex +10%** | **Forex -10%** |
| EUR - Euro | 142,801 | 142,801 | 142,801 | 151,058 | 151,058 | 151,058 |
| USD - US Dollar | 42,393 | 38,327 | 46,844 | 47,338 | 43,025 | 52,586 |
| CNY - Renminbi | 11,475 | 10,417 | 12,732 | 12,180 | 11,073 | 13,533 |
| BRL – Real | 6,521 | 5,928 | 7,246 | 8,158 | 7,417 | 9,065 |
| GBP - Pound sterling | 6,770 | 6,155 | 7,522 | 4,213 | 3,830 | 4,682 |
| THB – Bath | 3,772 | 3,429 | 4,191 | 1,525 | 1,387 | 1,695 |
| TRY - Turkish lira | 809 | 736 | 899 | 825 | 750 | 917 |
| INR - Indian rupee | 485 | 441 | 539 | 856 | 778 | 951 |
| JPY - Japanese yen | 88 | 80 | 98 | 76 | 69 | 84 |
| CAD - Canadian dollar | - | - | - | - | - | - |
| MXN - Mexican peso | 113 | 147 | 180 | 31 | 28 | 34 |
| AED - United Arab Emirates dirham | 24 | 22 | 27 | 25 | 23 | 28 |
| VND - Vietnamese Dong | 83 | 75 | 92 | 180 | 164 | 200 |
| HUF - Hungarian forint | 60 | 55 | 67 | 198 | 180 | 220 |
| CSK - Czech Koruna | 214 | 194 | 237 | 225 | 205 | 250 |
| KRW - South Corean Won | 5,497 | 4,998 | 6,108 | 1,635 | 1,487 | 1,817 |
| MAD - Dirham | 13 | 12 | 14 | 2 | 2 | 2 |
| **TOTAL** | **221,117** | **213,816** | **229,597** | **228,526** | **221,473** | **237,121** |

The table below provides a sensitivity analysis of the profit before taxes to the risk arising from the translation of financial statements denominated in currencies other than the euro, for changes of around + /- 10% compared with the average exchange rate for the year.

| | 31.12.2020 | | | 31.12.2019 | | |
|---|---|---|---|---|---|---|
| **Profit before taxes** | **Current Forex in €** | **FX +10%** | **FX -10%** | **Current Forex in €** | **FX +10%** | **FX -10%** |
| EUR - Eur | 17,812 | 17,812 | 17,812 | 23,452 | 23,452 | 23,452 |
| SGD | - | - | - | | | |
| USD - US Dollar | 1,991 | 1,810 | 2,212 | 267 | 243 | 297 |
| CNY - Renminbi | 1,855 | 1,687 | 2,061 | 612 | 557 | 680 |
| BRL - Real | 79,000 | 72,000 | 88,000 | 236 | 215 | 262 |
| GBP - Pound sterling | 390,000 | 354,000 | 433,000 | 163 | 148 | 181 |
| THB - Bath | 448,000 | 407,000 | 498,000 | 120 | 109 | 134 |
| TRY - Turkish Lira | 168,000 | 153,000 | 186,000 | (4) | (4) | (4) |
| INR - Indian rupee | 116,000 | 105,000 | 129,000 | 306 | 278 | 340 |
| JPY - Japanese Yen | (46,000) | (42,000) | (51,000) | 67 | 61 | 75 |
| CAD - Canadian dollar | 681,000 | 619,000 | 757,000 | 731 | 665 | 813 |
| MXN - Mexican peso | 1,180 | 1,073 | 1,311 | 115 | 105 | 128 |
| AED - United Arab Emirates dirham | 133,000 | 121,000 | 148,000 | 108 | 98 | 120 |
| VND- Dong | (16,000) | (14,000) | (18,000) | 54 | 49 | 60 |
| HUF- Hungarian forint | 26,000 | 24,000 | 29,000 | 10 | 9 | 11 |
| KRW | (1,145) | (1,040) | (1,272) | (185) | (168) | (205) |
| MAD | 51,000 | 47,000 | 57,000 | 17 | 16 | 19 |
| CSK - Czech Koruna | 267,000 | 243,000 | 297,000 | 186 | 169 | 207 |
| **TOTAL** | **23,991** | **23,430** | **24,678** | **26,257** | **26,002** | **26,569** |

However, as the Company prepares its consolidated financial statements in Euro, fluctuations in the exchange rates used to convert the financial statements of subsidiaries, originally expressed in foreign currency, could affect the Group's economic and financial situation.

### Market risk related to interest rate

The interest rate risk is the risk that the value of a financial instrument and/or the level of cash flows generated by it might change due to fluctuation in market rates of interest.

Exposure to the interest rate risk arises from the need to finance operating activities, in terms of manufacturing activities and financing the acquisition of businesses, as well as the employment of available liquidity. Changes in market interest rates may have a negative or positive impact on the Group's result for the period, indirectly affecting costs and returns on financing and investment operations.

As described above, part of the Group's loans are at a fixed rate. This makes it possible to take advantage of the current extremely low level of interest rates. The Group has not put in place hedging instruments as, given the Group's high liquidity, it is believed that the risk of fluctuations in interest rates can still be adequately managed.

The following table shows an analysis of the sensitivity of interest expense to the risk arising from fluctuations in interest rates on floating rate loans, assuming an increase / decrease of 0.25% and 0.50% in interest rates.

| Interest expense on variable rate loans (€'000) | Interest expenses | +0.25% | +0.50% | -0.25% | -0.50% |
|---|---|---|---|---|---|
| **31.12.2019** | 32 | 56 | 80 | 9 | - |
| **31.12.2020** | 67 | 107 | 150 | 22 | - |

### Product and component price risk

The Group's exposure to price risk is not very significant, thanks to the specific nature of the range of products offered and the Group's competitive position in the marketplace.

### Risks associated with economic conditions

With regards to the risks related to the general economic conditions, at the end of February 2020, following the outbreak of the COVID-19 health emergency, the general economic environment significantly deteriorated as a result of the restrictions introduced by the governments of the countries involved. These developments, which are extraordinary in nature and extent, have had and continue to have direct and indirect repercussions on economic activity, giving rise to an environment of general uncertainty. For further details, reference should be made to the "Covid-19 Impacts" paragraph.

## [1] Property, plant and equipment

They amount to Euro 52,324 thousand at December 31, 2020 (Euro 52,430 thousand at December 31, 2019). They are composed as shown in the following tables, which also present the changes in 2020.

| CHANGES DURING THE PERIOD | Land and buildings | Plant and machinery | Industrial and commercial equipment | Other assets | Assets under construction and payments on account | Total |
|---|---|---|---|---|---|---|
| **Balance at 31st December 2019** | **37,537** | **9,713** | **696** | **4,231** | **252** | **52,430** |
| **of which:** | | | | | | |
| **- Historical cost** | **42,070** | **18,688** | **4,631** | **17,265** | **252** | **82,906** |
| **- Depreciation fund** | **(4,534)** | **(8,975)** | **(3,935)** | **(13,034)** | | **(30,478)** |
| **Changes in 2020** | | | | | | |
| - Additions | 305 | 437 | 412 | 585 | 3 | **1,742** |
| - IFRS16 effect | 3,471 | | | 598 | | **4,069** |
| - Change in consolidation scope (Historical cost) | 36 | 158 | 990 | 459 | | **1,643** |
| - Change in consolidation scope (Depreciation fund) | | (121) | (929) | (354) | | **(1,404)** |
| - Reclassifications (Historical cost) | 144 | 701 | | (643) | | **203** |
| - Reclassifications (Depreciation fund) | (122) | (366) | | 507 | | **19** |
| - Disposals (Historical cost) | (19) | (148) | (216) | (224) | | **(607)** |
| - Disposals (Depreciation fund) | 18 | 81 | 181 | 201 | | **481** |
| - Exchange rate differences (Historical cost) | (933) | (257) | (8) | (642) | | **(1,840)** |
| - Exchange rate differences (Depreciation fund) | 50 | 174 | 5 | 460 | | **689** |
| - Depreciation | (680) | (972) | (900) | (326) | | **(2,879)** |
| - Depreciation IFRS16 | (1,613) | (94) | | (514) | | **(2,220)** |
| **Balance at 31, December 2020** | **38,193** | **9,306** | **231** | **4,339** | **255** | **52,324** |
| **of which:** | | | | | | |
| **- Historical cost** | **45,074** | **19,580** | **5,808** | **17,056** | **255** | **87,774** |
| **- Depreciation fund** | **(6,881)** | **(10,274)** | **(5,578)** | **(12,717)** | **-** | **(35,450)** |

Increased rights-of-use of Euro 1,812 thousand were recognized due to the accounting as per IFRS 16 of the new long-term lease contracts signed in 2020. The acquisition of the Doteco Group also resulted in an increase in rights-of-use of Euro 2,423 thousand, mainly due to the accounting as per IFRS 16 of the lease contracts of the Italian company and its US subsidiary. These increases were summarized under the account change in consolidation scope.

The regional breakdown of tangible assets is as follows:

| Property, plant and equipment | 31.12.2020 | 31.12.2019 |
|---|---|---|
| EMEA | 42,406 | 40,553 |
| *- of which Italy* | *37,318* | *35,680* |
| NORTH AMERICA | 7,791 | 8,556 |
| *- of which the United States of America* | *7,506* | *8,346* |
| ASIA | 1,126 | 1,717 |
| SOUTH AMERICA | 1,002 | 1,604 |
| **Total** | **52,324** | **52,430** |

At December 31, 2020, property, plant and equipment are not burdened by mortgages or liens.

They are adequately covered against the risk of loss and/or damage through insurance policies with leading insurance companies.

Finally, no borrowing costs directly attributable to the acquisition, production or construction of tangible assets have been capitalized.

Below is a table with the changes in the year for each class of Right-of-Use:

| CHANGES DURING THE PERIOD | Land and buildings | Plant and machinery | Industrial and commercial equipment | Other assets | Total |
|---|---|---|---|---|---|
| **Balance at 31 December 2019** | **7,155** | **-** | **-** | **633** | **7,788** |
| **of which:** | - | - | - | - | - |
| **- Historical cost** | **8,082** | **-** | **-** | **954** | **9,036** |
| **- Depreciation fund** | **(927)** | **-** | **-** | **(321)** | **(1,248)** |
| - Changes 2020 | - | - | - | - | - |
| - Reclassification IAS 17 (Historical cost) | 10,659 | 1,870 | - | 1,184 | 13,713 |
| - Reclassification IAS 17 (Depreciation fund) | (4,962) | (1,630) | - | (1,027) | (7,619) |
| **- TOTAL IFRS16 movements** | **3,471** | **-** | **-** | **598** | **4,069** |
| *- New IFRS16 contracts* | *1,043* | - | - | *769* | ***1,812*** |
| *- Lease Term difference* | *(2)* | - | - | - | ***(2)*** |
| *- Changes evaluation UK (Historical fund)* | *(39)* | - | - | *16* | ***(23)*** |
| *- Changes evaluation UK (Depreciation fund)* | *11* | - | - | *(11)* | - |
| *- Change in consolidation scope (Historical cost)* | *2,458* | - | - | *79* | ***2,537*** |
| *- Disposals (Historical cost)* | - | - | - | *(597)* | ***(597)*** |
| *- Disposals (Depreciation fund)* | - | - | - | *342* | ***342*** |
| - Depreciation ex IAS 17 | (269) | (94) | - | (74) | (436) |
| - Depreciation | (1,344) | - | - | (440) | **(1,784)** |
| -Reclassifications | - | - | - | - | - |
| **Balance at 31, December 2020** | **14,710** | **146** | **-** | **875** | **15,731** |
| **of which:** | - | - | - | - | - |
| **- Historical cost** | **22,201** | **1,870** | **-** | **2,405** | **26,476** |
| **- Depreciation fund** | **(7,491)** | **(1,724)** | **-** | **(1,531)** | **(10,745)** |

## [2] Intangible assets

They amounted to Euro 27,529 thousand at December 31, 2020 compared to Euro 7,510 thousand at December 31, 2019. The breakdown of the movements are as follows:

| CHANGES DURING THE PERIOD | Goodwill | Industrial patent andintellectual property rights | Concessions, licences, trademarks and similar rights | Other intangible assets | Fixed assets under construction and advances | Total |
|---|---|---|---|---|---|---|
| **Balance at 31st December 2019** | **6,745** | **620** | **46** | **78** | **20** | **7,510** |
| **Changes in 2020** | - | - | - | - | - | - |
| - Additions | - | 279 | 4 | 100 | 35 | 418 |
| - Consolidation area change | 15,695 | - | 54 | 5,281 | - | 21,030 |
| - Disposals (Historical cost) | - | - | - | - | - | - |
| - Dismissioni (Fondo ammortamento) | - | - | - | - | - | - |
| - Exchange rate differences (Historical cost) | (282) | (1) | - | (31) | (6) | (320) |
| - Exchange rate differences (depreciation fund) | - | - | - | - | - | - |
| - Depreciation (Intangible Doteco) | - | (401) | (54) | (654) | - | (1,109) |
| - Depreciation | - | - | - | - | - | - |
| **Balance at 31, December 2020** | **22,158** | **497** | **50** | **4,774** | **49** | **27,529** |

The regional breakdown of intangible assets is as follows:

| Intangible Assets | 31.12.2020 | 31.12.2019 |
|---|---|---|
| EMEA | 24,145 | 3,065 |
| *- of which Italy* | *24,131* | *3,019* |
| NORTH AMERICA | 2,296 | 3,333 |
| *- of which the United States of America* | *3,050* | *3,333* |
| ASIA | 995 | 1,010 |
| SOUTH AMERICA | 93 | 102 |
| **Total** | **27,529** | **7,510** |

Goodwill at December 31, 2020 amounted to Euro 22,158 thousand compared to Euro 6,745 thousand at December 31, 2019. The goodwill mainly refers to:

- the acquisition of the US subsidiary Universal Dynamics Inc. ("Unadyn") in 2008;
- the acquisition of a controlling interest in Penta S.r.l. at the end of 2014;
- the acquisition of the subsidiary Progema S.r.l. in 2016;
- the acquisition of Energys S.r.l. in 2016;
- the acquisition of FEA Process in 2019;
- the acquisition of Toba PNC in 2019.
- the acquisition of the Doteco Group in 2020, as highlighted in the line "Changes in consolidation area", which, following the allocation of the price, resulted in the allocation of Know How and an order portfolio included in the "Other" item of the above movements.

| Goodwill | 31.12.2019 | Increase | Reclassification | Change in translation reserve | 31.12.2020 |
|---|---|---|---|---|---|
| UnaDyn | 3,333 | | | (282) | 3,051 |
| Penta and Progema | 1,872 | | (1,872) | | - |
| FEA | 274 | | (274) | | - |
| Food | - | | 2,146 | | 2,146 |
| Energys | 276 | | | | 276 |
| Toba Pnc | 982 | | | | 982 |
| Doteco | | 15,695 | | | 15,695 |
| Other goodwill | 8 | | | | 8 |
| **Total** | **6,745** | **15,695** | | **(282)** | **22,158** |

The Group has no goodwill which is tax deductible.

The change in the goodwill of UnaDyn derives from the change in the USD/Euro exchange rates at the end of each period and therefore these changes are a non-cash movement.

It should be noted that, unlike the approach used in the previous year, in consideration of the increasing integration, both economical and organizational, between the companies Penta, Progema and FEA, it was considered that these companies were regarded as a single CGU called "Food". This approach was adopted with regard to the long-term strategy of the three companies, which provides for an integrated offer in the systems market for the Food Area. The "Reclassification" column, therefore, shows the different approach adopted starting from December 31, 2020.

New amounts were recorded as a result of the goodwill arising from the acquisition of the Doteco Group.

### Information on the acquisition of the Doteco Group

On October 2, 2020 the parent company, Piovan S.p.A., announced the signing of the agreement to acquire 100% of Doteco S.p.A., closed on October 15, 2020. The company, based in Modena, was founded in 1994 and is currently among the world leaders in dosing technology for plastic films (for food and non-food packaging) and synthetic fibers. Doteco S.p.A. operates at the international level and its partners include the main extrusion producers at the global level.

The acquisition, which resulted in obtaining the control of Doteco group, reinforces and increase Piovan’s global technology leadership, consolidating the strategic growth process for which the Group has always been known. This integration will make it possible to combine Doteco’s film dosing technologies with Piovan’s feeding and storage automations, thereby contributing to enhancing the Group’s leadership in the supply of complete systems.

The transaction was carried out through a share purchase by Piovan S.p.A. for a provisional outlay of Euro 20,500 thousand. The contract provides for a price adjustment based on the value of the definitive NFP at the acquisition date (adjustment estimated at Euro 715 thousand), as well as an earn-out value of the maximum amount of Euro 7,000 thousand, to be calculated on the performance measured on 2020-2021 EBITDA.

The acquisition entailed the allocation to the acquired assets and liabilities assumed of the amount by which the price paid exceeded the relevant net assets of the Doteco Group (purchase price allocation), in accordance with IFRS 3 *Business Combinations*. The fair value of identifiable assets and liabilities at the acquisition date is as follows:

| €/000 | Fair Value at the acquisition date |
|---|---|
| **Assets** | |
| Property Plant & Equipement | 2,499 |
| Intangible assets | 5,366 |
| Of which: | |
| Know How | 4,107 |
| Order backlog | 623 |
| Investments | 6 |
| Deferred tax assets | 149 |
| Inventories | 3,751 |
| Trade Receivables | 3,005 |
| Tax credit | 890 |
| Other current assets | 186 |
| Cash and cash equivalent | 5,576 |
| **TOTAL ASSETS** | **21,428** |
| **Liabilities** | |
| Employee benefit plans | (1,330) |
| Provision for risk | (61) |
| Deferred tax liabilities | (1,320) |
| Of which: | |
| Tax effect on Know How | (1,146) |
| Tax effect on Order backlog | (174) |
| Other financial liabilities | (2,351) |
| Trade payables | (2,365) |
| Advances from customers | (215) |
| Tax liabilities and social security contributions | (592) |
| Other current liabilities | (674) |
| **TOTAL LIABILITIES** | **(8,908)** |
| **Fair value of net assets acquired** | **12,520** |
| **Goodwill acquired** | **15,695** |
| **Purchase price** | **28,215** |

As results of the purchase price allocation, intangible assets, such as know-how (non-patented technology) and order backlog, have been recognized.

Goodwill was determined on a residual basis as the difference between the total consideration of the business combination and the fair value of the assets and liabilities acquired, deemed recoverable by the Directors in consideration of the estimated cash flows expected from the investment.

The Directors have planned to amortize the value of the order backlog over a period of 9 months and Know How (non-patented technology) over five years.

The net cash flow resulting from the acquisition is as follows:

| (€/000) | |
|---|---|
| Net cash estimated at September 30, 2020 | 5,500 |
| Estimated purchase price already paid | (20,500) |
| **Net cash flow** | **(15,000)** |

The effect on revenues of the consolidation of the Doteco group, net of intercompany items, from the date of acquisition to December 31, 2020 amounts to Euro 6,070 thousand while the effect on the net profit amounts to Euro 753 thousand.

The price allocation on this business combination is to be considered definitive.

### Details of impairment test

Goodwill is allocated to the Group's cash generating units, represented by the CGUs.

The Group verifies annually impairments on goodwill, testing the CGU’s to which goodwill is allocated. With reference to the Energys CGU, considering the positive results achieved by the subsidiary, as well as the expected results for the subsidiary and its reference market, the Directors considered that there were not any indicators of impairment; therefore, taking into account the non significant amount of goodwill, they did not carry out the same type of test adopted for the goodwill relating to the other CGUs.

The Directors did not undertake impairment test on assets subject to amortization as they did not detect events or circumstances which can cause an impairment loss. The methods and results of the impairment test carried out are illustrated below.

With reference to the other CGUs to which the individual goodwill has been allocated, the recoverable value has been verified through the calculation of the value in use, considered as the present value of the expected cash flows utilizing a rate which reflects the specific risks of the individual CGU’s at the valuation date (so-called Discounted Cash Flow method). In particular:

- Cash flows gathered from business plans prepared for each CGUs with reference to the period 2021-2025, using an explicit projection period of 5 years. The business plans of the aforementioned CGUs, which have been updated compared to the ones prepared in the previous year, in order to reflect the effects on operations and business deriving from the spread of the COVID-19 virus, were approved by the Board of Directors on March 19, 2021. The assumptions underlying the forecast cash flows for each CGU take into account past experience on the one hand, and the specific objectives of each CGU on the other, which are consistent with current operating performance and the strategic actions implemented by the Group. In particular, management used the gross margin based on historical performance and the best estimate of future operating costs and cash flows as a driver for the preparation of the forecast, as well as its own expectations of developments in the market in which the CGU operates.

- At the end of the explicit forecast period a "normalized" cash flow was calculated on the basis of the data of the last year of explicit forecast, for the purpose of calculating the terminal value.
- The discount rate used is the weighted average cost of capital (so-called post-tax WACC) for each CGU, and has been determined taking into account the capital structure of the individual CGU. The method applied is the Capital Asset Pricing Model, according to which the rate is determined on a mathematical model deriving from the sum of the return on a risk-free asset, to which the risk premium is added. The market risk premium is the product of the average market risk and the industry-specific beta. In particular, the cost of capital was determined on the basis of market returns on medium/long-term (10 years) government bonds of the countries/markets to which the CGU refers observed during the reference year (2.62% for the Food CGU, 1.05% for the Unadyn CGU, 1.84% for the Doteco CGU and 1.31% for the Toba PNC CGU), adjusted by the market risk premium of each reference country reflecting the investment risk plus an additional risk premium. The beta coefficient applied is 0.91.
- the "g" rate for the determination of cash flows beyond the explicit period (from 2025 onwards).

The table below provides details of the discount and g rate used in the impairment tests carried out for goodwill of greater value:

| 31.12.2020 | | | | |
|---|---|---|---|---|
| **CGU** | **Goodwill** | **g rate** | **pre-tax discount rate** | **Post-tax WACC** |
| Doteco | 15,695 | 1.80% | 10.04% | 7.57% |
| Universal Dynamics | 3,051 | 1.05% | 8.95% | 6.90% |
| Penta and Progema | 2,146 | 2.60% | 11.34% | 8.24% |
| Toba | 982 | 1.30% | 10.72% | 8.55% |

The impairment test carried out showed that the values in use, based on discounted cash flows, exceed the carrying amount for all the CGU's tested.

For the Doteco CGU, the assumptions described result in a recoverable amount at December 31, 2020, referred to 100% of the CGU, of Euro 41.4 million, composed by terminal value for 80.4%. The carrying amount of the CGU's net invested capital is Euro 19.7 million and therefore the recoverable amount exceeds the carrying amount of the net invested capital by Euro 21.7 million.

For the Unadyn CGU, the assumptions described result in a recoverable amount at December 31, 2020, referred to 100% of the CGU, of Euro 27.0 million, composed by terminal value for 77.7%. The carrying amount of the CGU's net invested capital is Euro 9.7 million and therefore the recoverable amount exceeds the carrying amount of the net invested capital by Euro 17.3 million.

For the Food CGU (which includes the companies Penta S.r.l, Progema S.rl. and FEA S.r.l.), the assumptions described result in a recoverable amount at December 31, 2020, referred to 100% of the CGU, of Euro 63.5 million, composed by terminal value for 82.5%. The carrying amount of the CGU's net invested capital is negative for Euro 1.7 million and therefore the recoverable amount exceeds the carrying amount of the net invested capital by Euro 61.8 million.

For the Toba PNC CGU, the assumptions described result in a recoverable amount at December 31, 2020, referred to 100% of the CGU, of Euro 4.8 million, composed by terminal value for 74.5%. The carrying amount of the CGU's net invested capital is Euro 1.8 million and therefore the recoverable amount exceeds the carrying amount of the net invested capital by Euro 3.0 million.

In order to support their assessments, the Directors carried out a sensitivity analysis to determine the results that could emerge when the relevant assumptions changed. It should be noted that, in view of the significance of the surpluses described above, any reasonably possible change in the relevant assumptions used to determine the recoverable amount (changes in the g rate of -2%, or changes in the discount rate of +2%), would not lead to different results with respect to the recoverability of goodwill.

In fact, the recoverable amount, determined with a change in the g rate of -2% and an increase in the discount rate of +2%, still supports the carrying amount of the CGUs' net invested capital at 31.12.2020.

In order to support their assessments, the Directors also carried out a stress test, changing the parameters considered most significant in the test.  In particular:

- with regards to the Toba CGU, the recoverable value is higher than the carrying amount of the CGU up to: (i) an average reduction in revenue over the explicit forecast period and in the terminal value of approx. 11.3%, prudently leaving the costs considered fixed unchanged and with the other parameters remaining the same; (ii) up to an increase of 10.14% in the WACC, with the other parameters remaining unchanged; (iii) a decrease of the average cash flows over the explicit forecasting period of approximately 62%, with the other parameters remaining unchanged;
- with regards to the Unadyn CGU, the recoverable value was higher than the carrying amount of the CGU up to: (i) an average reduction in revenue over the explicit forecast period and in the terminal value of approx. 10.3%, prudently leaving the costs considered fixed unchanged and with the other parameters remaining the same; (ii) up to an increase of 9.73% in the WACC, with the other parameters remaining unchanged; (iii) a decrease of the average cash flows over the explicit forecasting period of approximately 64%, with the other parameters remaining unchanged;
- with regards to the Food CGU, the recoverable value was higher than the carrying amount of the CGU up to: (i) an average reduction in revenue over the explicit forecast period and in the terminal value of approx. 17.7%, prudently leaving the costs considered fixed unchanged and with the other parameters remaining the same; (ii) up to an increase of more than 100% in the WACC, with the other parameters remaining unchanged; (iii) a decrease of the average cash flows over the explicit forecasting period of approximately 118%, with the other parameters remaining unchanged;

- with regards to the Doteco CGU, the recoverable value was higher than the carrying amount of the CGU up to: (i) an average reduction in revenue over the explicit forecast period and in the terminal value of approx. 8.1%, prudently leaving the costs considered fixed unchanged and with the other parameters remaining the same; (ii) up to an increase of 5.66% in the WACC, with the other parameters remaining unchanged; (iii) a decrease of the average cash flows over the express forecasting period of approximately 52%, with the other parameters remaining unchanged.

From the analysis conducted, there was therefore no indication of the need to write down the goodwill recognized on December 31, 2020.

Regarding subsidiaries, the Parent Company holds some purchase options for non controlling interests; in particular, it holds a call option to purchase the residual minority shares of FDM GmbH, Fea and Toba.

### [3] Equity investments

At December 31, 2020 equity investments amounted to Euro 155 thousand and were down as a result of the consolidation of Studio Ponte S.r.l. and the measurement at equity of CMG S.p.A.

Details of the movements in these equity investments are as follows:

| Company | Registered office | % | 31.12.2019 | Change in consolidation area | Increase / Decrease | 31.12.2020 |
|---|---|---|---|---|---|---|
| CMG S.p.A. | Budrio (BO) | 20% | 190 | | (44) | 146 |
| Studio Ponte S.r.l. | Poggio Renatico (FE) | 51% | 76 | (76) | | - |
| Penta Auto Feeding India Ltd | Navi Mumbai (India) | 50% | - | | - | - |
| Other | | | 4 | 5 | - | 9 |
| **Total** | | | **270** | **(77** | **(44)** | **155** |

The investments in associated companies and joint ventures indicated in the table above have been measured using the equity method and a similar valuation method has been used with reference to investments in subsidiaries for which, as indicated in the section “Basis of Consolidation", the Directors decided not to proceed with full consolidation as they were not considered significant either individually or collectively. This approach did not have any significant effects on the correct representation of the Group's equity, economic and financial position.

With reference to the investee Penta Auto Feeding India Ltd. it should be noted that the value of the investment has been reduced to zero and a risk provision of Euro 59 thousand at December 31, 2020 has also been set up as the shareholders' equity, at the date of the valuation, was negative for this amount.

On April 29, 2019, the subsidiary Universal Dynamics Inc. acquired 100% of CMG America Inc. for consideration of USD 1. Following the investment valuation perfomed as at December 31, 2010 the value remains unchanged.

### [4] Other non-current assets

At December 31, 2020, these amounted to Euro 576 thousand compared to Euro 427 thousand at December 31, 2019; they mainly refer to various security deposits paid by Group companies on utilities and lease contracts for buildings where Group companies have their headquarters.

### [5] Deferred tax assets and liabilities

Deferred tax assets amounted to Euro 4,788 thousand at December 31, 2020 compared to Euro 4,489 thousand at December 31, 2019. The Group has set aside deferred tax assets and liabilities on temporary differences between book values and tax values.

In particular, deferred tax assets and liabilities derive from the accrual of taxes on future costs or benefits with respect to the year in question, mainly as a result of increased taxes generated from the non-deductibility of losses on receivables, write-downs of equity investments, directors' fees not yet paid, and other amortization and depreciation deductible in subsequent years and provisions for risks.

Taxation has been calculated on the basis of the rates in force when the temporary differences will reverse in the various countries where the Group operates.

Deferred tax assets do not include assets arising from the valuation of tax losses. The tax losses not recognized in the financial statements do not appear to have a significant amount.

Deferred tax liabilities amounted to Euro 2,713 thousand at December 31, 2020 compared to Euro 1,987 thousand at December 31, 2019. The increase in this caption refers to the allocation of deferred taxation on intangibles related to the Doteco acquisition for Euro 1,189 thousand at December 31, 2020.

| Increase | Taxable income 2020 | Deferred tax assets 2020 | Taxable income 2019 | Deferred tax assets 2019 |
|---|---|---|---|---|
| Consolidation adjustments of intercompany inventories | 4,072 | 1,165 | 5,474 | 1,411 |
| Stock write-down fund | 4,304 | 1,031 | 2,233 | 617 |
| Foreign currency conversion losses | 1,182 | 289 | 241 | 58 |
| Provisions for doubtful debts | 1,533 | 380 | 1,236 | 284 |
| Subcontractors installation fund | 23 | 6 | 229 | 64 |
| Provisions for risks | 1,394 | 389 | 737 | 205 |
| Product warranty provision | 557 | 149 | 436 | 115 |
| Additional client expenses | 177 | 24 | 417 | 94 |
| Assets/liabilities for contract work in progress - Trade receivables | 901 | 278 | 523 | 143 |
| Other | 3,404 | 1,079 | 5,586 | 1,498 |
| **Total** | **17,548** | **4,788** | **17,112** | **4,489** |

| Decrease | Taxable income 2020 | Deferred tax liabilities 2020 | Taxable income 2019 | Deferred tax liabilities 2019 |
|---|---|---|---|---|
| Leasing IAS 17 | 3,722 | 1,038 | 3,988 | 1,113 |
| Assets/liabilities for contract work in progress - Trade receivables | 333 | 100 | 524 | 131 |
| Intangibles (Know how and order backlog) | 4,263 | 1,189 | - | - |
| Other differences | 421 | 386 | 2,949 | 744 |
| **Total** | **8,739** | **2,713** | **7,460** | **1,987** |

| | 31.12.2019 | Reclassifications | Change in Consolidation area | Change in Translation reserve | Other movements | Effect on income statement | 31.12.2020 |
|---|---|---|---|---|---|---|---|
| Deferred tax assets | 4,489 | (286) | 330 | (242) | | 497 | 4,788 |
| Deferred tax liabilities | (1,987) | 286 | (1,320) | - | 48 | 260 | (2,713) |
| **Total** | **2,502** | **-** | **(990)** | **(242)** | **48** | **757** | **2,075** |

## [6] Inventories

At December 31, 2020, they amounted to Euro 36,920 thousand compared to Euro 29,264 thousand at December 31, 2019; the breakdown is shown below:

| Inventories | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Raw materials | 6,833 | 4,571 |
| Semi-finished products | 18,594 | 13,356 |
| Finished goods | 14,986 | 14,175 |
| Progress payments | 735 | 468 |
| Allowance for inventory write-down | (4,229) | (3,308) |
| **Inventories** | **36,920** | **29,264** |

At December 31, 2020, inventories increased by Euro 7,656 thousand, gross of the obsolescence provision. The increase, principally regarding the Raw materials and Semi-finished products categories, mainly relates to normal operational developments.

A provision for obsolete or slow-moving inventories is recorded to reflect the difference between the cost and estimated realizable value of obsolete raw materials, semi-finished and finished products. The provision in the Statement of profit and loss is classified under Purchases of raw materials, components, goods and change in inventories.

## [7] Contract assets and liabilities for work in progress

At December 31, 2020 the item Assets for contract work-in-progress amounted to Euro 6,477 thousand, compared with Euro 3,712 thousand at December 31, 2019.

Liabilities for contract work-in-progress amounted to Euro 5,101 thousand at December 31, 2020, compared with Euro 2,527 thousand at December 31, 2019. In particular, this principally refers to work-in-progress on contracts of the subsidiaries Penta S.r.l. and of Piovan UK.

The following table shows the amount due from customers net of the relative advance payments (included under Assets for contract work-in-progress), and the amount due to customers, net of the relative advance payments (included under Liabilities for contract work-in-progress):

| Contract assets for work in progress | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Measurement of contracts in progress (costs incurred added to profits recognized) | 10,729 | 4,665 |
| Progress payments received | (4,252) | (954) |
| **Amounts due from customers** | **6,477** | **3,712** |

| Contract liabilities for work in progress | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Measurement of contracts in progress (costs incurred added to profits recognized) | 6,501 | 2,688 |
| Progress payments received | (11,602) | (5,215) |
| **Amounts due to customers** | **(5,101)** | **(2,527)** |

The increase in Assets for contract work-in-progress compared to December 31, 2019 is due, on the one hand, to the higher number of contracts in progress and, on the other hand, to the fact that the progress of individual contracts is higher than the value of customer advances contractually agreed.

The increase in Liabilities for contract work-in-progress compared to December 31, 2019 is mainly determined by various orders attributable to the subsidiary Penta S.r.l. for which advances have been collected from customers and for which progress is still in the preliminary phase.

| | 31.12.2019 | Decrease | Increase | 31.12.2020 |
|---|---|---|---|---|
| Contract assets for work in progress | 3,712 | (2,477) | 5,242 | 6,477 |
| Contract liabilities for work in progress | (2,527) | 1,015 | (3,588) | (5,101) |

Overtime revenues from contracts with customers amounted to € 19,924 thousand at 31 December 2020 and are mainly related to the subsidiary Penta S.r.l. and Piovan UK.

## [8] Trade receivables

They amount to Euro 41,931 thousand at December 31, 2020 compared to Euro 52,816 thousand at December 31, 2019. This item, which represents the exposure to third parties, is broken down as follows:

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Gross trade receivables | 46,905 | 57,609 |
| Provision for bad debt | (4,974) | (4,793) |
| **Trade receivables** | **41,931** | **52,816** |

Receivables at December 31, 2020, gross of the provision, significantly decreased compared to the end of 2019 (-18.7%). This performance is due in part to the reduction in average collection times in December 31, 2020 compared to the previous year and in part to the decline in revenues.

Write-downs are made on the basis of a careful analysis of past due accounts, customers in financial difficulties and clients with whom legal action has been initiated, in addition to estimated expected losses on receivables.

The doubtful debt provision reflects management's estimate based on the expected losses by the Company, based on past experience for similar receivables, current and historic amounts overdue, losses incurred, receipts, careful monitoring of the credit quality and projections on economic and market conditions, with the information known at the reporting date.

The annual provision is included under Other operating costs.

It should also be noted that the Group did not encounter any difficulties in collecting receivables in the first nine months and there are no credit positions at risk related to the Covid emergency.

The following table shows the value of credit at December 31, 2020, compared to the previous year, by maturity bracket and the relevant portion of the doubtful debts provision.

| Receivables and bad debt | 31.12.2020 | | 31.12.2019 | |
|---|---|---|---|---|
| | Receivables | Provision | Receivables | Provision |
| Receivalbles due to expire | 27,251 | (336) | 35,359 | (219) |
| Receivables overdue whitin 30 days | 7,128 | (88) | 8,645 | - |
| Receivables overdue between 1 and 12 months | 8,831 | (1,140) | 9,589 | (922) |
| Receivables overdue over 12 months | 3,695 | (3,411) | 4,017 | (3,652) |
| **Total** | **46,905** | **(4,974)** | **57,610** | **(4,793)** |

| Provision for bad debt | | |
|---|---|---|
| **31.12.2019** | **4,793** | **3,480** |
| Release | (249) | |
| Accruals | 1,317 | 947 |
| Utilisations | (496) | (136) |
| Change in consolidation area | 3 | 382 |
| Exchange rate differences | (387) | 40 |
| Riclassifications | (7) | 80 |
| **31.12.2020** | **4,974** | **4,793** |

## [9] Current financial assets

At December 31, 2020, the caption amounted to Euro 5,146 thousand, compared to Euro 6,319 thousand at December 31, 2019. It includes 4 differing bond securities purchased in order to use their available financial resources. These instruments were measured at fair value (level 1) as required by IFRS 9 at December 31, 2020 and were classified as current financial assets in line with the purpose of using part of the available liquidity in low-risk and readily available instruments.

The reduction compared to the previous year derives from the repayment of a security following its natural maturity. In addition, the total effect of the fair value valuation in 2020 is equal to a net charge of Euro 149 thousand.

### [10] Tax receivables

They amounted to Euro 3,263 thousand at December 31, 2020 compared to Euro 3,735 thousand at December 31, 2019. VAT receivables mainly refer to the parent company Piovan S.p.A. and the subsidiaries Penta S.r.l. and Aquatech S.r.l..

| Tax receivables | 31.12.2020 | 31.12.2019 |
|---|---|---|
| VAT receivables | 2,601 | 3,259 |
| Other current tax assets | 662 | 475 |
| **Tax receivables** | **3,263** | **3,735** |

### [11] Other current assets

They amounted to Euro 3,497 thousand at December 31, 2020 compared to Euro 3,705 thousand at December 31, 2019. A breakdown follows:

| Other current assets | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Advances to suppliers | 2,179 | 1,798 |
| Receivables from parent | 40 | 279 |
| Prepayments and accrued expenses | 870 | 999 |
| Other receivables | 409 | 630 |
| **Other current assets** | **3,497** | **3,705** |

The item Receivables from parent companies, which included receivables from the parent company Pentafin S.p.A. relating to IRES (corporate income tax) refund applications submitted by the tax consolidating company on behalf of Piovan S.p.A. with reference to the non-deduction of IRAP from taxable income for the years 2007-2011 (Law Decree 201 of 2011) and 2005-2007 (Law Decree 85 of 2008) for a value of Euro 275 thousand, decreased due to the complete collection in the second quarter of 2020. The residual amount at December 31, 2020 relates to the tax consolidation credit towards the company Pentafin S.p.A.

### [12] Cash and cash equivalents

They amount to Euro 87,452 thousand at December 31, 2020 compared to Euro 59,123 thousand at December 31, 2019.

| Cash and cash equivalents | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Current accounts and post office deposits | 87,431 | 45,208 |
| Cash equivalent | 0 | 13,900 |
| Cash | 21 | 15 |
| **Cash and cash equivalents** | **87,452** | **59,123** |

For an analysis of the variations in cash and cash equivalents, reference should be made to the statement of cash flow and the comments on the Group performance. The equivalents account refers to a time deposit that can be disinvested rapidly.

The restricted accounts, included in the item "Cash equivalent" in 2019, were disinvested during the year.

At December 31, 2020 there were no restrictions on the availability of the Group's current accounts.

### [13] Equity attributable to owners of the parent

Shareholders' equity is made up as follows:

| Equity attributable to the owners of the parent | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Share capital | 6,000 | 6,000 |
| Legal reserve | 1,200 | 1,200 |
| Reserve for own shares in portfolio | (2,250) | (2,250) |
| Translation reserve | (3,756) | (1,211) |
| Other Reserves and retained earnings | 53,576 | 38,938 |
| Net profit (loss) | 17,643 | 18,700 |
| **Equity attributable to the owners of the parent** | **72,414** | **61,377** |

The Company's share capital approved, subscribed and paid-in amounted to Euro 6,000,000, divided into 53,600,000 ordinary shares with no par value.

There are no changes compared to December 31, 2019 and therefore the Company and the Group as at December 31, 2020 hold 2,670,700 treasury shares, equal to 4.98% of the share capital of Piovan S.p.A., directly through Piovan S.p.A. with a value of Euro 2,250 thousand at December 31, 2020. It should be noted that as part of the 2020 - 2022 Performance Shares Plan, considering the achievement of the objectives of the Plan, some directors of the Group have the right to receive Piovan SpA shares for a number equal to 118,940, the value of which, net of the tax effect, it amounts to Euro 139 thousand. These shares will be assigned on a definitive basis upon expiry of the vesting period, if directors still has a working relationship with the Group.

The Translation reserve includes exchange rate differences arising from the translation of the opening shareholders' equity of foreign companies included in the consolidation scope at the exchange rates prevailing at the end of the period and from the translation of their net income at the average exchange rates for the period.

The item Other reserves and undistributed profits mainly includes the other profit and capital reserves of the Parent Company, in addition to the consolidated profit for previous years and the effects of adjustments resulting from the adoption of international accounting standards. This item changed during 2020 following the allocation of the previous year's result.

## [14] Basic and diluted earnings per share

At December 31, 2020, the shares in circulation numbered 53,600,000 and the treasury shares held by Piovan S.p.A. amounted to 2,670,700.

The average number of shares relevant for the calculation of earnings per share is 50,929,300 shares corresponding to existing shares (53,600,000) less the number of treasury shares in portfolio (2,670,700).

Earnings per share was calculated by dividing the net profit attributable to the shareholders of the Parent Company by the weighted average number of ordinary shares in circulation during the reporting period. No ordinary shares were repurchased or issued during the years in question. However, it should be noted that in the context of the 2020 - 2022 Performance Shares Plan, there are ordinary shares that could be assigned at the end of the vesting period, drawing on treasury shares in the portfolio and which could have a diluting effect.

Basic earnings per share are as follows:

| Earnings per share | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Net Profit Attributable to Owners of the Parent (in thousands of Euros) | 17,643 | 18,700 |
| Weighted average number of ordinary shares (in thousands of units) | 50,929 | 50,929 |
| **Basic earnings per share** (in Euros) | **0.35** | **0.37** |

Diluted earnings per share are as follows:

| Earnings per share | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Net Profit Attributable to Owners of the Parent (in thousands of Euros) | 17,643 | 18,700 |
| Weighted average number of ordinary shares (in thousands of units) | 50,866 | 50,929 |
| **Diluted earnings per share** (in Euros) | **0.35** | **0.37** |

## [15] Equity attributable to non-controlling interests

The non-controlling interest equity at December 31, 2020 amounted to Euro 2,219 thousand compared to Euro 3,775 thousand at December 31, 2019. The account mainly includes the minority interests in the subsidiaries Progema S.r.l., FDM GmbH, FEA and Toba. The loss recorded in 2020 is mainly due to the minority-interest share of the subsidiary Toba, which reported a loss during the year.

The change in “%” and in “consolidation scope” refers to the purchase of the 10% residual interest in the subsidiary Penta S.r.l. on September 21, 2020 through exercise of the put option, which has determined the line-by-line consolidation of the company Studio Ponte S.r.l., described in further detail in paragraph [19].

| Equity attributable to non-controlling interests | | | | | |
|---|---|---|---|---|---|
| 31.12.2019 | Net profit | Dividends paid | Changes in % | Changes in consolidation scope | 31.12.2020 |
| 3,775 | (228) | - | (1,402) | 74 | 2,219 |

## [16] Current and non-current financial liabilities

The account is broken down as follows:

| Current financial liabilities | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Short-term bank borrowings | 21,305 | 25,026 |
| Current portion of long-term loans | 17,833 | 11,961 |
| Loans for leases | 329 | 404 |
| Other loans and borrowings | 1,412 | 1,537 |
| **Current financial liabilities** | **40,879** | **38,928** |

| Non-current financial liabilities | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Medium to long-term bank loans | 38,262 | 20,939 |
| Bonds | - | - |
| Loans for leases | 1,099 | 189 |
| Other loans and borrowings | 8,019 | 6,327 |
| **Non-current financial liabilities** | **47,379** | **27,455** |

Below are the details of the items "Medium / long-term bank loans" and "Current portion of medium / long-term loans" by contract as at December 31, 2020 and 2019.

| 31.12.2020 | Currency | Original amount (EUR) | Maturity | Interest rate | Terms | Residual debt | Current | Non current |
|---|---|---|---|---|---|---|---|---|
| Loan 2 | EUR | 8,000 | 30/09/2022 | Variabile | Euribor 6m+0,55% | 3,200 | 1,600 | 1,600 |
| Loan 3 | EUR | 6,000 | 05/04/2022 | Fisso | 0.48% | 1,887 | 1,131 | 756 |
| Loan 4 | EUR | 7,500 | 06/12/2022 | Fisso | 0.50% | 3,022 | 1,507 | 1,515 |
| Loan 5 | EUR | 7,000 | 03/05/2024 | Fisso | 0.54% | 5,699 | 1,306 | 4,393 |
| Loan 6 | EUR | 3,000 | 13/12/2021 | Variabile | Euribor 6m+0,62% | 2,000 | 2,000 | 0 |
| Loan 7 | EUR | 5,000 | 05/02/2025 | Variabile | Euribor 6m+0,65% | 4,500 | 1,000 | 3,500 |
| Loan 8 | EUR | 7,000 | 07/04/2024 | Fisso | Euribor 6m+0,85% | 6,125 | 1,750 | 4,375 |
| Loan 9 | EUR | 2,000 | 24/06/2023 | Fisso | 0.54% | 1,668 | 665 | 1,003 |
| Loan 10 | EUR | 20,000 | 14/10/2025 | Fisso | 0.67% | 20,000 | 4,000 | 16,000 |
| Loan 11 | EUR | 5,500 | 23/12/2024 | Variabile | Euribor 6m+0,55% | 5,500 | 1,375 | 4,125 |
| Loan 12 | KRW | 824 | 31/08/2026 | Fisso | 3.85% | 844 | 149 | 695 |

| 31.12.2020 | Currency | Original amount (EUR) | Maturity | Interest rate | Terms | Residual debt | Current | Non current |
|---|---|---|---|---|---|---|---|---|
| Loan 13 | KRW | 146 | 24/09/2021 | Fisso | 2.085% | 150 | 150 | 0 |
| Paycheck Protection Program 1 | USD | 1,855 | 28/04/2022 | Fisso | 5.949% | 1,512 | 1,176 | 336 |
| Other | | | | | | 1 | 1 | |
| Paycheck Protection Program 1 | USD | 39 | | | | 32 | 32 | 0 |
| Total | | | | | | **56,140** | **17,842** | **38,298** |

| 31.12.2019 | Currency | Original amount (EUR) | Maturity | Interest rate | Terms | Residual debt | Current | Non current |
|---|---|---|---|---|---|---|---|---|
| Loan 1 | EUR | 5,000 | 30/06/2020 | Variabile | Euribor 3m +0,75% | 667 | 667 | |
| Loan 2 | EUR | 8,000 | 31/03/2022 | Variabile | Euribor 6m+0,55% | 4,000 | 1,600 | 2,400 |
| Loan 3 | EUR | 6,000 | 05/04/2021 | Fisso | 0.48% | 2,264 | 1,507 | 756 |
| Loan 4 | EUR | 7,500 | 06/06/2022 | Fisso | 0.50% | 3,773 | 1,504 | 2,270 |
| Loan 5 | EUR | 7,000 | 03/05/2023 | Fisso | 0.54% | 6,133 | 1,741 | 4,393 |
| Loan 6 | EUR | 3,000 | 13/06/2021 | Variabile | Euribor 6m+0,62% | 3,000 | 2,000 | 1,000 |
| Loan 7 | EUR | 5,000 | 05/08/2024 | Variabile | Euribor 6m+0,65% | 5,000 | 1,000 | 4,000 |
| Loan 8 | EUR | 7,000 | 07/10/2023 | Fisso | Euribor 6m+0,85% | 7,000 | 1,750 | 5,250 |
| Loan 9 | KRW | 870 | 25/09/2026 | Fisso | 3.848% | 870 | | 870 |
| Loan 10 | KRW | 154 | 09/03/2020 | Fisso | 2.085% | 154 | 154 | |
| Other | | | | | | 39 | 39 | |
| **Total** | | **49,524** | | | | **32,900** | **11,961** | **20,939** |

At December 31, 2020 and December 31, 2019, the main details of bank loans by maturity are detailed below:

| Current financial liabilities | 31.12.2019 | Repayment cash flow | Reclassification from current to non-current following rescheduling | Reclassification from current to non-current for the year | New loan cash flow | Change in consolidation scope | Increase for new rent/lease | 31.12.2020 |
|---|---|---|---|---|---|---|---|---|
| Short-term bank borrowings | 25,026 | (3,721) | | | | - | - | 21,305 |
| Current portion of long-term loans | 11,961 | (5,735) | (6,365) | 10,392 | 7,548 | 32 | - | 17,833 |
| Other current financial liabilities | 1,942 | (717) | - | | - | 218 | 298 | 1,741 |
| **Current financial liabilities** | **38,929** | **(10,173)** | **(6,365)** | **10,392** | **7,548** | **250** | **298** | **40,879** |

| Non-current financial liabilities | 31.12.2019 | Repayment cash flow | Reclassification from current to non-current following rescheduling | Reclassification from current to non-current for the year | New loan cash flow | Change in consolidation scope | Increase for new rent/lease | 31.12.2020 |
|---|---|---|---|---|---|---|---|---|
| Medium to long-term bank loans | 20,939 | 158 | 6,365 | (10,664) | 21,464 | - | - | 38,262 |
| Bonds | - | - | | | - | - | - | - |
| Other non-current financial liabilities | 6,516 | (1,270) | - | | - | 2,358 | 1,514 | 9,118 |
| **Non-current financial liabilities** | **27,455** | **(1,112)** | 6,365 | (10,664) | **21,464** | **2,358** | **1,514** | **47,380** |

As required by IFRS 7, the following table show cash flows relating to the Group's financial liabilities by maturity:

| 31.12.2020 | Total | Total flows | Within 1 year | From 2 to 5 years | Over 5 years |
|---|---|---|---|---|---|
| Medium to long-term bank loans | 38,262 | 38,588 | | 38,588 | |
| Bonds | 0 | 0 | | | |
| Loans for leases | 1,099 | 1,099 | | 1,099 | |
| Other loans and borrowings | 8,019 | 8,019 | | 8,019 | |
| **Non-current financial liabilities** | **47,380** | **47,705** | **0** | **39,687** | **0** |
| Short-term bank borrowings | 17,833 | 18,052 | 18,052 | | |
| Current portion of long-term loans | 21,305 | 21,309 | 21,309 | | |
| Loans for leases | 329 | 329 | 329 | | |
| Other loans and borrowings | 1,412 | 1,412 | 1,412 | | |
| **Current financial liabilities** | **40,879** | **41,102** | **41,102** | **0** | **0** |

## [17] Employee benefits plan

The item mainly includes (Euro 6,333 thousand at December 31, 2020 and Euro 4,778 thousand at December 31, 2019) the liabilities for the Post-employment benefits provision recorded in the companies of the Group qualifying as defined benefit plans according to IAS 19 and thus subject to actuarial calculation.

| Liabilities for employee benefits | 31.12.2020 | 31.12.2019 |
|---|---|---|
| **Opening balance** | **4,778** | **3,862** |
| Change in consolidation scope | 1,368 | 735 |
| Other changes | (3) | (36) |
| Employee benefits paid | (341) | (414) |
| Currency translation difference | (6) | - |
| Provision | 1,729 | 1,176 |
| Transfer to pension funds and INPS treasury | (1,200) | (999) |
| Actuarial earnings (losses) | (35) | 395 |
| Interest cost | 44 | 59 |
| **Closing balance** | **6,333** | **4,778** |

The remaining part of the balance (Euro 43 thousand at December 31, 2020 and Euro 36 thousand at December 31, 2019) concerns employee benefits paid by foreign branches individually and in aggregate not significant.

Below are the actuarial assumptions underlying the determination of liabilities for employee benefit plans, comparing those used in the previous year, and an analysis of the sensitivity of the liability to changes in the discount rate and the inflation rate.

| Liabilities for employee benefits | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Annual discount rate | 0.34% | 0.77% |
| Annual inflation rate | 0.80% | 1.20% |
| Annual rate of increase in employee severance indemnity | 2.10% | 2.40% |
| Mortality rate | Tavole ISTAT 2016 | Tavole ISTAT 2016 |
| Retirement age | at the achievement of the AGO pension fund requirements | |
| Advances rate | 3.50% | 3.50% |
| Turnover rate | 1% (based on historical company data) | |
| **Liabilities for employee benefits** | **31.12.2020** | **31.12.2019** |
| Discount rate +50bp | (179) | (242) |
| Discount rate -50bp | 169 | 264 |
| Inflation rate +50bp | 242 | 178 |
| Inflation rate -50bp | (264) | (168) |

## [18] Provisions for risk and charges

The provision for risks and charges at December 31, 2020 amounted to Euro 3,813 thousand compared to Euro 2,954 thousand at December 31, 2019. The composition and the movements of the item are shown in the following table:

| | 31.12.2019 | Accruals | Releases/ Reclassifications | Exchange rate differences | Actuarial gain or loss | riclassifiche | 31.12.2020 |
|---|---|---|---|---|---|---|---|
| Provision for legal and tax risks | 2,052 | 1,489 | (684) | (209) | - | - | 2,648 |
| Provision for product warranties | 705 | 137 | (21) | (17) | - | - | 804 |
| Provision for agents' termination benefits | 121 | 97 | - | - | 3 | (2) | 219 |
| Pension provision | 41 | 1 | - | - | - | - | 42 |
| Provision for investments' losses | 12 | 63 | - | - | - | - | 75 |
| Other provisions for risks | 23 | - | - | - | - | 2 | 25 |
| **Provisions for risks and charges** | **2,954** | **1,787** | **(705)** | **(226)** | **3** | **-** | **3,813** |

The value of the provision at December 31, 2020 was up due to the amounts recognized during the year of approximately Euro 1,787 thousand and declined due to the releases and utilizations occurred during the year, as well as for the effect of the exchange rate with particular reference to a provision recorded in the financial statements of the subsidiary Piovan Do Brasil.

The provision for legal and tax risks at December 31, 2020 mainly includes:

- a provision of Euro 133 thousand of the subsidiary Piovan France Sas set aside in 2017 associated with the reorganization of the commercial network in the French market;

- a provision of Euro 374 thousand of the subsidiary Piovan Do Brasil was accrued in previous years against a potential liability that could arise as a result of a more restrictive interpretation of the tax regulations for the calculation of taxes. The subsidiary appointed highly qualified tax consultants to analyze the case and quantification of the accrual. The value of this provision at December 31, 2020, on the one hand, decreased due to the appreciation of the local Brazilian currency against the Euro for Euro 183 thousand and the release of Euro 67 thousand;

- a provision set aside in 2018 for a total amount at December 31, 2020 of USD 300 thousand (Euro 244 thousand) against a potential liability linked to indirect taxation in various states;

- a provision of Euro 1,270 thousand at December 31, 2020 set aside during the year which represents the best estimate of potential charges related to the commercial activities of Piovan S.p.A. e FEA ptp Srl.;

- a provision of Euro 120 thousand at December 31, 2020 set aside in 2018 which represents the best estimate of potential charges related to the commercial activities of Penta S.r.l.;

- finally, a provision of Euro 467 thousand was released by the subsidiary Penta S.r.l., accrued in previous years, against a legal dispute in course and which the subsidiary has assessed the risk of losing the case as probable.

The Product warranty provision was set up to cover estimated warranty service charges to be incurred in the future, calculated on the basis of historical costs and expected costs relating to the machines and plants sold and still within the initial warranty period.

The provision for agents' termination indemnity represents the estimated liability resulting from the application of current legislation and contractual clauses regarding the termination of agency relationships.

The provision for risks on investments includes the charges and income relating to the valuation of investee companies at equity and not consolidated.

### [19] Non-current and current liabilities for options granted to non controlling interests

The items in question refer to liabilities for put options granted to the minority shareholders of FEA and Toba. In particular:

o with regard to Penta S.r.l., it should be noted that the liability carried at December 31, 2019 referred to the 10% held by the minority shareholder. This option was exercised on September 21, 2020 for the purchase price of Euro 2,836 thousand. The difference between the value carried at December 31, 2019 and the purchase price, for an amount of Euro 115 thousand, was recognized as “measurement charge for liability due to options granted to minority shareholders”.

o with reference to FEA, the liability concerns to the 49% holding of minority shareholders. The contract provides that minority shareholders will be able to exercise an option to sell all, and not part, of their shareholdings in the period between 30.04.2022 and 30.04.2024. On the other side, Piovan S.p.A. may exercise a purchase option concerning 12% of the shares held by the historical shareholders of FEA in the period between 30.04.2022 and 30.04.2024, according to certain economic and equity parameters defined in the agreements between the parties. To update the value of the liability, for the purposes of preparing the Annual Financial Report at December 31, 2020, the updates made to the forecast economic and financial data were taken into account and the formula defined in the contract was applied. The value was then discounted. The adjustment of this value resulted in a reduction in liabilities and the consequent recognition in the income statement of an income equal to 395 thousand euros.

o with reference to Toba, the liability concerns a 49% holding of minority shareholders. The contract provides that the shareholders of ToBaPNC will be able to exercise an option to sell their shares up to 49% of the share capital in the period between 01.01.2023 and 31.12.2024, in one or more tranches and Piovan S.p.A. has a call option with the same characteristics, options that can be exercised according to certain economic and equity parameters defined in the agreements between the parties. To update the value of the liability, for the purposes of preparing the Annual Financial Report at December 31, 2020, the updates made to the forecast economic and financial data were taken into account and the formula defined in the contract was applied. The value was then discounted. The adjustment of this value resulted in a reduction in liabilities and the consequent recognition in the income statement of an income equal to Euro 276 thousand.

At the date of acquisition of the subsidiaries, in 2019, the value of these liabilities for put options had been recognized with a balancing entry in the Group's shareholders' equity, as they relate to minority interests that will be assumed only after the acquisition of control over the subsidiary (qualifying them therefore as a transaction between shareholders in their capacity as shareholders). For more information on the valuation criteria, please refer to the description in the drafting criteria paragraph..

| | 31.12.2019 | Decreases | Charges (Income) from valuation | 31.12.2020 |
|---|---|---|---|---|
| Put Option Penta (10%) | 2,721 | (2,836) | 115 | - |
| Put Option FEA (49%) | 1,135 | - | (395) | 740 |
| Put Option Toba (49%) | 1,400 | - | (276) | 1,125 |
| **Total Put Options** | **5,256** | **(2,836)** | **(556)** | **1,865** |
| *including* | - | - | - | - |
| *non-current* | *2,535* | - | *(671)* | *1,865* |
| *current* | *2,721* | *(2,836)* | *115* | *(0)* |

For further details on the accounting policies, reference should be made to the dedicated chapter.

It should be noted that the conditions on the basis of which these liabilities exist, as well as their valuation made in accordance with contractual provisions, are based on estimated future forecasts of economic and financial parameters, therefore the above estimates and assumptions may differ from the historical figures reported in the financial statements due to the inherent uncertainty that characterizes the assumptions and conditions on which these estimates are based.

Therefore, the book value of the liabilities for put options described above represent the best estimate, at each reference date, of their present value, changes in valuation are reflected in the income statement under income/(expense) from the valuation of liabilities for options granted to minority shareholders.

With regard to the subsidiary FDM, the minority shareholder of the latter holds a put option on its share (33.33%). This option has not been measured as it is subordinate to actions that the Parent Company must implement and therefore under the control of the latter.

### [20] Other non-current liabilities

At December 31, 2020, these amounted to Euro 363 thousand compared to Euro 268 thousand at December 31, 2019, and are represented by tax payables of the subsidiaries Piovan Do Brasil and FEA Process S.r.l.

### [21] Trade payables

They amounted to Euro 39,912 thousand at December 31, 2020 compared to Euro 40,556 thousand at December 31, 2019. The movement in this item on December 31, 2019 derives from the normal fluctuation in relation to the business activities of the various companies.

### [22] Advance from customers

At December 31, 2020, Advances from customers amounted to Euro 19,421 thousand compared to Euro 16,063 thousand at December 31, 2019. This item refers to advances received by customers and relating to contracts where performance obligations are met at a point in time.

### [23] Tax liabilities and social security contributions

They amount to Euro 9,360 thousand at December 31, 2020 compared to Euro 6,738 thousand at December 31, 2019. The account is broken down as follows:

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Social security contributions | 3,407 | 3,124 |
| VAT liabilities | 2,922 | 1,264 |
| Tax withholdings for employees | 1,809 | 1,471 |
| Income tax liabilities (IRES and IRAP) | 1,009 | 589 |
| Other | 212 | 290 |
| **Tax liabilities and social security contributions** | **9,360** | **6,738** |

The increase over the previous year is mainly attributable to VAT payables attributable for the most part to Piovan GmbH, Piovan UK, Piovan Plastic Machinery and Piovan Mexico.

### [24] Other current liabilities

They amounted to Euro 18,243 thousand at December 31, 2020 compared to Euro 11,102 thousand at December 31, 2019. The account is broken down as follows:

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Payables to employees | 4,143 | 5,932 |
| Payables to parent company | 346 | 822 |
| Accrued income and deferred expense | 2,355 | 2,369 |
| Other payables | 11,399 | 1,979 |
| **Other current liabilities** | **18,243** | **11,102** |

Employee payables refer to wages and salaries and accruals for vacation and leave accrued.

Payables to parent companies mainly refer to the parent company Piovan S.p.A. and derive from the tax consolidation contract in place with the parent company Pentafin S.p.A.

The caption "Other payables" increase, compared to the previous year, mainly refers to the deferred part of the purchase price of the investment in Doteco S.p.A., including the estimate of the earn out. These amounts will be paid, as required by the contract.

## NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

### [25] Revenue

They amounted to Euro 221,117 thousand in 2020 compared to Euro 228,526 thousand in 2019 (+3.2%). Revenues are shown net of discounts and rebates.

In order to provide adequate disclosure a breakdown of revenues by market and region is provided below. This breakdown is the analysis regularly monitored by Group Management.

The breakdown of revenue by market is as follows:

| | 2020 | 2019 |
|---|---|---|
| Plastic Systems | 171,823 | 180,616 |
| Food & non plastic Systems | 20,780 | 18,697 |
| Service & Spare parts | 28,514 | 29,213 |
| **Revenue** | **221,117** | **228,526** |

Part of the revenues of the Plastic Systems and the Food and non plastics Systems markets derive from contracts with customers where the performance obligations, as well as the recognition of the related revenues, are met over time, as described in the section “Accounting policies” of the Annual Financial Report at December 31, 2019. These revenues amounted to Euro 19,9 Million in 2020, compared to Euro 27.3 million in 2019. Such revenue mainly relates to the subsidiary Penta S.r.l. and to Piovan UK.

The breakdown of revenue by region is as follows:

| | 2020 | 2019 |
|---|---|---|
| EMEA | 140,745 | 140,954 |
| ASIA | 28,070 | 29,237 |
| NORTH AMERICA | 42,198 | 45,805 |
| SOUTH AMERICA | 10,104 | 12,530 |
| **Revenue** | **221,117** | **228,526** |

Revenues in EMEA include revenues in Italy which amounted to Euro 40,623 thousand in 2020 and Euro 48,511 thousand in the previous year.

For further information, reference should be made to the “Group operating performance” section.

## [26] Other revenue and income

Other revenue amounts to Euro 4,072 thousand, decreasing Euro 1,762 thousand compared to 2019 and which break down as follows:

| | 2020 | 2019 |
|---|---|---|
| Accessory transport services for sales | 2,501 | 2,609 |
| Machinery leases | - | - |
| Machinery rent | 62 | 212 |
| Grants related to income | 590 | 592 |
| Reversal of expenses accrued in previous periods and not incurred | 338 | 312 |
| Gains for disposal of tangible and intangible assets | 24 | 743 |
| Recharges to suppliers | 42 | 193 |
| Insurance compensation | 44 | 157 |
| Agency commissions | 4 | 129 |
| Sale of scrap materials | 84 | 96 |
| Increase in fixed assets for internal works | 88 | 377 |
| Other | 295 | 415 |
| **Other revenue and income** | **4,072** | **5,834** |

Transport ancillary services on sales mainly refers to revenues from transport ancillary services related to sales transactions with customers.

Machinery rental refers to income from the rental of assets produced internally generally for demonstration purposes or for the time until delivery of the system ordered by the customer.

Operating grants are mainly represented by grants for research and development of Piovan S.p.A.

In 2019, the item "Gains for disposal of tangible and intangible assets" included, for 714 thousand euros, the capital gain deriving from the sale of a property owned by the Parent Company.

Other Revenue mainly includes recharges and penalties applied to customers.

## [27] Costs of raw materials, components, goods and change in inventories

This item amounted to Euro 86,372 thousand in 2020 compared to Euro 88,272 thousand in the previous year. This item is broken down as follows:

| | 2020 | 2019 |
|---|---|---|
| Costs of raw materials, components and goods | 88,629 | 84,735 |
| Costs of consumables | 3,285 | 3,585 |
| Change in raw materials and goods | 311 | 22 |
| Change in finished goods and semi-finished products | (5,852) | (70) |
| **Costs of raw materials, components and goods and changes in inventories** | **86,372** | **88,272** |

The decrease in purchases of raw materials, components and goods follows the decrease in sales and the sales mix effect.

## [28] Services

Service costs amounted to Euro 44,464 thousand in 2020, compared with Euro 51,019 thousand in 2019, down Euro 12.8%.

This item is broken down as follows:

| | 2020 | 2019 |
|---|---|---|
| Outsourcing | 19,441 | 21,253 |
| Transport | 6,333 | 6,659 |
| Business trips and travel | 2,537 | 4,483 |
| Agency commissions | 2,826 | 3,662 |
| Fees to directors, statutory auditors and independent auditors | 1,953 | 1,971 |
| Consultancies | 3,320 | 3,651 |
| Maintenance and repairs | 2,001 | 1,777 |
| Marketing and advertising | 523 | 1,648 |
| Utilities | 1,319 | 1,356 |
| Insurance | 915 | 944 |
| Telephone and connections | 503 | 586 |
| Other costs for services | 2,794 | 3,028 |
| **Services** | **44,464** | **51,019** |

The most significant service costs concern the parent company Piovan S.p.A. and the subsidiaries Universal Dynamics and Penta S.r.l.

The main cost accounts also from an industrial process viewpoint refer to:

- outsourcing costs amounting to Euro 19,441 thousand in 2020 (43.7% of total service costs) determined by the production methods of the Group, which concentrates internally processing and high value added and core activities. In 2019, this item amounted to Euro 21,253 thousand (41.6% of total *Service Costs*). Outsourcing as a percentage of revenue was substantially stable on the previous year;
- transport costs on purchases and sales, whose amount did not differ significantly from the same period of the previous year;
- travel and accommodation relating to both commercial activities and customer relations, and travel to customers' production sites to carry out installation and start-up and customer assistance. In 2020 the account declined considerably due to the lesser movement of personnel due to the restrictions imposed as a result of the COVID pandemic. See the information provided in the "COVID-19 impacts" paragraph of the Explanatory Notes.
- last year the item Marketing and advertising expenses included the costs related to participation in the K Fair, the most important fair in the world for plastics

and rubber, which took place in October 2019 in Dusseldorf, which takes place every three years.

### [29] Use of third party assets

Rent, leasing and similar costs amounted to Euro 1,224 thousand compared with Euro 1,547 thousand in 2019.

This item is broken down as follows:

| | 2020 | 2019 |
|---|---|---|
| Rental expenses | 201 | 559 |
| Leases | 379 | 373 |
| Hires | 643 | 615 |
| **Use of third party assets** | **1,224** | **1,547** |

From January 1, 2019, for rental contracts covered by IFRS16, the Group recognized a financial liability, and the related lease payments were no longer recognized in the income statement on a straight-line basis, but instead the depreciation of the related right-of-use for the duration of the respective contracts was recognized.

The amounts for “rental, leasing and similar costs” concern contracts which, for their characteristics, were excluded from the scope of this standard.

The decrease on the previous period relates to a change in the scope of contracts, following the Doteco acquisition, within the scope of application of the accounting standard IFRS 16 Leases.

### [30] Personnel expenses

Personnel expense amounted to Euro 56,985 thousand compared with Euro 59,006 thousand in 2019. A breakdown of personnel expenses and the workforce by category is provided below:

| | 2020 | 2019 |
|---|---|---|
| Wages and salaries | 43,092 | 44,421 |
| Social security contributions | 11,376 | 12,489 |
| Costs for defined benefit plans | 1,691 | 1,337 |
| Other expenses | 826 | 760 |
| **Personnel expenses** | **56,985** | **59,006** |

Personnel expenses decreased due to the optimization and cost cutting measures taken in the first half of 2020. See the information provided in the “COVID-19 impacts” paragraph.

| | 31.12.2020 | | 31.12.2019 | |
|---|---|---|---|---|
| | period end | average | period end | average |
| Managers | 30 | 30 | 28 | 29 |
| Junior managers | 72 | 71 | 63 | 65 |
| White collars | 667 | 664 | 617 | 609 |

| | 31.12.2020 | | 31.12.2019 | |
|---|---|---|---|---|
| | period end | average | period end | average |
| Blue collars | 379 | 388 | 393 | 401 |
| **Total** | **1,148** | **1,153** | **1,101** | **1,104** |

The values in the table at December 31, 2020 confirm that the Group's headcount is stable on December 31, 2019.

### [31] Other expenses

This item amounted to Euro 2,886 thousand compared with Euro 3,596 thousand in the previous year. This item is broken down as follows:

| | 2020 | 2019 |
|---|---|---|
| Other taxes and duties | 1,087 | 1,070 |
| Bad debt provision | 1,090 | 852 |
| Entertainment costs | 169 | 433 |
| Other | 540 | 1,241 |
| **Other expenses** | **2,886** | **3,596** |

Other taxes and duties mainly includes indirect taxes on property and local taxes in the various countries and in particular in Brazil and the United States.

### [32] Provisions for risks and charges

Provisions in 2020 amounted to Euro 1,007 thousand compared to Euro 350 thousand in the previous year.

In 2020, the provision is mainly related to commercial, legal and tax risks as further described in note [17].

| | 2020 | 2019 |
|---|---|---|
| Provision for legal and tax risks | 834 | 261 |
| Provision for product warranty | 116 | 60 |
| Provision for additional client expenses | 57 | 28 |
| **Provisions for risks and charges** | **1,007** | **350** |

### [33] Amortization and depreciation

This item amounted to Euro 6,209 thousand compared with Euro 4,775 thousand in 2019. This item is broken down as follows:

| | 2020 | 2019 |
|---|---|---|
| Amortisation | 1,109 | 635 |
| Depreciation | 3,315 | 2,919 |
| Right of Use depreciation (IFRS16) | 1,784 | 1,221 |
| **Depreciation & amortisation** | **6,209** | **4,775** |

The increase in the item was due to greater depreciation of property, plant and equipment and amortization of rights of use. In the case of property, plant and equipment in particular, it should be recalled that the Group completed its new logistics hub at the Italian facilities in the fourth quarter of 2019. Accordingly, the first nine months of 2019 did not include any depreciation of these investments. The increase in depreciation of rights-of-use is attributable to a higher number of contracts in force in 2020, including two lease agreements for two properties attributable to the Doteco Group, included in the fourth quarter of 2020.

The increases in amortization of intangible assets refer mainly to the portion for the fourth quarter of 2020 of the intangibles arising from the allocation of the price difference of the Doteco Group acquisition.

### [34] Financial income and expenses

The account presented net expenses of Euro 263 thousand in 2020, compared to net income of Euro 22 thousand in 2019. This item is broken down as follows:

| | 2020 | 2019 |
|---|---|---|
| Interest income | 424 | 117 |
| Income on financial assets | - | 405 |
| Other financial income | 80 | 77 |
| **Financial income** | **504** | **599** |
| Bank interest expenses | 216 | 178 |
| Other interest expenses | 180 | 170 |
| Other financial expenses | 371 | 229 |
| **Financial expense** | **767** | **577** |
| **Net financial income (expenses)** | **(263)** | **22** |

The increase in financial expenses includes the effect of measurement at fair value of the securities at December 31, 2020, equal to net expenses of Euro 149 thousand recorded as a result movement during the year (associated with a bond that reached maturity).

### [35] Net exchange rate gains/(losses)

This item amounted to losses of Euro 2,243 thousand in 2020 compared with losses of Euro 46 thousand in 2019. This item is broken down as follows:

| | 2020 | 2019 |
|---|---|---|
| Exchange rate gains | 2,430 | 2,687 |
| Exchange rate losses | (4,673) | (2,733) |
| **Net exchange rate gain (losses)** | **(2,243)** | **(46)** |

2020 shows a net foreign exchange loss of Euro 2,243 thousand, worsening compared to the previous period. This effect is mainly attributable to the trend of the dollar.

Unrealized foreign exchange gains included under Foreign exchange gains amounted to Euro 1,003 thousand in 2020 (41.3% of foreign exchange gains for the year) and Euro 1,470 thousand in 2019 (55% of foreign exchange gains for the year).

Unrealized foreign exchange losses included under Foreign exchange losses amounted to Euro 2,739 thousand in 2020 (58.6% of foreign exchange losses for the year) and Euro 1,720 thousand in 2019 (63% of foreign exchange losses for the year), respectively.

### [36] Gain/(losses) on liabilities for option granted to non controlling interests

The item reports net income of Euro 555 thousand in 2020 compared to net income of Euro 549 thousand in 2019. The total amount recognized is due to the income on the adjustment of the liability for the put options of the minority shareholders of Toba PNC (Euro 276 thousand) and of FEA (Euro 395 thousand) and the measurement charge recognized in reference to the option for the residual 10% of Penta S.r.l. (Euro 115 thousand). For further details, reference should be made to Note [19].

It bears recalling that in 2019 the account included income from the valuation and discounting of the put option granted to the minority shareholder on the remaining 10% of Penta's share capital and that the income deriving from the measurement at fair value of the put option of Toba and FEA for 49%, both acquisitions that took place in 2019, were recognized.

### [37] Profit/(Losses) from equity investments carried at equity

The item amounted to a net loss of Euro 92 thousand in 2020 and relates to investments measured using the equity method. Reference should be made to note [3] for further information.

### [38] Income Taxes

This item amounted to Euro 6,576 thousand in 2020 compared with Euro 7,253 thousand in 2019. Income taxes have been determined taking into account the best estimate of the average annual tax rate expected for the whole year. Reference should be made to Note [5] in relation to changes in deferred tax assets and liabilities and the nature of these.

| | 2020 | 2019 |
|---|---:|---:|
| Income tax | 7,323 | 8,303 |
| Deferred tax | (747) | (1,051) |
| **Income taxes** | **6,576** | **7,253** |

Income taxes can be reconciled as follows to the pre-tax profit or loss shown in the income statement:

| | 2020 | 2019 |
|---|---:|---:|
| Result before taxes | 23,991 | 26,257 |
| Income taxes calculated using the theoretical IRES rate (24%) | (5,758) | (6,302) |
| Irap | (609) | (1,108) |
| Effect of different taxation on companies operating abroad | (36) | 131 |

| | 2020 | 2019 |
|---|---|---|
| Other movements | (174) | 26 |
| **Income taxes** | **(6,576)** | **(7,253)** |

The tax rate used for the reconciliation for the year is 24%, which corresponds to the IRES rate applicable in Italy, the jurisdiction in which the taxable income is mainly earned.

## [39] Other Information

### Segment reporting

IFRS 8 requires that disclosures regarding operating segments be prepared in such a way as to provide the information necessary to assess the nature and effects on the financial statements of business activities and operating environments. This is done based on internal reporting and operating activities that generate revenues and costs, whose results are reviewed periodically by the chief operating decision maker in order to make decisions about resources to be allocated and to assess performance; operating segments were not identified other than the Group as a whole.

The disclosures also required for entities that have a single segment to report on products sold and services provided and geographical areas are provided in note [25].

### Non-recurring items

Consob Communication no. DEM/6064293 of July 28, 2006 requires information on significant events and transactions whose occurrence is non-recurring or on transactions or events that do not occur frequently in the normal course of business.

Non-recurring income relates to non-exceptional income items.

No non-recurring income or expenses were identified in 2020.

During 2019, the only non-recurring income that had an impact on the operating result related to the capital gain of Euro 714 thousand on the sale of the building owned in Via Galilei in September 2019.

Non-recurring charges in 2019 mainly related to costs for the transfer to the new Italian building.

| Non-recurring items | 2019 |
|---|---|
| Capital gains on the sale of real estate | 714 |
| Listing Expenses | - |
| Relocation Costs | (298) |
| Personnel costs | (506) |
| **Total** | **(90)** |

## [40] Classes of financial instruments and fair value hierarchy

With reference to the breakdown of financial assets and liabilities required by IFRS 7, there were no transfers between the fair value levels indicated in IFRS 13 and those reported in the Consolidated Financial Statements at December 31, 2019, to which reference should be made for further information.

| 31.12.2020 | IFRS 9 categories | Book value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|
| Current accounts and post office deposits | Receivables and loans | 87,431 | | 87,431 | |
| Cash | Receivables and loans | 21 | | 21 | |
| Cash and cash equivalents | | 87,452 | | 87,452 | |

| 31.12.2020 | IFRS 9 categories | Book value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|
| Trade receivables | Receivables and loans | 41,931 | | | 41,931 |
| Financial assets | | 5,146 | 5,146 | | |
| **Total financial assets** | | **134,529** | **5,146** | **87,452** | **41,931** |
| Bank borrowings | Liabilities at amortised cost | 38,262 | | 38,262 | |
| Payables to other lenders | Liabilities at amortised cost | 9,117 | | 9,117 | |
| **Non-current financial liabilities** | | **47,380** | | **47,380** | |
| Short-term bank loans | Liabilities at amortised cost | 21,305 | | 21,305 | |
| Short-term bank loans | Liabilities at amortised cost | 17,833 | | 17,833 | |
| Payables to other lenders | Liabilities at amortised cost | 1,741 | | 1,741 | |
| **Current financial liabilities** | | **40,879** | | **40,879** | |
| **Trade payables** | **Liabilities at amortised cost** | **39,912** | | | **39,912** |
| **Advances from customers** | **Liabilities at amortised cost** | **19,421** | | | **19,421** |
| **Liabilities for commitments and put options** | **Liabilities at fair value** | **1,865** | | | **1,865** |
| **Total financial liabilities** | | **149,457** | | **88,259** | **61,198** |

| 31.12.2019 | IFRS 9 categories | Book value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|
| Current accounts and post office deposits | Receivables and loans | 59,108 | | 59,108 | |
| Cash | Receivables and loans | 15 | | 15 | |
| Cash and cash equivalents | | 59,123 | | 59,123 | |
| Trade receivables | Receivables and loans | 52,905 | | | 52,905 |
| Financial assets | | 6,319 | 6,319 | | |
| **Total financial assets** | | **118,348** | **6,319** | **59,123** | **52,905** |
| Bank borrowings | Liabilities at amortised cost | 20,939 | | 20,939 | |
| Payables to other lenders | Liabilities at amortised cost | 6,516 | | 6,516 | |
| **Non-current financial liabilities** | | **27,455** | | **27,455** | |
| Short-term bank loans | Liabilities at amortised cost | 25,026 | | 25,026 | |
| Short-term bank loans | Liabilities at amortised cost | 11,961 | | 11,961 | |
| Payables to other lenders | Liabilities at amortised cost | 1,941 | | 1,942 | |
| **Current financial liabilities** | | **38,928** | | **38,928** | |
| **Trade payables** | **Liabilities at amortised cost** | **40,556** | | | **40,556** |
| **Advances from customers** | **Liabilities at amortised cost** | **16,063** | | | **16,063** |
| **Liabilities for commitments and put options** | **Liabilities at fair value** | **5,256** | | | **5,256** |
| **Total financial liabilities** | | **128,258** | | **66,383** | **61,875** |

## [41] Related party transactions

During 2020 and 2019, the Group had commercial relations with some related parties of the Group.

In accordance with the provisions of IAS 24, the following entities are considered Related Parties: (a) companies that directly or indirectly through one or more intermediate companies, control, or are controlled or are under common control with the reporting entity; (b) associated companies; (c) natural persons who directly or indirectly have voting power in the reporting entity that gives them a dominant influence over the company and their immediate family members; (d) key management personnel, i.e. those who have the power and responsibility for planning, directing and controlling the activities of the reporting entity, including directors and officers of the company and the immediate family members of such persons; (e) companies in which any natural person described under (c) or (d) has, directly or indirectly, significant voting power, or over which such person has such power. Case (e) includes undertakings owned by the directors or major shareholders of the reporting entity and undertakings which have a manager with strategic responsibilities in common with the reporting entity.

All transactions are regulated at market conditions for goods and services of equal quality.

| Balances and transactions at 31.12.2020 | Nature of transactions | Note | Property Plant & Equipment | Current trade receivables | Other current assets | Trade payables | Current financial liabilities | Non current financiali liabilities | Other current liabilities | Revenues | Expenses |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Pentafin S.p.A.* | Piovan S.p.A. parent company | [19] | | | | | | | 306 | | |
| CMG S.p.A. | Associated company | [21][25] [27] | | | | 543 | | | | 1 | 1,719 |
| Penta Auto Feeding India Ltd. | Subsidiary | [8] [25] | | 12 | | | | | | 12 | |
| CMG America Inc. | Subsidiary | [11] [19] [25] [27] | | | | | | | | | |
| Nicola Piovan | Chairman of the BoD of Piovan S.p.A. and Sole shareholder of Pentafin S.p.A. | [27] | 195 | | 31 | | | | 57 | 8 | 1,259 |
| Filippo Zuppichin | Chief executive officer and shareholder of Piovan S.p.A. | [19] [27] | | | | | | | | | 644 |
| Membri del CDA (escluso il presidente) | Directors | [1] [16] [27] | | | | | | | 65 | | 130 |
| Carsil S.r.l. | Company owned by Nicola Piovan's relatives | [19] | 740 | | | | 160 | 600 | | | 181 |
| **TOTAL** | | | **935** | **12** | **31** | **543** | **160** | **600** | **428** | **21** | **3,933** |

| Balances and transactions at 31.12.2019 | Nature of transactions | Note | Current trade receivables | Other current assets | Trade payables | Other current liabilities | Revenues | Expenses |
|---|---|---|---|---|---|---|---|---|
| Pentafin S.p.A.* | Piovan S.p.A. parent company | [11] [24] | | 275 | | 822 | - | |
| CMG S.p.A. | Associated company | [8] [21] [25] [27] | 37 | | 564 | | 44 | 1,770 |
| Studio Ponte S.r.l. | Subsidiary | [21] [24] [27] | | | 74 | 66 | | 378 |
| Penta Auto Feeding India Ltd. | Subsidiary | [8] [21] [25] [27] | 163 | | 52 | | 138 | 52 |
| CMG America Inc. | Subsidiary | [11] [27] | | 121 | | | | 465 |
| Nicola Piovan | Chairman of the BoD of Piovan S.p.A. and Sole shareholder of Pentafin S.p.A. | [11] [27] | | 35 | | | | 1,206 |
| Filippo Zuppichin | Chief executive officer and shareholder of Piovan S.p.A. | [27,] | | | | | | 529 |
| Membri del CDA (escluso il presidente) | Directors | [27] | | | | | | 125 |

| Balances and transactions at 31.12.2019 | Nature of transactions | Note | Current trade receivables | Other current assets | Trade payables | Other current liabilities | Revenues | Expenses |
|---|---|---|---|---|---|---|---|---|
| Carsil S.r.l. | Company owned by Nicola Piovan's relatives | [27] | | | | | | 277 |
| TOTAL | | | 200 | 275 | 690 | 888 | 182 | 4,754 |

## Commitments and risks

At December 31, 2020, the Group provided guarantees to third parties as indicated below:

- Euro 5,979 thousand for guarantees in favor of third parties against advances received for contract work-in-progress;

- Euro 484 thousand for guarantees in favor of third parties of the Parent Company Piovan S.p.A. for commercial activities.

At December 31, 2020, the parent company Piovan S.p.A. provided sureties in favor of credit institutions in the interest of subsidiaries and subject to the control of the parent company for a total of Euro 15.9 million.

## Contingent liabilities

We are not aware of the existence of further disputes or proceedings that are likely to have significant repercussions on the Group's economic and financial situation.

## Disbursements from the Public Administration

The Group has not received subsidies, contributions, assignments and/or economic benefits of any kind from public administrations and/or entities controlled by them, even indirectly, during 2018. This disclosure obligation is described in Article 1, paragraphs 125 and subsequent of Law 124/2017 on the transparency of public disbursements.

## Remuneration of Directors, Statutory Auditors and Independent Audit Firm

Remuneration paid to Directors, Statutory Auditors and Key Managers for the year ended December 31, 2020 compared to the previous year are shown below:

| | 2020 | 2019 |
|---|---|---|
| Directors | 1,876 | 1,673 |
| Key managers | 894 | 826 |
| Statutory auditors | 39 | 39 |

### Disclosure pursuant to Article 149 of the Consob Issuer's Regulation

The following table, prepared pursuant to Article 149 of the Consob Issuers´ Regulations, reports:

- the fees for 2020 for audit services
- for those other than audit services, rendered by the same audit firm in office
- and from companies in its network.

| Type of service | Person who provided the service | Recipient | Fees 2020 (€/000) |
|---|---|---|---|
| External audit of accounts | Auditor of the parent company | Parent company | 94 |
| External audit of accounts | Auditor of the parent company | Subsidiaries | 98 |
| External audit of accounts | Network of the parent company's auditors | Subsidiaries | 99 |
| Review review of the half-yearly financial statements | Auditor of the parent company | Parent company | 30 |
| Review review of the half-yearly financial statements | Auditor of the parent company | Subsidiaries | 9 |
| Review review of the half-yearly financial statements | Network of the parent company's auditors | Subsidiaries | 24 |
| Auditing and review | Others auditors | Subsidiaries | 83 |
| Non-audit services | Network of the parent company's auditors | Subsidiaries | - |
| Non-audit services | Network of the parent company's auditors | Parent company | 22 |

### Subsequent events after December 31, 2020

There are no particular significant events occurred after year end, except for the continuation of the Covid-19 pandemic.

### List of investments included in the consolidated financial statements and other investments

The table below lists the companies in which the Parent Company has a direct or indirect interest, together with the disclosures required by law for the preparation of consolidated financial statements.

| Company name | Registered office | Country | Currency | Share capital at 31/12/2020 | % shareholding | Shares held | Consolidation method |
|---|---|---|---|---|---|---|---|
| | | | | | | Shareholder-Partner | |
| **Parent:** | | | | | | | |
| Piovan S.p.A. | Santa Maria di Sala | Italy | EUR | 6,000,000 | | | |
| **Equity investments in subsidiary companies:** | | | | | | | |
| Piovan India Private Ltd | Mumbai | India | INR | 350,000 | 100.00% | Piovan S.p.A. | Full |
| Piovan Plastics Machinery Ltd | Suzhou (CN) | Cina | CNY | 5,088,441 | 100.00% | Piovan S.p.A. | Full |
| Piovan Do Brasil Ltda | Osasco (BRA) | Brasile | BRL | 11,947,356 | 99.99% | Piovan S.p.A. | Full |

| Company name | Registered office | Country | Currency | Share capital at 31/12/2020 | % shareholding | Shares held<br>Shareholder-Partner | Consolidation method |
|---|---|---|---|---|---|---|---|
| Piovan Mexico S. A. | Queretaro (MX) | Messico | MXN | 706,540 | 99.99% | Piovan S.p.A. | Full |
| Piovan Central Europe GmbH | Brunn am Gebirge (A) | Austria | EUR | 35,000 | 100.00% | Piovan S.p.A. | Full |
| Piovan UK Ltd | Bromsgrove (GB) | Regno Unito | GBP | 25,000 | 100.00% | Piovan S.p.A. | Full |
| Piovan Czech Republic s.r.o. | Praga (CZ) | Repubblica Ceca | CZK | 200,000 | 100.00% | Piovan Central Europe GmbH (90%)<br>Piovan S.p.A. (10%) | Full |
| Piovan France Sas | Chemin du Pognat (F) | Francia | EUR | 1,226,800 | 100.00% | Piovan S.p.A. | Full |
| Universal Dynamics Inc. | Fredericksburg, Virginia (U.S. A.) | USA | USD | 3,500,000 | 100.00% | Piovan S.p.A. | Full |
| Piovan GmbH | Garching (D) | Germania | EUR | 102,258 | 100.00% | Piovan S.p.A. | Full |
| Piovan Canada Ltd | Mississauga - Ontario (CAN) | Canada | CAD | 10 | 100.00% | Piovan S.p.A. | Full |
| Piovan Asia Pacific Ltd | Bangkok (TH) | Tailandia | THB | 8,010,000 | 100,00%(*) | Piovan S.p.A. | Full |
| FDM GmbH | Troisdorf (DE) | Germania | EUR | 75,000 | 66.67% | Piovan S.p.A. | Full |
| Piovan Muhendslik Ltd | Beikoz (TR) | Turchia | TRY | 10,000 | 100.00% | Piovan S.p.A. | Full |
| Penta S.r.l. | Ferrara (IT) | Italia | EUR | 100,000 | 100.00% | Piovan S.p.A. | Full |
| Energys S.r.l. | Venezia (IT) | Italia | EUR | 10,000 | 100.00% | Piovan S.p.A. | Full |
| Piovan Japan Inc. | Kobe (J) | Giappone | JPY | 6,000,000 | 100.00% | Piovan S.p.A. | Full |
| Piovan Gulf FZE | Dubai (UAE) | Emirati Arabi | AED | 1,000,000 | 100.00% | Piovan S.p.A. | Full |
| Aquatech S.r.l. | Venezia (IT) | Italia | EUR | 40,000 | 100.00% | Piovan S.p.A. | Full |
| Piovan Vietnam Company Ltd | Mai Chi Tho (Vietnam) | Vietnam | VND | 1,136,500,000 | 100.00% | Piovan S.p.A. | Full |
| Progema S.r.l. | San Felice sul Panaro (MO) | Italia | EUR | 25,000 | 81.00% | Penta S.r.l. | Full |
| Piovan Hungary Kft | Budapest | Ungheria | HUF | 3,000,000 | 100.00% | Piovan Central Europe GmbH | Full |
| Piovan Maroc Sarl. AU | Kenitra | Marocco | MAD | 1,000,000 | 100.00% | Piovan S.p.A. | Full |
| FEA Process&Technological Plants S.r.l. | Scarnafigi (CN) | Italia | EUR | 20,400 | 51.00% | Piovan S.p.A. | Full |
| Studio Ponte S.r.l. | Poggio Renatico (FE) | Italia | EUR | 10,000 | 51.00% | Penta S.r.l. | Ful |
| Penta Auto Feeding India Ltd | Navi Mumbai (India) | India | INR | 10,000,000 | 50.00% | Penta S.r.l. | Equity method |
| Piovan South Est Asia Ltd (in liquidazione) | Bangkok (Tailandia) | Tailandia | THB | 9,000,000 | 100.00% | Piovan S.p.A. | Equity method |
| CMG America Inc. | Clio | Michigan | USD | 70,000 | 100.00% | Piovan S.p.A. | Equity method |
| TOBA PNC | Seoul | Corea del Sud | KRW | 500,000,000 | 51.00% | Piovan S.p.A. | Full |
| Doteco S.p.A. | Modena (IT) | Italia | EUR | 1,000,000 | 100.00% | Piovan S.p.A. | Full |
| Doteco INC | Dalton, Georgia (U.S.A.) | USA | USD | 75,000 | 100.00% | Doteco S.p.A. | Full |
| **Equity investments in affiliated companies:** | | | | | | | |
| CMG S.p.A. | Budrio (BO) | Italia | EUR | 1,250,000 | 20% | Piovan S.p.A. | Equity method |

(*) The investment in Piovan Asia Pacific Ltd is wholly owned, through direct control for 49% and indirectly through a trust for the remaining share, in order to bring the company structure in line with local regulations in relation to the activity carried out by the Company.

Santa Maria di Sala (Venezia), March 19, 2021

On behalf of the Board of Directors

Executive Chairman

Nicola Piovan

## DECLARATION OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AS PER ARTICLE 154-BIS OF LEG. DECREE NO. 58 OF 24.02.1998 AND ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999 AND SUBSEQUENT AMENDMENTS AND SUPPLEMENTS

Santa Maria di Sala, March 19, 2021

The undersigned Filippo Zuppichin, Chief Executive Officer, and Elisabetta Floccari, Executive Officer for Financial Reporting of Piovan S.p.A. declare, also in consideration of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24, 1998:

- the accuracy of the information on company operations and
- the effective application

of the administrative and accounting procedures for the compilation of the consolidated annual financial statements for 2020.

No significant aspect emerged concerning the above.

In addition, we declare that the consolidated financial statements at December 31, 2020:

a) were prepared in accordance with international accounting standards, endorsed by the European Union pursuant to EU regulation No. 1606/2002 of the European Parliament and Council, of July 19, 2002;

b) correspond to the underlying accounting documents and records;

c) provide a true and fair view of the financial position, balance sheet and operating results of the issuer and of the companies included in the consolidation;

The Directors' Report includes a reliable analysis on the performance and operating result,

as well as the situation of the issuer and of the companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

| The Chief Executive Officer | The Executive Officer for Financial Reporting |
|---|---|
| Filippo Zuppichin | Elisabetta Floccari |

## SEPARATE INDEPENDENT AUDITORS' REPORT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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# INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Piovan S.p.A.

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

### Opinion

We have audited the consolidated financial statements of Piovan S.p.A. and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31 December 2020, the statement of profit and loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Impairment test on goodwill pertaining to the CGU Food, Unadyn and Doteco | |
|---|---|
| Description of the key audit matter | The consolidated financial statements include, within Intangible assets, goodwill totaling Euro 22,158 thousand, out of which Euro 3,051 thousand pertaining to the Cash Generating Unit (“CGU”) “Unadyn”, represented by the subsidiary Universal Dynamics Inc., Euro 2,146 thousand pertaining to the CGU “Food”, represented by Penta S.r.l., its subsidiary Progema S.r.l. and FEA Process & Technological Plants S.r.l., and Euro 15,695 thousand pertaining to the CHU “Doteco”, represented by Doteco S.p.A. and its subsidiary Doteco Inc., acquired in 2020.<br><br>In accordance with IAS 36 – Impairment of assets, goodwill is not amortized while is subject to impairment test at least once a year, by comparing the recoverable amount of the afore-mentioned CGUs – corresponding to their value in use determined using the Discounted Cash Flow (DCF) method – and the carrying amount of these CGUs, which includes goodwill allocated to them and the relevant tangible and other intangible assets.<br><br>Company’s Management valuation process is based on assumptions concerning, among others, the CGUs’ expected cashflows, deriving from business plans prepared for the period 2021-2025 and approved by the Board of Directors of the Company, the definition of an appropriate discount rate (WACC) and of a long term growth rate (g-rate) for the calculation of the terminal value beyond the forecasting period. Such assumptions depend upon future expectations and market conditions which can vary upon time, also considering the context of uncertainty deriving from the Covid-19 pandemic, with consequent effects, potentially magnitude, with respect to judgements made by the Directors.<br><br>Considering the amount of goodwill included in the financial statements, the level of judgement involved in the estimate of the CGUs’ cashflows and on the key parameters of the impairment model, we considered the impairment test as a key audit matter for the consolidated financial statements.<br><br>Notes to the consolidated financial statements, and in particular Note 2, present disclosures provided by the Directors with regards to the impairment test, including the result of the sensitivity analysis performed, which describes the effects to the outcome of the test deriving from changes in the key parameters. |
| Audit procedures performed | We have first examined the methodology used by Management in determining the value in use of the CGUs’, analyzing the methods and assumptions used for the development of the impairment test. |

Deloitte.



As part of our audit we have, among others, carried out the following procedures, also with the support of experts, part of our network:

- identification and understanding of relevant controls implemented by the Company on the impairment test process;
- analysis of reasonableness of main assumptions adopted in forecasting cash flows projections of the CGUs;
- analysis of actual 2020 results compared to budgeted figures and of the nature of variances, taking into consideration the particular economic situation impacted by Covid-19, in order to evaluate the reliability of the process used for the preparation of business plans used in the impairment test;
- evaluation of the reasonabless of the discount rate (WACC) and of the long-term growth rate (g-rate), also through comparison with market data;
- verification of the clerical accuracy of the model used to determine the value in use of the CGUs;
- verification of the accuracy in the determination of the carrying amount of the CGUs;
- verification of the sensitivity analysis prepared by Management both in terms of mathematical accuracy and relevance of the analysis with respect to the key assumptions.

We have also examined the appropriateness and compliance of the disclosure provided by the Company on the impairment test with the provisions of IAS 36.

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

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

**Other information communicated pursuant to art. 10 of the EU Regulation 537/2014**

The Shareholders' Meeting of Piovan S.p.A. has appointed us on 14 September 2018 as auditors of the Company for the years from 31 December 2018 to 31 December 2026.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

**Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 [and art. 123-bis, paragraph 4, of Legislative Decree 58/98]**

The Directors of Piovan S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Piovan Group as at 31 December 2020, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Piovan Group as at 31 December 2020 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and the above-mentioned information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Piovan Group as at 31 December 2020 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

**Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254**

The Directors of Piovan S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by other auditors.

DELOITTE & TOUCHE S.p.A.

Signed by
**Barbara Moscardi**
Partner

Treviso, Italy
March 30, 2021

This report has been translated into the English language solely for the convenience of international readers.

# ANNUAL SEPARATE FINANCIAL STATEMENTS

December 31, 2020

# SEPARATE FINANCIAL STATEMENTS

SEPARATE FINANCIAL STATEMENTS

## STATEMENT OF FINANCIAL POSITION

(in Euro)

| ASSETS | Notes | 31/12/2020 | 31/12/2019 |
|---|---|---|---|
| | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | **Note 1** | 30,050,783 | 31,235,547 |
| *- of which related parties* | ***Note 35*** | *935,000* | *905,129* |
| Intangible assets | **Note 2** | 360,471 | 495,365 |
| Equity investments | **Note 3** | 62,898,922 | 31,667,812 |
| *- of which related parties* | ***Note 35*** | *62,898,922* | *31,667,812* |
| Other non-current assets | **Note 4** | 16,391 | 16,489 |
| Deferred tax assets | **Note 5** | 1,026,146 | 549,077 |
| **TOTAL NON-CURRENT ASSETS** | | **94,352,713** | **63,964,290** |
| | | | |
| **CURRENT ASSETS** | | | |
| Inventories | **Note 6** | 10,783,813 | 9,373,576 |
| Trade receivables | **Note 7** | 33,197,885 | 36,004,584 |
| *- of which related parties* | **Note 35** | *18,933,508* | *17,565,520* |
| Current financial assets | **Note 8** | 9,984,447 | 12,307,380 |
| *- of which related parties* | **Note 35** | *4,838,421* | *5,987,926* |
| Tax receivables | **Note 9** | 964,945 | 791,246 |
| Other current assets | **Note 10** | 658,360 | 871,243 |
| *- of which related parties* | **Note 35** | *31,025* | *395,545* |
| Cash and cash equivalents | **Note 11** | 46,131,579 | 39,590,822 |
| **TOTAL CURRENT ASSETS** | | **101,721,029** | **98,938,850** |
| | | | |
| **TOTAL ASSETS** | | **196,073,742** | **162,903,140** |

| LIABILITIES AND EQUITY | Notes | 31/12/2020 | 31/12/2019 |
|---|---|---|---|
| | | | |
| **EQUITY** | | | |
| Share capital | **Note 12** | 6,000,000 | 6,000,000 |
| Legal reserve | **Note 12** | 1,200,000 | 1,200,000 |
| Reserve for own shares in portfolio | **Note 12** | (2,249,744) | (2,249,744) |
| Other Reserves and retained earnings | **Note 12** | 38,911,082 | 29,957,800 |
| Net profit (loss) | **Note 12** | 10,448,148 | 14,397,951 |
| **TOTAL EQUITY** | | **54,309,485** | **49,306,006** |
| | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Long-term loans | **Note 14** | 37,232,532 | 20,068,667 |
| Non-current financial liabilities | **Note 14** | 1,098,525 | 1,263,382 |
| *- of which related parties* | **Note 35** | *600,344* | *762,413* |
| Employee benefits plans | **Note 15** | 2,203,812 | 2,279,402 |
| Provision for risks and charges | **Note 16** | 2,031,986 | 1,268,665 |
| Other non-current liabilities | **Note 19** | 172,992 | - |
| Deferred tax liabilities | **Note 5** | 1,087,533 | 1,215,906 |
| **TOTAL NON-CURRENT LIABILITIES** | | **43,827,380** | **26,096,022** |
| | | | |
| **CURRENT LIABILITIES** | | | |
| Current portion of long-term loans | **Note 14** | 16,325,489 | 11,768,151 |
| Current bank loans and borrowings | **Note 14** | 21,300,000 | 25,024,534 |
| Current financial liabilities | **Note 14** | 23,245,608 | 15,977,191 |
| *- of which related parties* | **Note 35** | *23,076,747* | *15,729,216* |
| Trade payables | **Note 17** | 21,149,402 | 25,027,127 |
| *- of which related parties* | **Note 35** | *2,300,435* | *2,898,539* |
| Advance from costumers | **Note 18** | 1,478,221 | 2,003,178 |
| Tax liabilities and social security contributions | **Note 19** | 3,194,241 | 3,210,848 |
| Other current liabilities | **Note 20** | 11,243,917 | 4,490,082 |
| *- of which related parties* | **Note 35** | *419,528* | *1,068,673* |
| **TOTAL CURRENT LIABILITIES** | | **97,936,876** | **87,501,112** |
| **TOTAL LIABILITIES** | | **141,764,256** | **113,597,134** |
| | | | |
| **TOTAL LIABILITIES AND EQUITY** | | **196,073,742** | **162,903,140** |

## STATEMENT OF PROFIT AND LOSS

(in Euro)

| CONSOLIDATED STATEMENT OF PROFIT AND LOSS | Notes | 31/12/2020 | 31/12/2019 |
|---|---|---|---|
| Revenue | **Note 21** | 96,539,915 | 102,694,077 |
| *- of which related parties* | **Note 35** | *36,050,566* | *37,226,197* |
| Other revenue and income | **Note22** | 1,922,188 | 2,800,169 |
| *- of which related parties* | **Note 35** | *659,468* | *441,340* |
| **TOTAL REVENUE AND OTHER INCOME** | | **98,462,103** | **105,494,246** |
| Costs of raw materials, components and goods and changes in inventories | **Note 23** | 39,188,638 | 40,653,218 |
| *- of which related parties* | **Note 35** | *3,870,683* | *3,695,807* |
| Services | **Note 24** | 18,066,467 | 19,883,671 |
| *- of which related parties* | **Note 35** | *4,551,313* | *4,780,489* |
| Use of third party assets | **Note 25** | 177,952 | 170,236 |
| Personnel expenses | **Note 26** | 22,782,836 | 23,837,103 |
| *- of which related parties* | **Note 35** | *609,000* | *128,000* |
| Other expenses | **Note 27** | 920,463 | 813,085 |
| *- of which related parties* | **Note 35** | *2,793* | *2,405* |
| Provisions for risks and charges | **Note 28** | 904,153 | (244,285) |
| Amortisation and depreciation | **Note 29** | 2,631,209 | 2,380,018 |
| *- of which related parties* | **Note 35** | *196,000* | *305,375* |
| **TOTAL COSTS** | | **84,671,717** | **87,493,046** |
| **OPERATING PROFIT** | | **13,790,386** | **18,001,200** |
| Financial income | **Note 30** | 1,191,049 | 1,327,155 |
| *- of which related parties* | **Note 35** | *865,065* | *965,653* |
| Financial Expenses | **Note 30** | (446,367) | (323,993) |
| *- of which related parties* | **Note 35** | *(11,617)* | *(62,106)* |
| Net exchange rate gain (losses) | **Note 31** | (946,337) | 209,894 |
| Financial asset adjustments | **Note 32** | 140,000 | 250,000 |
| **PROFIT BEFORE TAXES** | | **13,728,732** | **19,464,256** |
| **Income taxes** | **Note 33** | 3,280,584 | 5,066,305 |
| **NET PROFIT** | | **10,448,148** | **14,397,951** |

| Earnings per share | Notes | 31/12/2020 | 31/12/2019 |
|---|---|---|---|
| **Basic earnings per share (in Euros)** | **Note 13** | **0.21** | **0.28** |
| **Diluted earning er share (in Euros)** | **Note 13** | **0.21** | **0.28** |

## STATEMENT OF COMPREHENSIVE INCOME

(in Euro)

| CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME | 31/12/2020 | 31/12/2019 |
|---|---|---|
| **Net profit** | **10,448,148** | **14,397,951** |
| Items that may be subsequently reclassified to profit or loss: | - | - |
| - Fair value difference hedging instruments net of the tax effects | - | - |
| - Exchange rate differences | - | - |
| Items that may not be subsequently reclassified to profit or loss: | - | - |
| - Actuarial gains (losses) on employee benefits net of the tax effect | 34,672 | (107,953) |
| - Actuarial gains on agents' termination benefits net of the tax effect | (865) | 21,555 |
| **Total Comprehensive income** | **10,481,955** | **14,311,553** |

## STATEMENT OF CASH FLOW

(in Euro)

| Consolidated Statement of Cash Flow | 31/12/2020 | 31/12/2019 |
|---|---|---|
| **Net profit** | **10,448,148** | **14,397,951** |
| **Adjustments for:** | - | - |
| *- Amortisations and depreciations* | 2,630,289 | 2,380,018 |
| *'- Investment write down* | (140,000) | - |
| Amortisation and depreciation | 2,490,289 | 2,380,018 |
| Inventory write-down and bad debt provision | 1,050,000 | 110,000 |
| - Net non-monetary financial charges | - | - |
| - Net non-monetary financial (income) | 153,881 | (101,159) |
| Change in provisions for risks and charges and employee benefits liabilities | (38,462) | (715,279) |
| Net capital (gains) losses on sale of fixed assets and equity investments | 17,349 | (696,318) |
| (Gains) or losses on unrealized forex ecxchange | 946,337 | (209,894) |
| Dividend received | (823,880) | (926,667) |
| Other non-monetary variations | 123,524 | - |
| Taxes | 3,280,584 | 5,066,305 |
| **Cash flows from operating activities before changes in net working capital** | **17,647,770** | **19,304,957** |
| (Increase)/decrease in trade receivables | 1,710,362 | (2,076,734) |
| *- of which related parties* | *1,367,987* | *(1,796,480)* |
| Increase in inventories | (1,410,237) | 572,812 |
| (Increase)/decrease in other current assets | (18,321) | 574,572 |
| *- of which related parties* | *(364,520)* | *(932,455)* |
| Increase/(decrease) in trade payables | (3,877,726) | 1,562,280 |
| *- of which related parties* | *(598,104)* | *290,539* |
| Increase/(decrease) in advance from customers | (524,958) | (498,486) |
| Increase/(decrease) in other current liabilities | 558,567 | (967,454) |
| *- of which related parties* | *6,753,834* | *219,373* |
| (Increase)/decrease in non-current assets | (55,540) | (30,119) |
| Increase/(decrease) in non-current liabilities | 172,657 | (37,243) |
| Dividend received | 823,880 | 955,569 |
| Income taxes paid | (4,593,889) | (3,329,960) |
| | - | - |
| **CASH FLOWS FROM OPERATING ACTIVITIES (A)** | **10,432,565** | **16,030,195** |
| **INVESTING ACTIVITIES** | - | - |
| Investments in property, plant and equipment | (1,239,879) | (9,064,554) |
| Investments in intangible assets | (245,181) | (553,666) |
| Disinvestments/(investments) in financial assets | 2,169,052 | (8,307,519) |
| *- of which related parties* | *(1,149,505)* | *2,088,926* |
| Disinvestments in equity investments | (24,231,110) | (1,300,173) |
| **CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)** | **(23,547,117)** | **(19,225,912)** |
| **FINANCING ACTIVITIES** | - | - |
| Issuance of bank loans | 27,500,000 | 22,000,000 |
| Repayment of bank loans | (5,778,796) | (6,796,294) |
| Change in current bank loans and borrowings | (3,724,534) | 12,030,208 |
| Repayment of bonds | - | - |
| Increase/(decrease) in other financial liabilities | 7,260,640 | 11,757,507 |
| *- of which related parties* | *7,185,462* | *13,191,629* |
| Contribution | - | - |
| Dividends paid | (5,602,000) | (7,639,395) |
| **CASH FLOWS USED IN FINANCING ACTIVITIES ©** | **19,655,309** | **31,352,027** |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A ± B ± C)** | **6,540,757** | **28,156,310** |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (E)** | **39,590,822** | **11,434,511** |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (G=D+E+F)** | **46,131,579** | **39,590,821** |
| **INTERESTS PAID** | **(214,476)** | **(323,993)** |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **6,540,757** | **28,156,310** |

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in Euro)

| | Share capital | Legal reserve | Reserve for treasury shares | Other reserves and retained earnings | Profit for the year | Total Equity |
|---|---|---|---|---|---|---|
| **Balance at 01.01.2019** | **6,000,000** | **1,200,000** | **(2,249,744)** | **26,025,169** | **11,671,417** | **42,646,842** |
| Distribution of dividends | - | - | - | (7,639,395) | - | (7,639,395) |
| Allocation of previous period operating profit | - | - | - | 11,671,417 | (11,671,417) | - |
| Cancellation of treasury shares | - | - | - | - | - | - |
| Other movements | - | - | - | - | - | - |
| Total comprehensive net income | - | - | - | (99,392) | 14,397,951 | 14,298,559 |
| **Balance at 31.12.2019** | **6,000,000** | **1,200,000** | **(2,249,744)** | **29,957,799** | **14,397,951** | **49,306,006** |

| | Share capital | Legal reserve | Reserve for treasury shares | Other reserves and retained earnings | Profit for the year | Total Equity |
|---|---|---|---|---|---|---|
| **Balance at 31.12.2019** | **6,000,000** | **1,200,000** | **(2,249,744)** | **29,957,799** | **14,397,951** | **49,306,006** |
| Distribution of dividends | - | - | - | (5,602,223) | - | (5,602,223) |
| Allocation of previous period operating profit | - | - | - | 14,397,951 | (14,397,951) | - |
| Cancellation of treasury shares | - | - | - | - | - | - |
| Incentive plans | - | - | - | 123,747 | - | 123,747 |
| Other movements | - | - | - | - | - | - |
| Total comprehensive net income | - | - | - | 33,807 | 10,448,148 | 10,481,955 |
| **Balance at 31.12.2020** | **6,000,000** | **1,200,000** | **(2,249,744)** | **38,911,081** | **10,448,148** | **54,309,485** |

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

### General information

Piovan S.p.A. is the parent company of the Piovan Group, among the world leaders in the Plastics Systems market in the design and production of plants and control systems for the automation of all phases of the plastics production cycle. In particular the Group produces automation systems for the storage, transport and processing of plastics ("Plastics Systems"), automation systems for the storage and transport of food powders and non plastic powders ("Food Systems & non plastic") and technical assistance and marketing of spare parts and services ("Services and Spare Parts").

The plants and systems developed, produced and marketed by the Group automate and improve the performance of all the various phases of the production and transformation process of plastics, food powders and non plastic powder. The technical solutions proposed by the Group include, for both the Plastics System and Food and non plastic System markets: (i) the design of machinery and engineering solutions; (ii) the production of plants and systems; and (iii) the installation at the customer's production facilities. In addition, the Group provides its customers with specific technical support from the preliminary design phase to the installation and start-up of the plant and machinery, ensuring ongoing support in order to guarantee optimal operation of the products installed.

Piovan S.p.A. received approval on October 5, 2018 from CONSOB for admission to listing of its shares on the Italian Stock Market, STAR segment. Trading of the shares on this market commenced on October 19, 2018.

As becoming a listed company, Piovan S.p.A. is obliged to prepare its separate financial statements in accordance with IAS/IFRS. The first separate financial statements prepared by the Company in accordance with IAS/IFRS were those at December 31, 2018.

## Content and form of the separate financial statements

Piovan S.p.A. (or the "Company"), a joint-stock company incorporated in Italy, has its registered office in Santa Maria di Sala (VE), via Dell'Industria 16 and is enrolled with the Venice Companies' Registration Office.

Piovan S.p.A. production and administrative headquarters are located at Santa Maria di Sala (VE), where Group management and administration, finance, operating control, marketing and ICT system control are overseen. The production site specializes in the production of auxiliary systems for the plastics processing industry, and in particular in the production of auxiliary machinery that responds to the sector's specific and varying requirements. The Company has opted, commencing from the financial statements for the year ended December 31, 2018, to prepare the financial statements using international accounting standards adopted by the European Union as per European Regulation No. 1606/2002 of July 19, 2002, enacted in Italy by Legislative Decree No. 38/2005.

The Separate Financial Statements at December 31, 2020 were approved by the Board of Directors of Piovan S.p.A. on March 19, 2020.

The separate financial statements were prepared in accordance with the updated accounting records.

## Basis of preparation

The separate financial statements of the Company at December 31, 2020 have been drawn up in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission in accordance with the procedure laid down by Article 6 of Regulation (EC) No. 1606/2002 of the European Parliament and Council dated July 19, 2002.

IFRS includes all IFRS's, all of the interpretations of the International Financial Reporting Interpretations Committee (IFRIC IC) previously called the Standing Interpretations Committee (SIC) approved by the European Union at the reporting date of the financial statements and contained in the relative EU Regulations published at that date.

They consist of the balance sheet, the income statement, the comprehensive income statement, the statement of changes in shareholders' equity, the cash flow statement and these explanatory notes. The financial statements have been prepared on the basis of the historical cost convention, with the exception of the requirements of IFRS 9 - "Financial Instruments", and on a going-concern basis.

In this latter regard, although operating within a difficult economic and financial environment, the Company considers - also in view of its strong competitive positioning, its high profitability and the solidity of its balance sheet and financial position - that there are no doubts as to operate as a going concern as per paragraphs 25 and 26 of IAS 1.

This assessment also took into account the Covid-19 pandemic health emergency that emerged in the initial months of 2020 and the impact that this situation had on the Group's performance in 2020, due in part to the restrictions introduced in the countries impacted. In this regard, it is expected that, taking account of the Group’s strong balance sheet, the credit lines available to the parent company, in addition to that outlined in the “Covid-19 impacts” paragraph, financial, operating or other indicators do not highlight any significant uncertainties with regards to the Group’s capacity to meet its obligations in the foreseeable future and in particular in the next 12 months.

These financial statements were prepared in Euro, which is the "functional" and "presentation" currency of the Company in accordance with IAS 21, unless otherwise indicated.

### COVID-19 impacts

Beginning in the initial months of 2020, the COVID-19 global pandemic emergency evolved, putting significant pressure on national health systems and with the gradual introduction by governmental authorities of a series of measures to contain the risk of the virus’s further spread. The impacts of this situation on Group operations mainly took the form of a slowdown to operations, which predominantly affected personnel subject to business trips in the months of March, April and May. The restrictions introduced on the mobility of individuals delayed the execution of the concluding phases of a number of projects requiring installation on-site at customer premises. The Company made recourse to the flexibility instruments made available to businesses to deal with this extraordinary situation and reduce the impacts of costs which otherwise would have been fixed. In particular, the use of accrued holidays was incentivized and recourse was made to the Lay-off scheme from March 2020.

From a financial viewpoint, the Company obtained 3, 6 and 12-month moratoriums on loan repayment commitments.

The Covid-19 effects (temporary shutdown of operations, potential drop in demand and/or profitability) may indicate that one or more impairment indicators exist. For the Annual Report, management therefore made assessments in this regard. In particular, management did not identify indicators of impairment, taking account of the fact that (i) the company’s stock market capitalization at December 31, 2020, remains comfortably above shareholders’ equity at the same date, (ii) the order portfolio at the same date appears in line with the Group’s usual volumes, (iii) the net financial position was not impacted by the altered general economic environment (iv) the performances in 2020, compared to the same period of the previous year, were still very strong, both in terms of revenues and margins.

## FINANCIAL STATEMENTS

### Balance sheet

The Balance Sheet adopted the separation of assets and liabilities between current and non-current, as indicated in paragraph 60 and thereafter of IAS 1.

The assets and liabilities are classified as current when they satisfy the following criteria:

- Assets/liabilities for which it is expected the sale or the utilization in the normal operating cycle, or
- Assets/liabilities principally held-for-trading, or
- Assets/liabilities that are expected to be realized/settled within twelve months of the reporting date.

Where none of these conditions apply, the assets/liabilities are classified as non-current.

### Statement of Profit and Loss

The company has chosen to present the income statement adopting the classification by "nature of expense" as this is the most representative of the operations during the year and of its business structure. This structure is in line with the internal management reporting procedures and international best practice for the sector.

### Statement of Comprehensive Income

With the adoption of IAS 1 Revised the company decided to present the comprehensive income statement in a separate statement. The "comprehensive income statement", prepared in accordance with international accounting standards, shows the revenue and cost items which are not recorded in the income statement but recorded directly to equity.

### Statement of Cash Flow

The Cash Flow Statement is presented using the indirect method. The cash and cash equivalents included in the cash flow statement include the balance sheet captions at the reporting date. Interest income and expense, dividends received and income taxes are included in the cash flow generated from operating activities with the exception of interest matured on securities available-for-sale, included in financial cash flows generated from financial management. The cash flow deriving from operating activities, investment activities, the change in the non-current financial position and short-term payables as well as current financial assets are shown separately. Where not specified, the exchange gains and losses are classified under operating activities as these refer to the translation into Euro of trade receivables and payables.

### Statement of Changes in Shareholders' Equity

The statement of changes in shareholders' equity illustrates the changes to the shareholders' equity accounts with regard to:

- allocation of the Company's profit for the year;
- amounts relating to transactions with shareholders (purchase and sale of own shares);

- each profit and loss account, net of any tax effects which, as required by IFRS is either directly recorded in equity (gains or losses on the purchase or sale of treasury shares) or is recorded in an equity reserve (share-based payments in relation to stock-option plans);

- movements in the cash flow hedge reserve, net of any tax effect;
- the effect deriving from changes in accounting standards.

### Business combinations

Business combinations are recognized according to the acquisition method, as defined by IFRS 3 Business combinations. According to this method, the amount transferred in a business combination is valued at fair value, calculated as the sum of the fair value of the assets transferred and the liabilities assumed by the Group at the acquisition date and of the equity instruments issued in exchange for control of the company acquired. Transaction costs are recognized to profit or loss when they are incurred.

At the acquisition date, the assets and the liabilities acquired are recorded at fair value at the acquisition date; the following items form an exception, which are instead valued according to the applicable standard:

- Deferred tax assets and liabilities;
- Assets and liabilities for employee benefits;
- Liabilities or equity instruments relating to share-based payments of the company acquired or share-based payments relating to the Group issued to replace contracts of the entity acquired;
- Assets held-for-sale and discontinued assets and liabilities.

Goodwill is calculated as the excess of the amounts transferred in the business combination, of the value of minority interests' net equity and the fair value of any holding previously held in the acquired company compared to the fair value of the net assets acquired and liabilities assumed at the acquisition date. If the value of the net assets acquired and the liabilities assumed at the acquisition date exceeds the sum of amounts transferred, of any minority interest and the fair value of any holding previously held in the acquired company, this excess is immediately recorded to the income statement as income deriving from the transaction concluded.

The share of equity attributable to non-controlling interests, at the acquisition date, is in proportion to the acquiree's recognized net assets, excluding any goodwill attributed (so-called partial goodwill method). Alternatively, the entire amount of goodwill generated by the acquisition is recorded considering also the share of minority interests (full goodwill method). The choice in the determination method of the goodwill (partial goodwill method or full goodwill method) is made separately for each business combination. Where not otherwise specified the partial goodwill method is utilized.

Where control is acquired in several stages, the acquisition cost is determined through the sum of the fair value of the investment previously held in the investee and the total amount for the additional holding. The difference between the fair value of the investment previously held and the relative carrying amount is recorded in the income statement.

## Main accounting standards applied

The separate financial statements for 2020 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) endorsed by the European Commission and in force at the reporting date.
They are presented in Euro, the Company's functional currency as this is the main currency in which it operates, rounded to the nearest unit.

The preparation of the separate financial statements in accordance with IAS/IFRS requires management to make estimates and assumptions which have an impact on the amounts reported in the financial statements and the relative notes; actual results may differ from the estimates made. Please refer to the paragraph "Use of estimates" for a description of the areas most subject to the use of estimates.

In the preparation of these separate financial statements at December 31, 2020 the accounting standards adopted are those as utilized in the preparation of the consolidated financial statements, with the exception of that reported below.

## IFRS accounting standards, amendments and interpretations applicable to the Company and applied from January 1, 2020

- On October 31, 2018, the IASB published the document ***"Definition of Material*** *(Amendments to IAS 1 and IAS 8)"*. The document modified the definition of "material" in IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. The amendment aims to provide a more specific definition of "material" and introduce the concept of "obscured information" alongside the concepts of omitted or misstated information previously included in the two amended Standards. The amendment clarifies that information is obscured if it is described in a way that results in an effect for the primary users of the financial statements similar to that which would have resulted if the information in question had been omitted or misstated. The adoption of this amendment does not have effects on the company's financial statements.

- On March 29, 2018, the IASB published an amendment to the "References to the Conceptual Framework in IFRS Standards". The amendment is effective from periods beginning on or after January 1, 2020, although early application is permitted. The Conceptual Framework defines the fundamental concepts for financial reporting and guides the Board in developing the IFRS standards. The document helps to ensure that the Standards are conceptually consistent and that similar transactions are treated in the same way, thus providing useful information to investors, lenders and other creditors. The Conceptual

Framework supports companies in developing accounting policies when no IFRS standard is applicable to a particular transaction and, more generally, helps stakeholders to understand and interpret the Standards. The adoption of this amendment does not have effects on the company's financial statements.

- The IASB, on September 26, 2019, published the amendment entitled "**Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform".** The same amendment to IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement in addition to IFRS 7 - Financial Instruments: Disclosures. The adoption of this amendment does not have effects on the company's financial statements

- On October 22, 2018, the IASB published the document "Definition of a Business (Amendments to IFRS 3)". The document provides certain clarification on the definition of a business for the purposes of the proper application of IFRS 3. The amendments apply to all business combinations and acquisitions of activities after January 1, 2020, although advance application is permitted. The adoption of this amendment does not have effects on the company's financial statements.

- On May 28, 2020, the IASB published an amendment called "Covid-19 Related Rent Concessions (Amendment to IFRS 16)". The document establishes for lessees the option to account for the reductions in rents connected with COVID-19 without having to assess, through the analysis of contracts, whether the definition of lease modification of IFRS 16 has been complied with. Therefore, lessees applying this option will be able to account for the effects of rent reductions directly in the income statement on the effective date of the reduction. This amendment applies to financial statements commencing on June 1, 2020, but the Company has made use of the option to apply this amendment earlier to January 1, 2020. The adoption of this amendment does not have effects on the company's financial statements.

### IFRS and IFRIC standards, amendments and interpretations approved by the European Union, not yet mandatory and not adopted in advance by the Company at December 31, 2020

- On May 28, 2020, the IASB published an amendment called "Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)". The amendments allow the temporary exemption from the application of IFRS 9 to be extended until January 1, 2023 for insurance companies. The amendments will enter into force from January 1, 2021. The Directors do not expect this amendment to have a significant impact on the company's financial statements.

- On August 27, 2020, the IASB published, in light of the reform on interbank interest rates such as IBOR, the document "Interest Rate Benchmark Reform-Phase 2" which contains amendments to the following standards:
  - - IFRS 9 Financial Instruments;
  - - IAS 39 Financial Instruments: Recognition and Measurement;
  - - IFRS 7 Financial Instruments: Disclosures;
  - - IFRS 4 Insurance Contracts; and
  - - IFRS 16 Leases
  - All the amendments will enter into force from January 1, 2021. The Directors do not expect this amendment to have a significant impact on the company's financial statements.

### IFRS standards, amendments and interpretations not yet endorsed by the European Union

At the date of these financial statements, the relevant bodies of the European Union have not yet concluded the process necessary for the implementation of the amendments and standards described below.

- On May 18, 2017, the IASB published IFRS 17 - Insurance Contracts which replaces IFRS 4 - Insurance Contracts. The new standard ensures that an entity provides pertinent information which accurately presents the rights and obligations under insurance contracts. The standard is effective from January 1, 2023, although advance application is permitted, only for entities applying IFRS 9 – Financial Instruments and IFRS 15 - Revenue from Contracts with Customers. The Directors do not expect that the adoption of this standard will have a significant impact on the company's financial statements.

- On January 23, 2020, the IASB published an amendment entitled "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The purpose of the document is to clarify how to classify payables and other short or long-term liabilities. These amendments shall enter into force on January 1, 2023 and early application is permitted. The Directors do not expect that the adoption of this standard will have a significant impact on the company's financial statements.

- On May 14, 2020, the IASB published the following amendments:
  - **Amendments to IFRS 3 Business Combinations:** the purpose of the amendments is to update the reference in IFRS 3 to the revised version of the Conceptual Framework, without changing the provisions of IFRS 3.
  - **Amendments to IAS 16 Property, Plant and Equipment:** the purpose of the amendments is not to allow the amount received from the sale of goods produced during the testing phase of the asset to be deducted from the cost of the asset. These sales revenues and related costs will therefore be recognized to the income statement.

- **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets:** the amendment clarifies that in estimating the possible onerousness of a contract, all costs directly attributable to the contract must be considered.
- **Annual Improvements 2018-2020:** the amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.

All the amendments will enter into force from January 1, 2022. The Directors do not expect these amendments to have a significant impact on the company's financial statements.

## ACCOUNTING POLICIES

### Revenue and costs

Revenues and costs are accounted for on an accrual basis.
Revenues as per IFRS 15 must be recognized when the contractual obligations are fulfilled on the basis of the transaction price that the Company expects to receive as a result of the fulfilment of the obligation. The contractual obligations may be completed "over time", if the conditions of IFRS 15 are met, or "at a point in time".

The Company operates internationally in the following markets: Plastic Systems and Services and Spare parts as defined in the section "General Information". In the Plastics Systems market, the Group is among the world leaders in the design and production of plants and control systems for the automation of all phases of the plastics production cycle.

Based on the analysis undertaken by the Company and in order to provide the qualitative disclosures required by IFRS 15, it should be noted that the Company's revenues can also be broken down into:

- Revenues from the sale of automation systems for the storage, transport and processing of plastics ("Plastic Systems") from an analysis of the contracts usually entered into with customers indicate that performance obligations are met at a point in time. This category includes contracts that generally provide for a single performance obligation represented by the supply of the plant/equipment and others in which there are three performance obligations represented by (i) the design of machinery and engineering solutions and the production of plant and systems; (ii) installation and (iii) start-up and parameterization. In these types of contractual relationships, the Company recognizes revenues when the customer obtains control of the asset, normally identified, according to the contractual conditions, on shipment or delivery of the plant/product to the customer, while for the other two performance obligations the revenue is recorded when the service is provided. It is specified that, on average, systems/equipment belonging to this category require an execution time of between three and six months and that the general terms and conditions of sale provide for advance payments recorded under the item Advances from customers.

- revenues from spare parts sales: revenues from the sale of spare parts are recognized on the transfer of the goods. This normally takes place when the goods are shipped or delivered.
- revenue for technical assistance services: service Revenue is recognized on completion and/or maturation.

In accordance with IAS 38 "Intangible Assets", advertising and research costs fully expensed to the income statement.

### Interest

Income and expenses are recorded on an accrual basis with regard to interest accrued on the net value of financial assets and liabilities using the effective interest rate.

### Dividends

They are recorded when the right of the shareholders to receive the payment arises, which normally occurs at the shareholders' meeting for the distribution of dividends. The distribution of dividends is therefore recorded as a liability in the financial statements in the period in which the distribution is approved by the Shareholders' Meeting.

### Income taxes

Taxes are determined by applying the regulations in force or substantially in force in the countries in which the Group carries out its activities; current tax liabilities are recorded in the balance sheet net of any payments on account.
A provision is recorded on those tax aspects for which the determination of taxes is subject to uncertainty, but for which the future payment to the tax authorities is considered probable. The provisions represent the best estimate of the amount that is expected to be paid. The assessment is made by the administrative department, which has previous experience in the tax field and in some cases with the support of external tax consultants.
Deferred tax assets and liabilities reflect the temporary differences between the value attributed to an asset or liability in accordance with IAS/IFRS and the value attributed to them for tax purposes, valued on the basis of the tax rates in force or substantially in force for future years. Deferred tax assets are recognized only if there is a likelihood of their recoverability, i.e. when it is considered probable that there will be future taxable income to use them. Deferred taxes are always recognized except for certain situations that are not in line with IAS 12 "Taxes" as in the case of the recognition of goodwill or if the temporary difference arises from the initial recognition (in addition to a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor profit for the year. Deferred tax assets and liabilities are offset when there is a legal right to offset current tax receivables and payables and when they relate to income taxes applied by the same tax authority and the Group intends to settle the receivables and payables on a net basis. The Company does not offset deferred tax assets against deferred tax liabilities. Deferred taxes on the tax-suspended reserves of the consolidating company are recorded in the year in which the liability relating to the payment of the dividend is recorded.

Deferred tax liabilities are recognized on taxable differences arising from investments in subsidiaries and associates, unless the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are recognized only to the extent that it is probable that there will be sufficient taxable profits against which the benefits of the temporary difference can be used and are expected to reverse in the foreseeable future.

### Translation of balances in foreign currencies

The receivables and payables originally expressed in foreign currencies are converted into Euro at the exchange rate of the relative transactions. The differences arising on the collection of receivables and settlement of payables in foreign currencies are recorded in the income statement.

Revenues and income, costs and charges related to currency transactions are recorded at the exchange rate at the transaction date. At the end of the period the assets and liabilities measured in foreign currencies, with the exception of non-current non-monetary assets (which maintain the carrying value of the transaction date) are recorded at the exchange rates at the reporting date and the relative gains or losses on exchange are recorded in the income statement.

### Property, plant & equipment

Property, plant & equipment are recognized at historical cost, including directly allocated accessory costs and those necessary for bringing the asset to the condition for which it was acquired.

Maintenance and repair expenses, which do not increase the value and/or extend the residual useful life of the asset are expensed in the year in which they are incurred; where they increase the value and/or extend the residual life of the assets, they are capitalized.

Tangible assets are presented net of accumulated depreciation and any losses in value, calculated as described below. Depreciation is calculated on a straight- line basis over the estimated useful life of the asset. This period is reviewed annually and any changes are made on a prospective basis.

The depreciation rates used are as follows:

| | |
|---|---|
| Industrial buildings | from 3% to 5% |
| Plant & machinery: | from 5% to 15.5% |
| Industrial and commercial equipment: | from 12% to 20% |

Land has an indefinite useful life and is therefore not subject to depreciation.

Assets held through leasing contracts, as provided for by IFRS 16, through which the Company holds the right to use the asset, are recognized as assets by the Company, under “right-of-use", at their cost, which includes the present value of the minimum lease payments due, any payment or contribution received even before the commencement date, direct initial costs, estimate of the costs that will have to be incurred for the restoration, dismantling, removal of the underlying asset in accordance with the contractual conditions.

The corresponding liability to the lessor, equal to the present value of payments due for the lease and not paid at the date of initial recognition, is recognized under financial payables. If the lease transfers ownership of the underlying asset to the Company (in those cases where the Company is the lessee) at the end of the lease term or if the cost of the asset consisting of the right of use reflects the fact that the Company will exercise the purchase option, the Company will amortize the asset consisting of the right of use from the effective date until the end of the useful life of the underlying asset. If this is not the case, or if no transfer is envisaged, the asset consisting of the right of use is amortized, from the date of commencement of the lease, over the shorter of the useful life of the asset consisting of the right of use and the duration of the lease.

For the purposes of presentation in the balance sheet, assets consisting of the right of use shall be included under the same item as the corresponding underlying assets if they were owned. Liabilities relating to leasing are classified under "Current financial liabilities" and "Non-current financial liabilities".

At the time of sale, or when there are no expected future economic benefits from the use of an asset, it is eliminated from the financial statements and any loss or profit (calculated as the difference between sale’s price and book value) is charged to the income statement in the year of its elimination.

### Intangible assets

These are identifiable non-monetary assets, without physical substance, subject to the control of the company, capable of bringing future economic benefits to the company. They are initially recognized at cost when they can be reliably measured in the same way as property, plant and equipment.

These assets are subsequently recorded net of accumulated depreciation and any impairment losses. The useful life is reviewed periodically and any changes, where necessary, are made in accordance with future estimates. Any internally generated intangible assets are capitalized, within the limits and under the conditions set forth in IAS 38.

The estimated average useful life is between 3 and 10 years.

The gains and losses deriving from the disposal of intangible assets are determined as the difference between the disposal amount and the carrying amount of the asset and are recorded in the income statement at the moment of the disposal.

### Impairment of non-financial assets

Assets subject to depreciation are subjected to an impairment test if there are events or circumstances indicating that the carrying amount cannot be recovered (trigger event). Assets not subject to amortization, such as goodwill, are subject to impairment testing at least annually, or more frequently in the presence of trigger events. In both cases, any impairment is recorded at the amount of the book value that exceeds the recoverable value. This latter is the higher between the fair value of the asset less costs to sell and its value in use. When it is not possible to determine the value in use of an asset individually, the recoverable amount of the cash generating unit (CGU) to which the asset belongs must be determined. Assets are grouped at

the smallest level for which there are independent cash flows and the Group then calculates the present value of estimated future cash flows for the CGU by applying a discount rate that reflects current market assessments of the time value of money and risks of the asset.
Subsequently, when a loss on an asset reduces, other than goodwill, the book value of the asset or of the cash-generating unit of cash flows is increased, up to the new estimate of the recoverable value but may not exceed the value of the asset had the impairment not being recorded.
The reversal of a loss in value is immediately recorded in the income statement.

### Equity investments

Equity investments in subsidiaries and associated companies are recognized under Non-current assets on the basis of the purchase cost criterion, which is adjusted for impairment in accordance with IAS 36.
The book value of equity investments, in the presence of impairment losses, is adjusted through write-downs, the effect of which is recognized in the income statement. If the write-down exceeds the value of the equity investment, this excess is recorded in the provisions for risks and charges. If these losses are recovered or reduced, the carrying amount is reinstated to adjust it to the new recoverable amount, which may not exceed the original cost. The restated value is recorded in the Income Statement.
Equity investments in other companies" are measured at purchase or subscription cost, written down if necessary for impairment losses whose effect is recognized in the income statement.

### Financial assets

Initially all the financial assets are recorded at fair value. In the case of assets other than those valued at fair value with changes recorded in the Income Statement, the fair value is increased by accessory costs. On subscription, the Group assesses whether a contract contains embedded derivatives. The embedded derivatives are separated from the host contract if this is not valued at fair value when the analysis shows that the economic characteristics and the risks of the embedded derivative are not strictly correlated to the host contract.
The Company determines the classification of its financial assets after the initial recording and, where appropriate and permitted, reviews this classification at the end of each reporting period.
All purchases and sales of financial assets are recorded at the transaction date, or on the date on which the Company undertakes to purchase the asset.
IFRS 9 provides for the classification of financial assets, on the basis of the cash flow characteristics of the instrument and the business model used by the entity:

- Amortized cost: the financial asset is held in order to collect the contractual cash flows, which are represented exclusively by the payment of interest and the return of the principal;
- Fair value through OCI (FVTOCI): The asset is held in order to collect the contractual cash flows, both those deriving from the possible sale of the assets, which are represented exclusively by the payment of interest and the return of the principal;

- Fair value through PL (FVTPL): financial assets other than the above.

IFRS 9 replaces the rules on which IAS 39 was based:

- the elimination of the category of instruments held to maturity, the so-called Held To Maturity (HTM);
- elimination of the category Available For Sale (AFS) instruments;
- elimination of the separate recognition (i.e. bifurcated) of derivatives embedded in financial assets;
- changes in the fair value of financial liabilities measured at Fair Value Through Profit or Loss (FVTPL) attributable to changes in the issuer's credit risk are recognized in Other Comprehensive Income (OCI) instead of in the income statement;
- the elimination of the possibility (limited exemption) of measuring unlisted equity investments at cost instead of at fair value, in the rare circumstance that the amount of fair value is within a significant range and the probability that the various assumptions cannot be reliably verified.

In relation to the loss in value of the financial assets, IFRS 9 requires the application of a model based on expected credit losses, instead of based on the losses on receivables already incurred required by IAS 39. The differing model based on expected losses on receivables requires the Company and the Group to consider these losses and their changes and at each reporting date to reflect changes in the credit risk since the initial recognition of the financial asset. In other words, it is no longer necessary that an event occurs to put in doubt the recoverability of the receivable before the recognition of a doubtful debt.
This rule applies to:

- Investments in debt instruments valued subsequently at amortized cost or FVTOCI;
- Financial lease receivables;
- Trade receivables and contract work-in-progress;

- commitments to issue loans and guarantee contracts to which the reduction in value provisions of IFRS 9 apply.

In particular, IFRS 9 requires that the Group measures the provision to cover the losses of a financial asset at an amount equal to the expected losses over the lifetime of the receivable (lifetime expected credit losses, ECL), where the credit risk of this financial asset is significantly increased after initial recognition, or where the financial instrument is an acquired or arising deteriorated financial asset. Therefore, where the credit risk of a financial instrument has not increased significantly after initial recognition (except for an acquired or arising deteriorated financial asset), the Group should measure the coverage of losses provision for the financial instrument for an amount equal to the expected credit losses from a default event in the 12 subsequent months (12-months expected credit losses). IFRS 9 in addition, in such circumstances, requires the adoption of a simplified method to measure the provision for the

coverage of losses for the trade receivables, the contract assets and the finance lease receivables, estimating the lifetime expected credit losses.
Furthermore, the Company, with a view to optimizing the group treasury of the Italian companies Penta s.r.l. and Aquatech s.r.l. (pool account), set up a centralized treasury management agreement known as "zero balance cash pooling", centralized at the B.N.L. bank.

The company is called upon to act as a "pooler", i.e. the collector of the daily positive and negative balances of the bank accounts of the various participating companies, which will be accounted for by the companies as a debit/credit to the pooler company.

Quarterly, the pooler company sends to the companies participating in the agreement a scaled-down schedule of daily movements by value date showing the interest receivable/payable due to the individual companies.

### Inventories

Inventories are stated at the lower of purchase and/or production cost, determined by the weighted average cost method, and the net realizable value. Purchase cost includes ancillary charges; production cost includes directly attributable costs and a portion of indirect costs, reasonably attributable to the products.
With regard to work in progress, the valuation was carried out at the weighted average cost for the year, including ancillary charges attributable to the production process, taking into account the progress of the work carried out.
Obsolete and/or slow-moving inventories are written down in relation to their expected future utilization through the recording of an obsolescence provision.
The write-downs made are restored in future years should the reason for the write-down no longer exist.

### Assets and liabilities for contract work-in-progress

These items arise with reference to the execution of contracts in which the recognition of revenues takes place over time. For these contracts, the Group records sales revenues in proportion to the progress of the performance obligation, which is measured using the cost-to-cost method. On the basis of the analyses carried out by the Company with reference to the recognition of performance obligations, at December 31, 2020 the Company should not recognize any Assets and liabilities for contract work- in-progress as there are no contracts in progress whose revenues should be recognized over time.

### Trade receivables

Receivables are initially recorded at fair value, which corresponds to their nominal value, and subsequently measured at amortized cost and reduced in the event of impairment. In addition, they are adjusted to their estimated realizable value by recording a specific adjustment provision in accordance with IFRS 9.

Receivables in foreign currencies are recorded at the transaction exchange rate and, subsequently, translated at the year-end rate. The gain or loss resulting from translation is recognized in the income statement under Exchange gains/(losses).

### Cash and cash equivalents

These include those amounts which are available on demand at short notice (original duration up to three months), certain in nature and with no payment expenses.

### Employee benefits

This item includes the provision for employee severance indemnities ("TFR") and the other provisions for employee benefits envisaged by IAS 19 "employee benefits". As a defined benefit plan, TFR is recognized on the basis of valuations made at the end of each financial year by independent actuaries. The liability recorded in the balance sheet represents the present value of the obligation payable at the end of the employment relationship, which employees have accrued at the reporting date calculated taking into account the results obtained by applying the projected unit credit method. As a result of Law No. 296/06, which amended the system of employee severance indemnities payable to employees, the severance indemnities accruing from January 1, 2007 now form a defined-contribution plan (defined contribution plan, using the terminology provided by IAS 19), both in the case of allocation to the treasury fund at the INPS (National Social Security Institute) and in the case of a supplementary pension option. The provision accrued up to December 31, 2006 remains a "defined benefit plan" with the consequent need to make actuarial calculations which, however, must exclude the component relating to future salary increases. It should be noted that there are no assets serving the plan. Actuarial gains and losses are recognized in full in the period in which they arise and, in accordance with IAS 19 as amended, from 2015 these gains and losses are recognized directly in the comprehensive income statement.

### Provisions for risks and charges

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", provisions are recognized: when there is an obligation (legal or constructive) resulting from a past event, it is probable that resources will be used to settle the obligation and a reliable estimate can be made of the amount resulting from the settlement of the obligation. Changes in estimates between one year and the next are charged to the income statement.
If the financial effect linked to time is significant and the dates of payment of the obligation can be reliably estimated, the provision is shown at present value. The subsequent change linked to the passage of time is recorded in the income statement under financial components.
For possible but not probable risks, no provision is made but an adequate description is provided in the Notes.

### Trade payables and other current liabilities

Trade payables and other current liabilities, whose due dates fall within normal commercial terms, are initially recorded at fair value, identified by their nominal value, and are not discounted. If the maturity date is not within normal commercial terms, the financial component is separated using an appropriate market rate.

### Financial liabilities

Financial liabilities are recognized at initial fair value and measured at amortized cost. IFRS 9 allows, like IAS 39, to opt for the measurement of financial liabilities on the basis of the FVTPL criterion (in order to manage the effects of an accounting mismatch or in the case of an embedded derivative that is not separated from the financial liability). It should be noted that the latter method is mandatory for derivatives with a negative balance.

Financial liabilities are classified under current liabilities unless the Company has an unconditional right to defer their payment for at least twelve months after the reporting date, and are removed from the financial statements when they are extinguished when the Company has transferred all risks and charges relating to the instrument.

### Use of estimates

When preparing these separate financial statement, the Directors had to apply accounting policies and methods which, in some circumstances, are based on difficult, subjective evaluations, or on past experience or on assumptions that are, periodically, considered reasonable and realistic depending on the relevant circumstances. The application of these estimates and assumptions impact upon the amounts reported in the financial statements, such as the financial situation and balance sheet, the Statement of Profit and Loss and the Statement of Cash Flow, and on the disclosures in the notes to the accounts. The final outcome of the valuations for which the above estimates and assumptions were used may differ from those reported in the financial statements because of the uncertainty that characterizes the assumptions and the conditions on which the estimates are based.
It should also be noted that the forecasts on the basis of which the financial statements have been reviewed considering the extraordinary circumstances resulting from the COVID-19 pandemic, which emerged in early months of 2020.

### Doubtful debt provision

The doubtful debt provision reflects management’s estimate on losses on the client portfolio for both direct customers and the sales network. The estimate of the doubtful debt provision is based on the expected losses by the Company, based on past experience for similar receivables, current and historic amounts overdue, losses incurred, receipts, careful monitoring of the credit quality and projections on economic and market conditions. The continuation and even deterioration of the current economic and financial crisis could result in a further worsening in the financial conditions of the debtors of the Company compared to the deterioration already taken into consideration in the calculation of the provisions recorded in the consolidated financial statements.

### Inventory obsolescence provision

The inventory obsolescence provision reflects management estimates on the expected losses in value by the Company, determined based on past experience, the historic trend and market expectations. A deterioration in the general economic and financial conditions could result in a further worsening of the market conditions compared to that already taken into consideration in the calculation of the provisions recorded in the consolidated financial statements.

### Fair value estimate

IFRS 13 is the only source of reference for fair value measurement and for the relevant information when such a measurement is required or permitted by other accounting standards. The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 establishes a fair value hierarchy that classifies the valuation technique inputs used to measure fair value in three levels. The levels provided for, in hierarchical order, are as follow:

- Level 1 inputs: are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs: are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs: are unobservable inputs for the asset or liability.

For information on the valuation techniques applied, please refer to the specific notes to assets and liabilities.

## INFORMATION ON RISKS AND FINANCIAL INSTRUMENTS

Group operations are exposed to a series of financial risks which may impact the balance sheet/financial position, the result and the cash flows, through the relative impact on financial instrument transactions.

These risks may be summarized as follows:

a) credit risk;

b) liquidity risk;

c) market risk (foreign exchange risk, interest rate risk and other price risks).

Overall responsibility for the creation and supervision of the Group's financial risk management system lies with the Board of Directors. The various organizational units functionally responsible for the operational management of each type of risk report to the Board of Directors.

Under guidelines issued by the Board of Director and for each specific risk, these units define the tools and techniques to cover the risks and/or transfer them to third parties (insurance) and evaluate risks neither covered nor insured.

The level of the Group's exposure to the various categories of financial risk identified is commented upon below.

### Credit risk

The Company operates in several national markets with a large number of medium and large customers and is therefore exposed to credit risk linked to the ability of customers to settle the amounts due.
The Company applies a policy based on the credit ratings and credit limits for its customer base and the periodic issue of standard reports, in order to achieve a high degree of control over debt collection.

Each company of the Group directly manages the collection of receivables on sales made in the respective markets and their possible recovery, also through the activation of legal actions. Coordination between companies operating in the same market (e.g. Italian companies) is based on the electronic exchange of information relating to common customers and through coordination on the possible blocking of deliveries or the initiation of legal action.

The doubtful debt provision is recorded on the nominal value of the portion considered uncollectible after deducting the receivables backed by bank guarantees. All guarantees are critically assessed with regard to collectability.

### Liquidity risk

The Company's overall debt is partially fixed-rate to take advantage of the opportunities currently offered by the interest rate market for medium/long-term loans. Given the high level of liquidity available, the Company has a limited risk with regard to short-term maturities and therefore the risk associated with interest rate fluctuations is essentially linked to the portion of medium/long-term loans expressed at variable rates.

The Company deals mainly with well-known and reliable customers; it is the Company s policy to subject the positions of customers who request payment extensions to the credit line and to constantly monitor them. In addition, the Company s activities are characterized by customer advances against orders placed, which significantly reduces the financial requirements related to working capital.

The Company has been able to generate positive cash flows that are considered sufficient to finance both its growing operations and investments. Expectations for future years are consistent with this historical trend and therefore the liquidity risk is considered limited overall. Furthermore, as previously illustrated, in response to the emergency context connected to the spread of the Covid-19 pandemic, the Group in 2020 obtained the suspension of the short-term instalments of the long term loans.

For the information required by IFRS 7 on the cash flows relating to the Group's financial liabilities by maturity, please refer to note [16]

### Market risk linked to the exchange rate

As the Company’s business is undertaken in various countries around the world, it is exposed to the risk of foreign exchange fluctuation. The exchange rate risk arises mainly from transactions involving the US dollar, the Chinese renminbi, the British pound, the Brazilian real and the Canadian dollar against the euro. Transactions between the Company and the subsidiaries are generally carried out in the local currency of the subsidiary, therefore the individual companies are not significantly exposed to exchange rate risk, which is nevertheless transferred to the consolidated financial statements, with an impact on margins and net income.

The Company carries out transactions (typically sales) in currencies other than its functional currency. The Company does not currently carry out hedging policies either with reference to the economic effects of purchase and sale transactions in foreign currency or with reference to exchange rate differentials that arise between the time of invoicing in a currency other than that of account in each country and the time of collection or, to a lesser extent, of payment.

In addition, the Company holds equity investments in subsidiaries whose financial statements are in foreign currency.

The table below provides a sensitivity analysis of revenues to the risk arising from the translation into euros of revenues generated in currencies other than the euro, for changes of around + /- 10% compared with the average exchange rate for the year.

| Revenues (€'000) | 31.12.2020 | | | | 31.12.2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | FX Current currency | Current Forex in € | Forex +10% | Forex - 10% | FX Current currency | Current Forex in € | Forex +10% | Forex - 10% |
| EUR-Euro | 86,580 | 86,580 | 86,580 | 86,580 | 92,119 | 92,119 | 92,119 | 92,119 |
| USD-US Dollar | 8,416 | 7,393 | 6,699 | 8,187 | 10,240 | 9,156 | 8,316 | 10,163 |
| GBP-British Sterling | 2,287 | 2,567 | 2,337 | 2,856 | 1,242 | 1,419 | 1,287 | 1,573 |
| **TOTAL** | **0** | **96,540** | **95,616** | **97,624** | **0** | **102,694** | **101,721** | **103,855** |

Since the Company incurs costs mainly in its functional currency (Euro), the sensitivity to profit before taxes would only be affected by the effect on revenues of any changes in exchange rates for the portion of sales in currencies other than the Euro, as explained above.

### Market risk related to interest rate

The interest rate risk is the risk that the value of a financial instrument and/or the level of cash flows generated by it might change due to fluctuation in market rates of interest.

Exposure to the interest rate risk arises from the need to finance operating activities, in terms of manufacturing activities and financing the acquisition of businesses, as well as the employment of available liquidity. The change in market interest rates may impact negatively or positively on the result of the company, indirectly impacting upon the costs and returns of the financing and investing operations.

As described above, part of the Company's loans are at a fixed rate. This makes it possible to take advantage of the current extremely low level of interest rates. The Company has not put in place hedging instruments as, given the Company s high liquidity, it is believed that the risk of fluctuations in interest rates can still be adequately managed.

The following table shows an analysis of the sensitivity of interest expense to the risk arising from fluctuations in interest rates on floating rate loans, assuming an increase / decrease of 0.25% and 0.50% in interest rates.

| Interest expense on variable rate loans (€'000) | Interest expenses | 0.25% | 0.50% | -0.25% | -0.50% |
|---|---|---|---|---|---|
| **31 december 2019** | 32 | 56 | 80 | 9 | - |
| **31 december 2020** | 67 | 107 | 150 | 22 | - |

### Product and component price risk

The Group's exposure to price risk is not very significant, thanks to the specific nature of the range of products offered and the Group's competitive position in the marketplace.

### Risks associated with economic conditions

With regards to the risks related to the general economic conditions, at the end of February 2020, following the outbreak of the COVID-19 health emergency, the general economic environment significantly deteriorated as a result of the restrictions introduced by the governments of the countries involved. These developments, which are extraordinary in nature and extent, have had and continue to have direct and indirect repercussions on economic activity, giving rise to an environment of general uncertainty. For further details, reference should be made to the "Covid-19 Impacts" paragraph.

## NOTES TO THE STATEMENT OF FINANCIAL POSITION

### [1] Property, plant and equipment

They amount to Euro 30,051 thousand at December 31, 2020 (Euro 31,237 thousand at December 31, 2019). They are composed as shown in the following tables, which show their composition and changes compared to the previous year.

| CHANGES DURING THE PERIOD (€/000) | Land and buildings | Plant and machinery | Industrial and commercial equipment | Other assets | Assets under construction and payments on account | Total |
|---|---|---|---|---|---|---|
| **Balance at 31 December 2019** | **22,069** | **6,309** | **567** | **2,040** | **252** | **31,237** |
| **of which:** | - | - | - | - | - | - |
| **- Historical cost** | **28,531** | **10,318** | **3,311** | **8,632** | **252** | **51,045** |
| **- Depreciation fund** | **(6,462)** | **(4,009)** | **(2,744)** | **(6,592)** | **-** | **(19,808)** |
| Changes in 2020 | - | - | - | - | - | - |
| - Additions | 292 | 136 | 346 | 206 | - | 979 |
| -New IFRS16 contracts (or new assessments) | (2) | - | - | 380 | - | 378 |
| - Disposals (Historical cost) | (16) | (39) | (121) | (745) | - | (922) |
| - Disposals (Depreciation fun) | 16 | 39 | 102 | 479 | - | 636 |
| - Depreciation | (694) | (579) | (218) | (500) | - | (1,990) |
| -Depreciation IFRS16 | (164) | - | - | (103) | - | (268) |
| **Total Changes** | **(569)** | **(443)** | **109** | **(284)** | **-** | **(1,186)** |
| **Balance at 31 December 2020** | **21,500** | **5,866** | **676** | **1,756** | **252** | **30,051** |
| **of which:** | - | - | - | - | - | - |
| **- Historical cost** | **28,806** | **10,414** | **3,536** | **8,092** | **252** | **51,101** |
| **- Depreciation fund** | **(7,305)** | **(4,548)** | **(2,860)** | **(6,716)** | **-** | **(21,429)** |

Capital expenditures in 2020 are primarily for other assets under lease.

At December 31, 2020, property, plant and equipment are not burdened by mortgages or liens. They are adequately covered against the risk of loss and/or damage through insurance policies with leading insurance companies.
Finally, no borrowing costs directly attributable to the acquisition, production or construction of tangible assets have been capitalized.

Finally, the Company applied the new IFRS 16-Leases at the transition date (January 1, 2019), adopting the "Modified Retrospective Method". At December 31, 2020, the Company has recorded right-of-use assets with a net value of Euro 6,757 thousand.

Below is a table with the changes in the year for each class of Right-of-Use: Moreover, certain finance leases already accounted for in accordance with IAS 17 have been reclassified as right-of-use assets. The net book value of these assets amounts to Euro 5,429 thousand.

| CHANGES DURING THE PERIOD (€/000) | Land and buildings | Plant and machinery | Other assets | Total |
|---|---|---|---|---|
| **Balance at 31 December 2019** | **6,624** | **240** | **323** | **7,187** |
| **Balance at 01 January 2020** | **6,624** | **240** | **323** | **7,187** |
| | | | | |
| - Reclassification IAS17 | | | | |
| - New contracts IFRS16 | | | 380 | |
| - Disposal (Net book value) | | | | |
| - Depreciation ex IAS 17 | (269) | (94) | (74) | (436) |
| - Depreciation IFRS16 | (164) | | (103) | (268) |
| | | | | |
| **Balance at 31 December 2020** | **6,167** | **146** | **442** | **6,757** |

-

## [2] Intangible assets

They amount to Euro 361 thousand at December 31, 2020 compared to Euro 495 thousand at December 31, 2019. The breakdown of the movements are as follows:

| CHANGES DURING THE PERIOD €/000 | Industrial patents and intellectual property rights | Concessions, licences, trademarks and similar rights | Assets under development and payments on account | Total |
|---|---|---|---|---|
| **Balance at 31 December 2019** | **490** | **5** | **-** | **495** |
| **of which:** | **-** | **-** | **-** | **-** |
| **- Historical cost** | **6,087** | **11** | **-** | **6,097** |
| **- Depreciation fund** | **(5,596)** | **(6)** | **-** | **(5,602)** |
| Changes in 2020 | - | - | - | - |
| - Additions | 211 | - | 30 | 241 |
| - Depreciation | (373) | (0) | - | (373) |
| - Decrease | (2) | - | - | (2) |
| **Total changes** | **(165)** | **(0)** | **30** | **(135)** |
| **Balance at 31 December 2020** | **326** | **5** | **30** | **361** |
| **of which:** | **-** | **-** | **-** | **-** |
| **- Historical cost** | **6,298** | **11** | **30** | **6,338** |
| **- Depreciation fund** | **(5,969)** | **(6)** | **-** | **(5,975)** |

## [3] Equity investments

They amount to Euro 62,899 thousand at December 31, 2020 compared to Euro 31,668 thousand at December 31, 2019. Details of the movements in these equity investments are as follows:

| CHANGES IN THE PERIOD<br><br>€'000 | Equity investments in subsidiaries | Equity investments in associates | Equity investments in other enterprises | Total |
|---|---|---|---|---|
| **Balance at 31 December 2019** | **31,399** | **266** | **3** | **31,668** |
| Movements in 2020 | - | - | - | - |
| Original cost: | - | - | - | - |
| - Increases | 31,231 | - | - | 31,231 |
| - Decreases | - | - | - | - |
| - Write-downs | - | - | - | - |
| Total changes | 31,231 | - | - | 31,231 |
| **Balance at 31 December 2020** | **62,630** | **266** | **3** | **62,899** |

The 2020 increases refer to:

- for Euro 28,392 thousand the purchase of 100% of the share capital of Doteco S.p.A.. The transaction was carried out through the purchase of shares by the company for a provisional amount of Euro 20,500 thousand. In fact, the agreement provides for a price adjustment based on the value of the final NFP at the acquisition date (adjustment estimated at Euro 715 thousand), as well as an earn-out amounting to a maximum of Euro 7,000 thousand, to be calculated based on the performance measured on 2020-2021 EBITDA;
- for Euro 2,839 thousand for the purchase of the residual stake (equal to 10% of the share capital) of the subsidiary Penta S.r.l. in September 2020, following the exercise of the put option held by the minority shareholder.

The table below shows the composition of equity investments:

| €'000 | 31.12.2020 Historical cost | 31.12.2020 Provision for impairment | 31.12.2020 Net book value | 31.12.2019 Historical cost | 31.12.2019 Provision for impairment | 31.12.2019 Net book value |
|---|---|---|---|---|---|---|
| **Subsidiaries** | | | | | | |
| Acquatech S.r.l. | 1,319 | - | 1,319 | 1,319 | - | 1,319 |
| Energys S.r.l. | 292 | - | 292 | 292 | - | 292 |
| Piovan Do Brasil LTDA | 3,203 | - | 3,203 | 3,203 | - | 3,203 |
| Piovan Plastics Machinery Co.Ltd | 500 | - | 500 | 500 | - | 500 |
| Piovan Mexico SA de CV | 40 | (40) | - | 40 | (40) | - |
| Universal Dynamics Inc. | 2,873 | - | 2,873 | 2,873 | - | 2,873 |
| Piovan Canada Ltd | 1,340 | - | 1,340 | 1,340 | - | 1,340 |
| Piovan Central Europe GmbH | 35 | - | 35 | 35 | - | 35 |
| Piovan GmbH | 2,128 | - | 2,128 | 2,128 | - | 2,128 |
| Piovan France sas | 1,154 | - | 1,154 | 1,154 | - | 1,154 |
| Piovan UK Limited | 36 | - | 36 | 36 | - | 36 |
| Piovan Vietnam Company Ltd | 54 | - | 54 | 54 | - | 54 |
| Piovan Gulf Fze | 244 | - | 244 | 244 | - | 244 |
| Piovan Japan Inc. | 49 | (49) | - | 49 | (49) | - |
| Piovan India Private Limited | 20 | - | 20 | 20 | - | 20 |
| Penta S.r.l. | 18,524 | - | 18,524 | 15,685 | - | 15,685 |
| FDM GmbH | 1,214 | - | 1,214 | 1,214 | - | 1,214 |
| Piovan Asia Pacific LTD | 141 | (86) | 55 | 141 | (86) | 55 |
| Piovan South East Asia Ltd | - | - | - | - | - | - |
| Piovan Muhendislik | 63 | (63) | - | 63 | (63) | - |
| Piovan Cz | 1 | - | 1 | 1 | - | 1 |
| Piovan Maroc Sarl.Au | 92 | - | 92 | 92 | - | 92 |
| FEA p.t.p. SRL | 380 | - | 380 | 380 | - | 380 |
| TOBAPNC Co. Ltd | 773 | - | 773 | 773 | - | 773 |
| Doteco SpA | 28,392 | - | 28,392 | - | - | - |
| **Total** | **62,868** | **(238)** | **62,629** | **31,636** | **(238)** | **31,398** |
| | 0 | 0 | 0 | 0 | 0 | 0 |
| **Associates:** | **0** | **0** | **0** | **0** | **0** | **0** |
| C.M.G. S.p.A. | 266 | - | 266 | 266 | - | 266 |
| **Total** | **266** | **-** | **266** | **266** | **-** | **266** |
| **Other companies** | **0** | **0** | **0** | **0** | **0** | **0** |
| CESAP S.p.A. | 1 | - | 1 | 1 | - | 1 |
| Consorzio SALUS PUERI | 3 | - | 3 | 2 | - | 2 |
| CONAI | 0 | - | 0 | - | - | - |
| **Total** | **3** | **-** | **3** | **3** | **-** | **3** |
| **Total equity investments** | **63,137** | **(238)** | **62,899** | **31,905** | **(238)** | **31,667** |

The table below reports the disclosures at December 31, 2020 regarding the equity investments required by Article 2427 of the Civil Code:

| €/000 | Registered office | Currency | Share capital (in foreign currency) | Owners' equity (in Euro) | Result for the period (in Euro) | Shareholding held | Net book value | Pro-rata difference between owners' equity and book value (Euro) |
|---|---|---|---|---|---|---|---|---|
| **Subsidiaries** | | | | | | | | |
| Acquatech S.r.l. | Venice (IT) | EUR | 40 | 3,536 | 12 | 100.00% | 1,319 | 2,217 |
| Energys S.r.l. | Venice (IT) | EUR | 10 | 344 | 46 | 100.00% | 292 | 51 |
| Piovan Do Brasil LTDA | Osasco (BRA) | Real | 11,947 | 2,902 | 83 | 99.99% | 3,203 | (301) |
| Piovan Plastics Machinery Co.Ltd | Suzhou (CN) | Yuan | 5,088 | 6,138 | 1,299 | 100.00% | 500 | 5,638 |
| Piovan Mexico S.A. | Queretaro(MX) | Peso Mess, | 707 | 1,857 | 1,082 | 99.99% | 40 | 1,817 |
| Universal Dynamics Inc. | Fredericksburg (U.S.A.) | Dollars | 3,500 | 13,248 | 1,312 | 100.00% | 2,873 | 10,375 |
| Piovan Canada Ltd | Mississauga - Ontario (CAN) | Canadian Dollars | 0 | 2,773 | 502 | 100.00% | 1,340 | 1,433 |
| Piovan Central Europe GmbH | Brunn am Gebirge (A) | EUR | 35 | 1,466 | 299 | 100.00% | 35 | 1,431 |
| Piovan GmbH | Garching (D) | EUR | 102 | 3,872 | 826 | 100.00% | 2,128 | 1,744 |
| Piovan France sas | Chemin du Pognat (F) | EUR | 1,227 | 2,048 | (223) | 100.00% | 1,154 | 895 |
| Piovan UK Limited | Bromsgrove (GB) | Pounds Sterling | 25 | 346 | 312 | 100.00% | 36 | 309 |
| Piovan Vietnam Company Ltd | Mai Chi Tho (Vietnam) | Vnd | 1,136,500 | 37 | (16) | 100.00% | 54 | (17) |
| Piovan Gulf Fze | Dubai (UAE) | Aed | 1,000 | 358 | 133 | 100.00% | 244 | 114 |
| Piovan Japan Inc. | Kobe (J) | JPJ | 6,000 | (247) | (47) | 100.00% | 49 | (296) |
| Piovan India Private Limited | Mumbai | INR | 350 | 788 | 86 | 100.00% | 20 | 767 |
| Penta S.r.l. | Ferrara (IT) | EUR | 100 | 15,731 | 2,849 | 100.00% | 18,524 | (2,793) |
| FDM GmbH | Konigswinter (DE) | EUR | 75 | 7,855 | 696 | 66.67% | 1,214 | 4,023 |
| Piovan Asia Pacific LTD | Bangkok (TH) | THB | 8,010 | 254 | 407 | 100.00% | 141 | 113 |
| Piovan South East Asia Ltd | Bangkok (TH) | THB | - | - | - | 100.00% | - | - |
| Piovan Muhendslik LTD | Beikoz (TR) | TRY | 10 | (366) | 49 | 100.00% | 63 | (428) |
| Piovan Czech Republic s.r.o. | Prague (CZ) | CZK | 200 | 833 | 217 | 10.00% | 1 | 83 |
| Piovan Maroc Sarl. AU | Kenitra (Marocco) | MAD | 1,000 | 150 | 43 | 100.00% | 92 | 58 |
| FEA Process&Technological Plants S.r.l. | Scarnafigi (CN) | Euro | 20 | 412 | 33 | 51.00% | 380 | (170) |
| TOBAPNC Co. Ltd | Seoul (Corea del Sud) | KRW | 500,000 | (1,737) | (1,145) | 51.00% | 773 | (1,659) |
| Doteco SpA | Modena (IT) | Euro | 1,000 | 9.151 | 795 | 100,00% | 20,677 | (11.526) |
| **Total** | | | - | - | - | 0 | **55,153** | - |
| | | | - | - | - | 0 | 0 | - |
| **Associates:** | | | - | - | - | 0 | 0 | 0 |
| C.M.G. S.p.A.* | Bologna (IT) | EUR | 1,250 | 4,321 | 3,239 | 20% | 266 | 598 |
| **Total** | | | 0 | 0 | 0 | 0 | **266** | 0 |
| **Other companies**** | | | 0 | 0 | 0 | 0 | 0 | 0 |
| CESAP S.p.A. | | | 0 | 0 | 0 | 0 | 1 | 0 |

| €/000 | Registered office | Currency | Share capital (in foreign currency) | Owners' equity (in Euro) | Result for the period (in Euro) | Shareholding held | Net book value | Pro-rata difference between owners' equity and book value (Euro) |
|---|---|---|---|---|---|---|---|---|
| Consorzio SALUS PUERI | | | 0 | 0 | 0 | 0 | 3 | 0 |
| CONAI | | | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | | | 0 | 0 | 0 | 0 | **3** | 0 |
| **The figures for CMG S.p.A. reported in the table below refer to the latest available financial statements year ended 31 December 2019* | | | | | | | | |
| *** Financial statements data not available.* | | | | | | | | |

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Management has assessed that the negative differentials between carrying values and equity values do not represent an impairment loss and are amply supported by the medium- to long-term forecasts prepared. These assessments, performed taking into account the impairment test results of goodwills included in the consolidated financial statements, considered the impacts that the Covid-19 emergency, which emerged in the early months of 2020, had on the results for the year, as well as any impacts it may have in the future.

With reference to the investee companies, the Company holds options to purchase minority interests, and specifically the option to purchase 33.33% of FDM Gmbh and the option to purchases 49% of Toba and 12% of Fea.

Furthermore, regarding the 33.33% in FDM Gmbh and 49% in Toba and Fea, the respective minority shareholders hold a put option on their share.

With reference finally to the associate CMG, it should be noted that this stake was acquired in 2015 through a contribution of a business unit that was subject to an expert's valuation and consequent capital increase in the associate. The initial book value is equal to the cost incurred for the acquisition.

### [4] Other non-current assets

At December 31, 2020, these amounted to Euro 16 thousand and in line with the previous yea; they mainly refer to various security deposits paid on utilities and lease contracts for the Company's headquarters.

### [5] Deferred tax assets and liabilities

Deferred tax assets amount to Euro 1,026 thousand at December 31, 2020 compared to Euro 549 thousand at December 31, 2019. The Company has set aside deferred tax assets and liabilities on temporary differences between book values and tax values.
Deferred tax assets do not include assets arising from the valuation of tax losses as the Company has no tax losses carried forward.

In particular, deferred tax assets and liabilities derive from the accrual of taxes on future costs or benefits with respect to the year in question, mainly as a result of increased taxes generated from the non-deductibility of losses on receivables, write-downs of equity investments,

directors' fees not yet paid, and other amortization and depreciation deductible in subsequent years and provisions for risks.
Taxation has been calculated on the basis of the rates in force when the temporary differences will reverse. The breakdown of deferred tax assets for each year is as follows:

| Deferred tax assets (€'000) | Taxable income 2020 | Deferred tax assets 2020 | Taxable income 2019 | Deferred tax assets 2019 |
|---|---|---|---|---|
| Provisions for doubtful debts | 212 | 51 | 263 | 63 |
| Provision for product warranties | 295 | 82 | 195 | 55 |
| Inventory obsolescence provision | 870 | 243 | 663 | 185 |
| Provision for pending litigation risks | 860 | 240 | 60 | 17 |
| Directors' unpaid emoluments | 107 | 25 | 60 | 14 |
| Supplementary customer indemnity | 41 | 3 | 51 | 9 |
| Non-deductible maintenance | - | - | - | - |
| Foreign currency conversion losses | 994 | 239 | 235 | 56 |
| Adoption of IAS 38 | 183 | 51 | 184 | 51 |
| Adoption of IFRS 15 | - | - | - | - |
| Adoption of IAS 19 | 18 | 4 | 345 | 96 |
| Other | 366 | 88 | 12 | 3 |
| **Total** | **3,946** | **1,026** | **2,068** | **549** |

Deferred tax liabilities amounted to Euro 1,087 thousand at December 31, 2020 compared to Euro 1,216 thousand at December 31, 2019.

| Deferred tax liabilities (€'000) | Taxable income 2020 | Deferred tax liabilities 2020 | Taxable income 2019 | Deferred tax liabilities 2019 |
|---|---|---|---|---|
| Adoption of IAS 17 | 3,543 | 988 | 3,808 | 1,062 |
| Adoption of IAS 37 | 5 | 1 | 6 | 2 |
| Adoption of IAS 19 | - | - | 88 | 24 |
| Capital gain in intallments | 378 | 91 | 504 | 121 |
| Other | 29 | 7 | 27 | 7 |
| **Total** | **3,955** | **1,087** | **4,433** | **1,216** |

Movements in deferred tax assets and liabilities are shown below:

| CHANGES IN THE PERIOD €'000 | Advance taxes | Deferred tax liabilities | Total |
|---|---|---|---|
| **Balance at 1 January 2019** | **623** | **(1,187)** | **(564)** |
| Changes 2018 | - | - | - |
| - Effect on the profit and loss account | (104) | 37 | (66) |
| - Effect on Other items of the Comprehensive Income Statement | 29 | (65) | (36) |

| CHANGES IN THE PERIOD €'000 | Advance taxes | Deferred tax liabilities | Total |
|---|---|---|---|
| **Balance at 31 December 2019** | **549** | **(1,216)** | **(667)** |
| Movements in 2019 | - | - | - |
| - Effect on the profit and loss account | 477 | 129 | 606 |
| - Effect on Other items of the Comprehensive Income Statement | - | - | - |
| **Balance at 31 December 2020** | **1,026** | **(1,087)** | **(61)** |

## [6] Inventories

At December 31, 2020, they amounted to Euro 10,784 thousand compared to Euro 9,374 thousand at December 31, 2019; the breakdown is shown below:

| €/000 | 31.12.2020 | 31.12.2019 | Change 2020 |
|---|---|---|---|
| Raw materials, ancillary materials and | 330 | 313 | 17 |
| Semi-finished goods and work in progress | 7,912 | 7,222 | 690 |
| Provision for obsolescence of semi-finished | (329) | (329) | - |
| Total semi-finished goods and work in progress | 7,913 | 7,205 | 707 |
| Finished goods and goods for resale | 3,412 | 2,403 | 1,009 |
| Provision for obsolescence of finished goods and goods for resale | (541) | (334) | (207) |
| Total finished goods and goods for resale | 2,871 | 2,070 | 801 |
| Advances | 0 | 99 | (98) |
| **Inventories** | **10,784** | **9,374** | **1,410** |

During 2020 inventories increased by Euro 1,617 thousand, gross of the obsolescence provisions of Euro 1,617 thousand. The increase, mainly related to Semi-finished goods and work in progress and Finished Products, is linked to the lower turnover volumes that the company recorded in 2020 compared to what was expected at the beginning of the year.
Against obsolete or slow-moving inventories a provision is recorded, which increased on the previous year by Euro 207 thousand, and reflects the difference between the cost and estimated realizable value of obsolete raw materials, semi-finished and finished products.

## [7] Trade receivables

They amounted to Euro 33,198 thousand at December 31, 2020 compared to Euro 36,005 thousand at December 31, 2019. This item, which represents the exposure to third parties, is broken down as follows:

| €'000 | 31.12.2020 | 31.12.2019 | Change 2020 |
|---|---|---|---|
| Customer receivables | 15,847 | 20,168 | (4,321) |
| Receivables from subsidiaries | 18,991 | 17,556 | 1,435 |
| Receivables from associated companies | - | 8 | (8) |
| Receivables from parent companies | - | - | 0 |

| €'000 | 31.12.2020 | 31.12.2019 | Change 2020 |
|---|---|---|---|
| Total trade receivables | 34,839 | 37,733 | (2,894) |
| Provisions for doubtful debts | (1,641) | (1,728) | 87 |
| **Total** | **33,198** | **36,005** | **(2,807)** |

Receivables at December 31, 2020, before provisions, decreased compared to the end of fiscal 2019 by Euro 2,894 thousand (-7.7%), reflecting the decrease in sales.

Receivables by regional breakdown are shown below:

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| EMEA | 19,510 | 22,897 |
| *of which Italy* | 8,722 | 12,250 |
| NORTH AMERICA | 3,716 | 3,045 |
| ASIA | 5,754 | 5,732 |
| SOUTH AMERICA | 4,218 | 4,331 |
| **Total** | **33,198** | **36,005** |

Details of trade receivables from group companies are provided in the disclosure on transactions with related parties note [35].
Write-downs are made on the basis of a careful analysis of past due accounts, customers in financial difficulties and clients with whom legal action has been initiated, in addition to estimated expected losses on receivables.
The doubtful debt provision reflects management's estimate based on the expected losses by the Company, based on past experience for similar receivables, current and historic amounts overdue, losses incurred, receipts, careful monitoring of the credit quality and projections on economic and market conditions, with the information known at the reporting date.
Movements on the provision for impairment of receivables during the year are shown below:

| | 31.12.2019 | Provisions | Utilisations | Reversals | 31.12.2020 |
|---|---|---|---|---|---|
| Provisions for doubtful debts | 1,728 | 99 | (185) | - | 1,641 |
| **Total** | **1,728** | **99** | **(185)** | **-** | **1,641** |

The following is a breakdown of gross receivables by past due date:

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Receivables due to expire | 14,785 | 21,554 |
| Receivables overdue within 30 days | 3,143 | 4,769 |
| Receivables overdue between 1 and 12 months | 9,863 | 9,471 |
| Reveivables overdue over 12 months | 5,407 | 1,939 |
| **Total** | **33,198** | **37,733** |

### [8] Current financial assets

Current tax assets amount to Euro 9,984 thousand at December 31, 2020 (Euro 12,307 thousand at December 31, 2019). This item includes loans granted to investee companies at normal market conditions.

These loans are classified under current assets as it is contractually agreed that the Company may request their repayment at any time.

| €'000 | 31.12.2020 | 31.12.2019 | Changes |
|---|---|---|---|
| Securities | 5,146 | 6,319 | (1,173) |
| Cash pooling Aquatech S.r.l. | 1,039 | 2,025 | (986) |
| Universal Dynamics Inc. | 3,129 | 3,418 | (289) |
| Piovan Muhendslik LTD | 260 | 260 | - |
| Piovan Japan Inc. | 285 | 285 | - |
| Tobapnc Co Ltd | 125 | - | 125 |
| **Total current financial assets** | **9,984** | **12,307** | **(2,323)** |

“Securities” amounted to Euro 5,146 thousand at December 31, 2020 compared to Euro 6,319 thousand at December 31, 2019. This item includes 4 different bonds purchased in order to invest available financial resources. These instruments were measured at fair value (level 1) at December 31, 2020 as required by IFRS 9 and were classified as current financial assets in line with the purpose of using part of the available liquidity in low-risk and readily available instruments.

The reduction compared to the previous year derives from the redemption of a security following its natural maturity. The total effect of the fair value measurement in 2020 is a net gain of Euro 149 thousand.

It should be noted that starting from 2019, the Company established a cash pooling with the subsidiary Aquatech S.r.l., which reports a balance of Euro 1,039 thousand at December 31, 2020.

The loan granted to Universal Dynamics Inc. was in US Dollars and was granted in relation to the production expansion and technological improvement project undertaken by the Group from 2017. The change compared to 2019 relates to the exchange rate effect.

### [9] Tax receivables

They amounted to Euro 965 thousand at December 31, 2020 compared to Euro 791 thousand at December 31, 2019. The amount recorded is due to the VAT credit and the IRES tax credit for research and development costs.

### [10] Other current assets

They amounted to Euro 658 thousand at December 31, 2020 compared to Euro 871 thousand at December 31, 2019. A breakdown follows:

| €'000 | 31.12.2020 | 31.12.2019 | Changes |
|---|---|---|---|
| Employee payables | 70 | 87 | (17) |
| Deferred costs | 275 | 138 | 137 |
| Advances to suppliers | 44 | 20 | 24 |
| Receivables from parent companies | - | 275 | (275) |
| Other receivables | 270 | 351 | (82) |
| **Total Other current assets** | **658** | **871** | **(213)** |

*Receivables from parent companies* included receivables from the parent company Pentafin S.p.A. relating to the residual IRES (corporate income tax) refund applications submitted by the tax consolidating company on behalf of PiovanS.p.A. with reference to the non-deduction of IRAP for the years 2007-2011 (Law Decree 201 of 2011) and 2005-2007 (Law Decree 85 of 2008). At December 31, 2020, the receivable has been repaid in full.

### [11] Cash and cash equivalents

They amount to Euro 46,132 thousand at December 31, 2020 compared to Euro 39,591 thousand at December 31, 2019.

| €'000 | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Current accounts and post office deposits | 46,131 | 25,690 |
| Cash equivalent | - | 13,900 |
| Cash | 1 | 1 |
| **Cash and cash equivalents** | **46,132** | **39,591** |

For an analysis of the variations in cash and cash equivalents, reference should be made to the cash flow statement. For the change in *Cash and Cash Equivalents* since December 31, 2019 refer to the Statement of Cash Flows.
Amounts in restricted accounts included in 2019 under "Cash Equivalents" were liquidated during the year.
At December 31, 2020 there were no restrictions on the availability of the Group's current accounts.

### [12] Equity

Shareholders' equity is made up as follows:

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Share capital | 6,000 | 6,000 |
| Legal reserve | 1,200 | 1,200 |
| Reserve for treasury shares | (2,250) | (2,250) |
| Other Reserves and retained earnings | 38,911 | 29,958 |
| Fiscal year result | 10,448 | 14,398 |
| **Net Equity** | **54,309** | **49,306** |

The Company's **share capital** approved, subscribed and paid-in amounted to Euro 6,000,000, divided into 53,600,000 ordinary shares with no par value.

There are no changes compared to December 31, 2019 and therefore the Company as at December 31, 2020 holds 2,670,700 treasury shares, equal to 4.98% of the share capital of Piovan S.p.A., with a value of Euro 2,250 thousand at December 31, 2020. It should be noted that under the 2020 - 2022 Performance Shares Plan, taking into account the achievement of the Plan's objectives, certain Company executives are entitled to receive shares in Piovan S.p.A. amounting to 118,940, the equivalent of which, net of the tax effect, is Euro 123 thousand. These shares will vest permanently at the end of the vesting period if the executive still has an employment relationship with the Company.

**Other reserves and undistributed profits** mainly include the other profit and capital reserves of the Company, in addition to the profit for previous years and the effects of adjustments resulting from the adoption of international accounting standards. This item changed during 2020 following the allocation of the previous year's result and the distribution of dividends amounting to Euro 5,602 thousand fully paid to the shareholders of the Company in October 2020.

Availability and use of equity reserves:

| Nature/Description | Amount 31.12.2020 | Possibility of utilisation | Available amount | Amount distributable |
|---|---|---|---|---|
| **Capital** | **6,000,000** | **-** | **-** | **-** |
| **Legal reserve** | **1,200,000** | **B** | **1,200,000** | **-** |
| Reserve for treasury shares | **(2,249,744)** | - | - | - |
| Other reserves | - | - | - | - |
| Extraordinary reserve | 29,418,430 | A, B, C | 29,418,430 | 27,168,686 |
| Sundry other reserves | 5,000,752 | A, B, C | 5,000,752 | - |
| IAS/IFRS First-Time Adoption reserve | 4,491,900 | B | 4,491,900 | - |
| **Total Other reserves** | **38,911,082** | **-** | **-** | **-** |
| **Total** | **43,861,337** | **-** | **-** | **-** |
| Profit for 2019 | 10,448,148 | - | - | - |
| **Total owners' equity year ended 31.12.2019** | **54,309,485** | **-** | **-** | **-** |

***Legend***

*Key*
*A: for share capital increase*
*B: to cover losses*
*C: for distribution to shareholders*

## [13] Earnings per share and diluted earnings per share

On June 29, 2018, the Shareholders' Meeting approved an increase in the number of the Company's shares in the ratio of 100 (one hundred) new shares with no par value every1 old stock. Following this resolution, which had no effect on the share capital, there were 60,000,000

shares in circulation and after the cancellation of 6,400,000 treasury shares, they amounted to 53,600,000.
The average number of shares relevant for the calculation of earnings per share is 50,929,300 shares corresponding to existing shares (53,600,000) less the number of treasury shares in portfolio (2,670,700).

In particular, earnings per share was calculated, for all the periods presented, by dividing the net profit attributable to the Company by the weighted average number of ordinary shares in circulation, the latter determined considering the increase in the number of shares as established by the above resolution and the reduction relating to treasury shares in portfolio. No shares of common stock were repurchased or issued during the years under review. However, it should be noted that under the 2020 - 2022 Performance Shares Plan, there are ordinary shares that could be granted at the end of the vesting period, drawing on treasury shares held in portfolio, which could have a dilutive effect.

The calculation of the basic earnings per share is as follows:

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Profit for the period (EUR '000) | 10,448 | 14,398 |
| Weighted average of number of outstanding ordinary shares (in thousands of units) | 50,929 | 50,929 |
| **Basic earnings per share (in Euros)** | 0.21 | 0.28 |

The diluted earnings per share is as follows:

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Profit for the period (EUR '000) | 10,448 | 14,398 |
| Weighted average of number of outstanding ordinary shares (in thousands of units) | 50,866 | 50,929 |
| **Diluted earnings per share (in Euros)** | 0.21 | 0.28 |

## [14] Current and non-current financial liabilities

The account is broken down as follows:

| €'000 | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Short-term bank loans | 21,300 | 25,025 |
| Current portion of medium/long-term loans | 16,325 | 11,768 |
| Current financial liabilities to subsidiaries | 22,916 | 15,573 |
| Loans for leasing falling due within 12 months | 329 | 191 |
| Others financial liabilities | - | 213 |
| **Current financial liabilities** | **60,871** | **52,770** |

| €'000 | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Medium/Long-term loans | 37,233 | 20,069 |
| Loans for leasing falling due over 12 months | 1,099 | 402 |
| Others financial liabilities | - | 861 |
| **Non-current financial liabilities** | **38,331** | **21,332** |

Short-term bank payables refer to the use of bank lines for operating purposes.
Current financial liabilities to subsidiaries amounted to Euro 22,916 thousand. The increase is mainly due to the cash pooling with the subsidiary Penta. This amount also includes an interest-bearing loan with the subsidiary FDM for Euro 4,400 thousand.
During 2020, the Company signed four new loan agreements with banks for a total of Euro 34,500 thousand.

At December 31, 2020 and December 31, 2019, the main details of bank loans by maturity are detailed below:

| 31.12.2020 | Currency | Original amount (€'000) | Maturity | Interest rate | Terms | Residual debt (€'000) | Current (€'000) | Non-current (€'000) |
|---|---|---|---|---|---|---|---|---|
| Loan 1 | EUR | 5,000 | 30/06/2020 | Variable | Euribor 3m +0,75% | - | - | - |
| Loan 2 | EUR | 8,000 | 30/09/2022 | Variable | Euribor 6m+0,55% | 3,200 | 1,600 | 1,600 |
| Loan 3 | EUR | 6,000 | 05/04/2022 | Fixed | 0 | 1,887 | 1,131 | 756 |
| Loan 4 | EUR | 7,500 | 06/12/2022 | Fixed | 0 | 3,022 | 1,507 | 1,515 |
| Loan 5 | EUR | 7,000 | 03/05/2024 | Fixed | 0 | 5,699 | 1,306 | 4,393 |
| Loan 6 | EUR | 3,000 | 13/12/2021 | Variable | Euribor 6m+0,62% | 2,000 | 2,000 | - |
| Loan 7 | EUR | 5,000 | 05/02/2025 | Variable | Euribor 6m+0,65% | 4,500 | 1,000 | 3,500 |
| Loan 8 | EUR | 7,000 | 07/04/2024 | Fixed | Euribor 6m+0,85% | 6,125 | 1,750 | 4,375 |
| Loan 9 | EUR | 2,000 | 24/06/2023 | Fixed | 0.54% | 1,668 | 665 | 1,003 |
| Loan 11 | EUR | 20,000 | 14/10/2025 | Fixed | 0.67% | 20,000 | 4,000 | 16,000 |
| Loan 12 | EUR | 5,500 | 23/12/2024 | Variable | Euribor 6m+0,55% | 5,500 | 1,375 | 4,125 |
| **Total** | | **76,000** | | | | **53,602** | **16,334** | **37,267** |

| 31.12.2019 | Currency | Original amount (€'000) | Maturity | Interest rate | Terms | Residual debt (€'000) | Current (€'000) | Non-current (€'000) |
|---|---|---|---|---|---|---|---|---|
| Loan 1 | EUR | 5,000 | 30/06/2020 | Variable | Euribor 3m +0,75% | 667 | 667 | 0 |
| Loan 2 | EUR | 8,000 | 31/03/2022 | Variable | Euribor 6m+0,55% | 4,000 | 1,600 | 2,400 |
| Loan 3 | EUR | 6,000 | 05/04/2021 | Fixed | 0.48% | 2,264 | 1,507 | 756 |
| Loan 4 | EUR | 7,500 | 06/06/2022 | Fixed | 0.50% | 3,773 | 1,504 | 2,270 |
| Loan 5 | EUR | 7,000 | 03/05/2023 | Fixed | 0.54% | 6,133 | 1,741 | 4,393 |
| Loan 6 | EUR | 3,000 | 13/06/2021 | Variable | Euribor 6m+0,62% | 3,000 | 2,000 | 1,000 |
| Loan 7 | EUR | 5,000 | 05/08/2024 | Variable | Euribor 6m+0,65% | 5,000 | 1,000 | 4,000 |
| Loan 8 | EUR | 7,000 | 07/10/2023 | Variable | Euribor 6m+0,85% | 7,000 | 1,750 | 5,250 |
| Total | | **48,500** | | | | **31,837** | **11,768** | **20,069** |

The Company has entered into an IRS contract to hedge interest rate fluctuations on one of its variable rate loans. The residual notional value of the instrument is Euro 6,125 thousand and the fair value is positive and equal to Euro 26 thousand.
In October 2020, the Company received a new, 5-year amortizing loan in the amount of Euro 20 million at a fixed rate of less than 1% to finance the acquisition of the Doteco Group.
Also in 2020 two amortizing loans were received to support working capital totaling Euro 7.5 million. These loans have durations of 36 and 48 months and an average interest rate of less than 0.5%. One of the two loans is backed by a guarantee issued by the Small and Medium Enterprise Guarantee Fund managed by Banca del Mezzogiorno – MedioCredito Centrale S.p.A.

The following tables detail the changes in current and non-current financial liabilities, representing both monetary and non-monetary movements:

| €/000 | 31.12.2019 | Net cash flow for repayments | Riclassification f rom Current to Non current following postponement | Riclassificat ion from Current to Non current of the year | New loan cash flow | New Lease | Depreciati on fund accrued expense | 31.12.2020 |
|---|---|---|---|---|---|---|---|---|
| Short-term bank loans | 25.025 | (3.725) | - | - | - | - | - | 21.300 |
| Current portion of medium/long-term loans | 11.768 | (5.735) | (6.365) | 10.295 | 6.372 | - | (10) | 16.325 |
| Other financial payables (to subsidiaries) | 15.573 | 7.343 | - | - | - | - | - | 22.916 |
| Other financial payables (to leasing companies) | 404 | (170) | - | - | - | 95 | - | 329 |
| **Current financial liabilities** | **52.770** | **(2.287)** | **(6.365)** | **10.295** | **6.372** | **95** | **(10)** | **60.870** |

| €/000 | 31.12.2019 | Net cash flow for repayments | Riclassification from Current to Non current following postponement | Riclassification from Current to Non current of the year | New loan cash flow | New Lease | Depreciation fund accrued expense | 31.12.2020 |
|---|---|---|---|---|---|---|---|---|
| Medium/Long-term loans | 20.069 | - | 6.365 | (10.295) | 21.128 | - | (34) | 37.233 |
| Loans for leasing falling due over 12 months | 1.263 | (449) | - | - | - | 285 | - | 1.099 |
| **Non-current financial liabilities** | **21.332** | **(449)** | **6.365** | **(10.295)** | **21.128** | **285** | **(34)** | **38.332** |

As required by IFRS 7, the following table show cash flows relating to the Group's financial liabilities by maturity:

| 31.12.2020 | Total | Total flows | Within 1 year | From 2 to 5 years | Over 5 years |
|---|---|---|---|---|---|
| Medium to long-term bank loans | 37,233 | 37,557 | | 37,557 | |
| Bonds | 0 | 0 | | | |
| Loans for leases | 1,099 | 1,099 | | 1,099 | |
| Other loans and borrowings | 0 | 0 | | 0 | |
| **Non-current financial liabilities** | **38,331** | **38,656** | **0** | **38,656** | **0** |
| Short-term bank borrowings | 16,325 | 16,544 | 16,544 | | |
| Current portion of long-term loans | 21,300 | 21,304 | 21,304 | | |
| Loans for leases | 329 | 329 | 329 | | |
| Other loans and borrowings | 22,916 | 22,916 | 22,916 | | |
| **Current financial liabilities** | **60,871** | **61,094** | **61,094** | **0** | **0** |

## [15] Employee benefit plans

This item includes post-employment benefit provisions. These liabilities qualify as defined benefit plans in accordance with IAS 19 and have therefore been subject to actuarial calculation. Changes in liabilities compared with the same period of the previous year are shown below.

| *Employee benefits liabilities* | 31.12.2020 | 31.12.2019 |
|---|---|---|
| **Opening balance** | **2,280** | **2,374** |
| Employee benefits paid | (118) | (223) |
| Provision | 1,030 | 995 |
| Transfer to pension funds and INPS treasury | (1,006) | (998) |
| Actuarial earnings (losses) | 0 | 96 |
| Interest cost | 17 | 35 |
| **Closing balance** | **2,203** | **2,280** |

The valuation of Post-employment benefits is based on the following actuarial assumptions:

| *Employee benefits liabilities* | 31.12.2020 | 31.12.2019 |
|---|---|---|
| Annual discount rate | 0.34% | 0.77% |
| Annual inflation rate | 0.80% | 1.20% |
| Annual rate of increase in employee severance indemnity | 2.10% | 2.40% |
| Mortality rate | ISTAT 2016 Tables | ISTAT 2016a Tables |
| Retirement age | at the achievement of the AGO pension fund requirements | |
| Advances rate | 3.50% | 3.50% |
| Turnover rate | 1% (based on historical company data) | |

The annual discount rate used to calculate the present value of the obligation was derived from the Iboxx Corporate AA index with a duration similar to the pension forecasts underlying the plan. Changes in the discount rate correspond to changes in the above index.

Sensitivity analyses were also carried out to take account of the effect of any changes in the main assumptions used in the valuations. The assumptions used in the sensitivity analysis are summarized below together with the corresponding changes in the present value of the obligation:

| ***Employee benefits liabilities*** **(€'000)** | **31.12.2020** | **31.12.2019** |
|---|---|---|
| Discount rate +50bp | (68) | (113) |
| Discount rate -50bp | 66 | 122 |
| Inflation rate +50bp | 105 | 74 |
| Inflation rate -50bp | (113) | (71) |

## [16] Provisions for risks and charges

The provision for risks and charges at December 31, 2020 amounted to Euro 2,032 thousand compared to Euro 1,269 thousand at December 31, 2019. The composition and the movements of the item are shown in the following table:

| €/000 | 31.12.2019 | Provisions | Actuarial effect | Utilisations | 31.12.2020 |
|---|---|---|---|---|---|
| Provision for legal and tax risks | 60 | 800 | - | - | 860 |
| Provision for product warranties | 195 | 100 | - | - | 295 |
| Provision for additional client expenses | 28 | 4 | (1) | - | 31 |
| Provision for risks on investments | 986 | - | - | (140) | 846 |
| **Provisions for risks and charges** | **1,269** | **904** | **(1)** | **(140)** | **2,032** |

The provision for legal risks at December 31, 2020 mainly relates to a provision set aside in the year which represents the best estimate of potential charges related to the commercial activities.

The Product warranty provision was set up to cover estimated warranty service charges to be incurred in the future, calculated on the basis of historical costs and expected costs relating to the machines and plants sold and still within the initial warranty period.

The provision for agents' termination indemnity represents the estimated liability resulting from the application of current legislation and contractual clauses regarding the termination of agency relationships.

The provision for equity investment risks includes the provision for the negative shareholders' equity of the subsidiaries Piovan Muhendislik Ltd Sirketi, Piovan Japan Inc. and Piovan Asia Pacific LTD. During 2020 the provision was partially released.

## [17] Trade payables

They amounted to Euro 21,149 thousand at December 31, 2020 compared to Euro 25,027 thousand at December 31, 2019. Trade payables originate from the different payment terms negotiated with suppliers, which vary according to the various countries in which the Company operates. The company does not have significant past overdue amounts.

## [18] Advance from customers

At December 31, 2020, Advances from customers amounted to Euro 1,478 thousand compared to Euro 2,003 thousand at December 31, 2019. This item refers to advances received by the Company from customers.

## [19] Tax liabilities and social security contributions

They amount to Euro 3,194 thousand at December 31, 2020 compared to Euro 3,211 thousand at December 31, 2019. The account is broken down as follows:

| €'000 | 31.12.2020 | 31.12.2019 | Changes |
|---|---:|---:|---:|
| Social security contributions | 2,090 | 2,097 | (7) |
| Tax withholdings for employees | 1,005 | 1,030 | (25) |
| Income tax liabilities (IRES and IRAP) | - | - | - |
| Other | 99 | 84 | 15 |
| **Tax liabilities and social security contributions** | **3,194** | **3,211** | **(17)** |

The change compared to the previous year is largely due to changes in payables to social security institutions.

## [20] Other current liabilities

They amount to Euro 11,244 thousand at December 31, 2020 compared to Euro 4,490 thousand at December 31, 2019. The account is broken down as follows:

| €'000 | 31.12.2020 | 31.12.2019 | Changes |
|---|---:|---:|---:|
| Payables to employees | 1,110 | 2,992 | (1,882) |
| Payables to parent companies | 196 | 940 | (744) |
| Accrued expense and deferred income | 83 | 27 | 56 |
| Other payables | 9,854 | 531 | 9,323 |
| **Other current liabilities** | **11,244** | **4,490** | **6,754** |

Employee payables refer to wages and salaries and accruals for vacation and leave accrued. The item Payables to parent companies includes the payable to Pentafin S.p.A. for current taxes under the tax consolidation contract. Other payables, which increased compared to the previous year, refers mainly to the deferred part of the purchase price of the investment in Doteco S.p.A., including the estimated earn-out. These amounts will be paid, as contractually required, in 2021 and in 2022.

## NOTES TO THE STATEMENT OF PROFIT AND LOSS

### [21] Revenue

They amounted to Euro 96,540 thousand in 2020 compared to Euro 102,694 thousand in 2019 (-6%). Revenues are shown net of discounts and rebates.
In order to provide adequate disclosure a breakdown of revenues by market and region is provided below. This breakdown is the analysis regularly monitored by Company Management.
The breakdown of revenue by market is as follows:

| €'000 | 2020 | 2019 |
|---|---:|---:|
| Plastic | 83,637 | 89,336 |
| Food & non Plastic | 213 | 28 |
| Services | 12,690 | 13,330 |
| **Revenues** | **96,540** | **102,694** |

The breakdown of revenue by region is as follows:

| €'000 | 2020 | 2019 |
|---|---:|---:|
| EMEA | 79,393 | 82,790 |
| ASIA | 6,625 | 7,594 |
| NORTH AMERICA | 7,645 | 9,000 |
| SOUTH AMERICA | 2,877 | 3,311 |
| **Revenues** | **96,540** | **102,694** |

Revenue by market indicates:

- Plastic Systems revenue decreased by Euro 5,699 thousand, or -6.4%, compared to 2019. As described in relation to the consolidated figures, this was due, essentially, to COVID-19 restrictions on mobility, which, particularly in the second quarter, limited the ability to carry out installations and to collect orders. This affected revenue for the third quarter, which was only partially offset by improved performance in the fourth quarter.
- the Food & Non-plastic Systems market is marginal for Piovan S.p.A. as it is the market for the subsidiaries Penta S.r.l. and FEA ptp S.r.l.
- the Services market posted a decrease in revenue compared to the previous year. Again in this case, the contraction is due to the mobility restrictions imposed, particularly in the second quarter of 2020, which did not permit for the normal provision of post-sale services to customers.

In terms of geographical areas, the EMEA remains the Company’s primary market, accounting for 82.2% of total revenue.

Revenues in EMEA include revenues in Italy which amounted to Euro 24,311 thousand in 2020 and Euro 28,611 thousand in the previous year. As already described above, the reason for the decrease must be attributed to the mobility restrictions linked to Covid-19.

## [22] Other Revenue and income

Other revenues amounted to Euro 1,922 thousand in 2020 compared with Euro 2,800 thousand in 2019.

This item is broken down as follows:

| €'000 | 2020 | 2019 | Change |
|---|---|---|---|
| Ancillary sales transport services | 259 | 271 | (12) |
| Increases in fixed assets for internal works | 88 | 281 | (193) |
| Machinery leases | 18 | - | 18 |
| Current expenses grants | 519 | 496 | 23 |
| Contingent assets | 178 | 145 | 33 |
| Capital gains for disposal of tangible and intangible assets | 24 | 724 | (700) |
| Recharges to suppliers | 64 | - | 64 |
| Insurance compensation | 43 | 132 | (89) |
| Commissions | - | - | - |
| Sale of scrap materials | 75 | - | 75 |
| Compensation | 233 | - | 233 |
| Other | 421 | 752 | (331) |
| **Other revenues and income** | **1,922** | **2,800** | **(878)** |

Transport ancillary services on sales mainly refers to revenues from transport ancillary services related to sales transactions with customers.

Operating grants are mainly represented by grants for research and development of the Company.

In 2019, Capital gains on the sale of property, plant and equipment and intangible assets includes Euro 714 thousand on the sale of the property in Via Galilei 3, Santa Maria di Sala.

Prior year income mainly consists of differences on cost estimates relating to previous years.

Other includes Euro 211 thousand in rental income from the subsidiary Aquatech for the lease of the production site and offices.

## [23] Costs of raw materials, components and goods and change in inventories

This item amounted to Euro 39,189 thousand in 2020 compared with Euro 40,653 thousand in the previous year. This item is broken down as follows:

| €'000 | 2020 | 2019 | Change |
|---|---|---|---|
| Purchase of raw materials, components and goods | 39,247 | 38,368 | 879 |
| Purchase of consumables | 1,450 | 1,699 | (249) |
| Change in inventories of raw materials and goods | (17) | 41 | (58) |
| Change in inventories of finished goods and semi-finished products | (1,492) | 545 | (2,037) |
| **Purchase of raw materials, consumables and goods and changes in inventories** | **39,189** | **40,653** | **(1,465)** |

This item decreased by Euro 1,465 thousand compared to 2019. This reduction is related to the reduction in revenues recorded in 2020.

## [24] Services

Service costs amounted to Euro 18,066 thousand in 2020 compared with Euro 19,884 thousand in 2019, down Euro 9%. The decrease is primarily related to lower revenues compared to the previous year.

This item is broken down as follows:

| €'000 | 2020 | 2019 | Changes |
|---|---|---|---|
| Outsourced processing | 6,564 | 7,556 | (992) |
| Transport costs | 1,302 | 1,380 | (78) |
| Business trips and travel | 559 | 1,084 | (524) |
| Commissions | 2,889 | 2,820 | 69 |
| Fees to directors, statutory auditors and independent auditors | 1,600 | 1,579 | 21 |
| Consultancies | 1,648 | 1,343 | 305 |
| Maintenance and repairs | 1,287 | 1,055 | 232 |
| Marketing and advertising costs | 163 | 865 | (702) |
| Utilities | 584 | 613 | (30) |
| Insurance | 248 | 267 | (19) |
| Telephone and internet connections | 141 | 206 | (65) |
| Other costs for services | 1,081 | 1,115 | (34) |
| **Services costs** | **18,066** | **19,884** | **(1,817)** |

The largest cost items, in particular from an industrial process point of view, are:

- outsourcing costs amounting to Euro 6,564 thousand in 2020 (36% of total service costs) determined by the production methods of the Group, which concentrates internally processing and high value added and core activities. In 2019, this item amounted to Euro 7,556 thousand and 38% of total service costs;
- increase in transport costs on purchases and sales which is linked to business performance and a different mix of countries to which the Company sells.
- In the previous year marketing and advertising expenses included costs related to participation in the K trade fair, the world's most important trade fair for plastics and rubber, which took place in October 2019 in Dusseldorf, which takes place every three years.

## [25] Use of third party assets

Rent, leasing and similar costs amounted to Euro 178 thousand compared with Euro 170 thousand in 2019.

This item is broken down as follows:

| €/000 | 2020 | 2019 | Changes |
|---|---|---|---|
| Rent | 178 | 170 | 8 |
| **Use of third party assets** | **178** | **170** | **8** |

Rental expense refers to lease agreements that do not meet the requirements to be recognized according to IFRS 16

## [26] Personnel expenses

Personnel expense amounted to Euro 22,783 thousand compared with Euro 23,837 thousand in 2019. A breakdown of personnel expenses and the workforce by category is provided below:

| €'000 | 2020 | 2019 | Changes |
|---|---|---|---|
| Wages and salaries | 16,690 | 17,404 | (714) |
| Social security contributions | 5,098 | 5,432 | (334) |
| Costs for defined benefit plans | 991 | 995 | (4) |
| Other personnel expenses | 4 | 6 | (2) |
| **Personnel expenses** | **22,783** | **23,837** | **(1,054)** |

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Year end | average | year end | average |
| Managers | 10 | 10 | 10 | 10 |
| Middle managers | 14 | 14 | 12 | 13 |
| White collar workers | 180 | 181 | 182 | 181 |
| Blue collar workers | 190 | 192 | 196 | 197 |
| **Total** | **394** | **397** | **400** | **401** |

Personnel expenses decreased due to the optimization and cost cutting measures taken in 2020. See the information provided in the "COVID-19 impacts" paragraph. They also include the accrued portion of long-term incentive plans for certain executives of the Company.

## [27] Other expenses

The item amounts to Euro 920 thousand compared to Euro 813 thousand in the previous year. This item is broken down as follows:

| €'000 | 2020 | 2019 | Changes |
|---|---|---|---|
| Other taxes and duties | 407 | 290 | 116 |
| Bad debt provision recognition | 99 | 109 | (10) |
| Entertainment costs | 13 | 103 | (90) |
| Other operating costs | 402 | 312 | 91 |
| **Other operating costs** | **920** | **813** | **107** |

Other taxes and duties mainly includes indirect taxes on property and local taxes.

## [28] Provisions for risk and charges

Provisions for risks and charges total Euro 904 thousand. The provision is primarily due to some ongoing commercial disputes.

| €'000 | 2020 | 2019 | Change |
|---|---|---|---|
| Provisions for risks | 800 | (244) | 1,044 |
| Provision for product warranty | 100 | - | 100 |
| Provision for supplementary indemnity fund | 4 | - | 4 |
| Provisions for risks and charges | **904** | **(244)** | **1,148** |

## [29] Amortisation and depreciation

This item amounted to Euro 2,631 thousand compared with Euro 2,380 thousand in 2019. The increase is linked to the depreciation of new investments rolled-out at the end of 2019. This item is broken down as follows:

| €'000 | 2020 | 2019 | Changes |
|---|---|---|---|
| Depreciation of intangible fixed assets | 373 | 386 | (12) |
| Depreciation of property, plant and equipment | 2,258 | 1,994 | 263 |
| **Amortisation/depreciation and write-downs** | **2,631** | **2,380** | **251** |

## [30] Financial income and expenses

This item amounted to Euro 745 thousand in 2020 compared with Euro 1,003 thousand in 2019. The item includes Euro 824 thousand dividends received from subsidiaries in 2020 compared to Euro 927 thousand in 2019. The item includes interest income and financial charges from the valuation of securities as further described in note [9] relating to investments of liquidity.

| €'000 | 2020 | 2019 | Change |
|---|---|---|---|
| Interest income | 326 | 220 | 105 |
| Dividends | 824 | 927 | (103) |
| Other financial income | 41 | 180 | (139) |
| **Financial income** | **1,191** | **1,327** | **(136)** |
| Bank interest expenses | 176 | 139 | 36 |

| €'000 | 2020 | 2019 | Change |
|---|---|---|---|
| Other interest expenses | 39 | 47 | (8) |
| Other financial expenses | 232 | 138 | 94 |
| **Financial charges** | **446** | **324** | **122** |
| **Net financial income (expense)** | **745** | **1,003** | **(258)** |

## [31] Net exchange rate gains/(losses)

The item amounted to Euro 946 thousand in 2020 compared with Euro 210 thousand in 2019. This item is broken down as follows:

| €'000 | 2020 | 2019 | Change |
|---|---|---|---|
| Foreign currency conversion gains | 84 | 415 | (331) |
| Foreign currency conversion losses | (1,030) | (206) | (824) |
| **Foreign currency conversion gains and losses** | **(946)** | **210** | **(1,156)** |

Foreign exchange gains are mainly realized.
Unrealized foreign exchange losses included under Foreign exchange losses amounted to Euro 813 thousand in 2020 (79% of foreign exchange losses for the year).
Net foreign exchange losses of Euro 946 thousand were reported in 2020, deteriorating on the preceding period. This effect is mainly due to the movements of the dollar.

## [32] Financial assets adjustments

The item amounted to net income of Euro 140 thousand in 2020 and relates to the release of the provision for risks on investees. Reference should be made to note [16] for further information.

## [33] Income Taxes

This item amounted to Euro 3,280 thousand compared with Euro 5,066 thousand in 2019. This item is broken down as follows:

| €'000 | 2020 | 2019 | Change |
|---|---|---|---|
| Income tax | 3,830 | 4,926 | (1,096) |
| Deferred tax | (549) | 141 | (690) |
| **Income taxes** | **3,281** | **5,066** | **(1,786)** |

Income taxes can be reconciled as follows to the profit or loss before taxes shown in the income statement:

| | 2020 | 2019 |
|---|---|---|
| **Earnings before taxes** | **13,729** | **19,464** |
| **Income taxes calculated using the theoretical IRES rate (24%)** | **(3,295)** | **(4,671)** |
| **Higher taxes** | **(756)** | **(368)** |
| provision for funds | (266) | (26) |
| non-deductible vehicles costs | (47) | (40) |

| | 2020 | 2019 |
|---|---|---|
| unrealized foreign exchange losses | (182) | (38) |
| non-deductible leasing cost (IAS17) | (74) | (97) |
| capital gain | (30) | - |
| others | (157) | (167) |
| **Lower taxes** | **561** | **885** |
| use of funds | 46 | 173 |
| contingent assets | 33 | 17 |
| unrealized foreign exchange profit | 1 | 16 |
| super-depreciation | 35 | 34 |
| iper-depreciation | 66 | 53 |
| Dividends | 188 | 213 |
| IRAP tax deduction | 11 | 56 |
| tax crediti R&D | 118 | 117 |
| -ACE deduction | 43 | 18 |
| - capital gain from assets sale | - | 149 |
| others | 21 | 38 |
| Irap | (401) | (860) |
| **Other movements** | **610** | **(141)** |
| **Income taxes** | **(3,281)** | **(5,066)** |

Reference should be made to Note [5] in relation to changes in deferred tax assets and liabilities and the nature of these.

## [34] Segment reporting

IFRS 8 requires that disclosures regarding operating segments be prepared in such a way as to provide the information necessary to assess the nature and effects on the financial statements of business activities and operating environments. This is done based on internal reporting and operating activities that generate revenues and costs, whose results are reviewed periodically by the chief operating decision maker in order to make decisions about resources to be allocated and to assess performance; operating segments were not identified other than the Group as a whole.
The disclosures also required for entities that have a single segment to report on products sold and services provided and geographical areas are provided in note [24].

## [35] Other Information

**Non-recurring items**
Consob Communication no. DEM/6064293 of July 28, 2006 requires information on significant events and transactions whose occurrence is non-recurring or on transactions or events that do not occur frequently in the normal course of business.
Non-recurring income relates to non-exceptional income items.

Non-recurring charges mainly referred to costs relating to the Company's listing on the stock exchange, costs relating to the transfer and/or increase in long term production capacity and ancillary charges on acquisitions made during the year.
There were no non-recurring charges during 2020. During 2019, non-recurring charges mainly refer for Euro 353 thousand to various costs incurred for the process of moving the production site, while non-recurring income amounted to Euro 714 thousand from the capital gain on the sale of the property.

## Classes of financial instruments and fair value hierarchy

With reference to the breakdown of financial assets and liabilities required by IFRS 7, there were no transfers between the fair value levels indicated in IFRS 13 and those reported in the Consolidated Financial Statements at December 31, 2019, to which reference should be made for further information.

| 31.12.2020 | Categoria IFRS 9 | Valore contabile | Livello 1 | Livello 2 | Livello 3 |
|---|---|---|---|---|---|
| Conti correnti e depositi postali | Crediti e finanziamenti | 46,131 | | 46,131 | |
| Cassa | Crediti e finanziamenti | 1 | | 1 | |
| **Disponibilità liquide e mezzi equivalenti** | | **46,132** | | **46,132** | |
| **Crediti commerciali** | **Crediti e finanziamenti** | **33,198** | | | **33,198** |
| **Attività finanziarie correnti** | **Crediti e finanziamenti** | **9,984** | **5,146** | | **4,838** |
| **Totale attività finanziarie** | **Crediti e finanziamenti** | **89,314** | **5,146** | **46,132** | **38,036** |
| Finanziamenti a medio/lungo termine | Passività al costo ammortizzato | 37,233 | | 37,233 | |
| Passività finanziarie non correnti | Passività al costo ammortizzato | 1,099 | | 1,099 | |
| **Passività finanziarie non correnti** | | **38,331** | | **38,331** | |
| Debiti correnti verso banche | Passività al costo ammortizzato | 21,300 | | 21,300 | |
| Quota corrente finanziamenti a medio lungo termine | Passività al costo ammortizzato | 16,325 | | 16,325 | |
| Passività finanziarie correnti | Passività al costo ammortizzato | 23,246 | | 23,246 | |
| **Passività finanziarie correnti** | | **60,871** | | **60,871** | |
| **Debiti commerciali** | **Passività al costo ammortizzato** | **21,149** | | | **21,149** |
| **Anticipi da clienti** | **Passività al costo ammortizzato** | **1,478** | | | **1,478** |
| **Totale passività finanziarie** | | **121,830** | | **99,202** | **22,628** |

| 31.12.2019 | IFRS 9 categories | Book value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|
| Current accounts and post office deposits | Receivables and loans | 39,590 | - | 39,590 | - |
| Cash | Receivables and loans | 1 | - | 1 | - |
| **Cash and cash equivalents** | | **39,591** | **-** | **39,591** | **-** |
| **Trade receivables** | **Receivables and loans** | **36,005** | **-** | **-** | **36,005** |
| | | | | | |
| **Total financial assets** | | **87,903** | **6,319** | **39,591** | **41,993** |
| Bank borrowings | Liabilities at amortised cost | 20,069 | - | 20,069 | - |

| 31.12.2019 | IFRS 9 categories | Book value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|
| Payables to other lenders | Liabilities at amortised cost | 1,263 | - | 1,263 | - |
| **Non-current financial liabilities** | | **21,332** | **-** | **21,332** | **-** |
| Short-term bank loans | Liabilities at amortised cost | 25,025 | - | 25,025 | - |
| Short-term bank loans | Liabilities at amortised cost | 11,768 | - | 11,768 | - |
| Payables to other lenders | Liabilities at amortised cost | 15,977 | - | 15,977 | - |
| **Current financial liabilities** | | **52,770** | **-** | **52,770** | **-** |
| **Trade payables** | **Liabilities at amortised cost** | **25,027** | **-** | **-** | **25,027** |
| **Advances from customers** | **Liabilities at amortised cost** | **2,003** | **-** | **-** | **2,003** |
| **Total financial liabilities** | | **79,801** | **-** | **52,770** | **27,030** |

## Related party transactions

During 2020 and 2019 the Company had commercial relations with subsidiaries and some related parties of the Group.

In accordance with the provisions of IAS 24, the following entities are considered Related Parties: (a) companies that directly or indirectly through one or more intermediate companies, control, or are controlled or are under common control with the reporting entity; (b) associated companies; (c) natural persons who directly or indirectly have voting power in the reporting entity that gives them a dominant influence over the company and their immediate family members; (d) key management personnel, i.e. those who have the power and responsibility for planning, directing and controlling the activities of the reporting entity, including directors and officers of the company and the immediate family members of such persons; (e) companies in which any natural person described under (c) or (d) has, directly or indirectly, significant voting power, or over which such person has such power. Case (e) includes undertakings owned by the directors or major shareholders of the reporting entity and undertakings which have a manager with strategic responsibilities in common with the reporting entity.

All transactions are regulated at market conditions for goods and services of equal quality.

| Transactions at 31.12.2020 | Nature of transactions | Notes | Current trade receivables | Other current assets | Financial current assets | Trade payables | Non-current financial liabilities | Other current liabilities | Revenues | Expenses |
|---|---|---|---|---|---|---|---|---|---|---|
| **Subsidiary** | | | | | | | | | | |
| PIOVAN CANADA LTD | Subsidiary | [7] [17] [21] [23] | 314 | - | - | - | - | - | 2,897 | - |
| PIOVAN GMBH | Subsidiary | [7] [17] [21] [23] | 280 | - | - | 9 | - | - | 8,858 | 54 |
| PIOVAN CENTRAL EUROPE | Subsidiary | [7] [17] [21] [23] | 1,780 | - | - | 17 | - | - | 6,691 | 202 |
| PIOVAN UK LIMITED | Subsidiary | [7] [17] [21] [23] | 2,335 | - | - | 16 | - | - | 3,420 | 16 |
| PIOVAN DO BRASIL LTD | Subsidiary | [7] [17] [21] [23] | 1,991 | - | - | 55 | - | - | 1,295 | 497 |
| PIOVAN PLASTICS MACHINERY | Subsidiary | [7] [17] [21] [23] | 188 | - | - | 7 | - | - | 1,393 | 38 |

| Transactions at 31.12.2020 | Nature of transactions | Notes | Current trade receivables | Other current assets | Financial current assets | Trade payables | Non-current financial liabilities | Other current liabilities | Revenues | Expenses |
|---|---|---|---|---|---|---|---|---|---|---|
| PIOVAN MEXICO S.A. | Subsidiary | [7] [17] [21] [23] | 2,042 | - | - | 6 | - | - | 3,106 | 34 |
| PIOVAN FRANCE | Subsidiary | [7] [17] [21] [23] | 1,112 | - | - | 224 | - | - | 3,181 | 579 |
| PIOVAN CZECH REPUBLIC | Subsidiary | [17] [23] | - | - | - | - | - | - | - | 2 |
| UNIVERSAL DYNAMICS | Subsidiary | [7] [8] [17] [21] [23] | 3,311 | - | 3,129 | 12 | - | - | 1,526 | 18 |
| TOBA Pnc | | [7] [8] [21] | | 79 | | 125 | | | | |
| PIOVAN ASIA PACIFIC | Subsidiary | [7] [17] [21] [23] | 3,884 | - | - | 36 | - | - | 2,864 | 179 |
| FDM GMBH | Subsidiary | [7] [17] [21] [23] | 13 | - | - | 81 | - | | 317 | 949 |
| PIOVAN INDIA PVT LTD | Subsidiary | [7] [17] [21] [23] | 284 | - | - | 27 | - | | 275 | 171 |
| PIOVAN MUHENDISLIK | Subsidiary | [7] [8] [17] [21] [23] | 1,180 | - | 260 | 479 | - | - | 418 | 406 |
| AQUATECH S.R.L. | Subsidiary | [7] [17] [21] [23] | 37 | - | 1,039 | 528 | - | 32 | 443 | 1,587 |
| PENTA SRL | Subsidiary | [7] [14] [17] [21] [23] | 22 | - | - | 362 | - | - | 21 | 902 |
| PIOVAN GULF FZE | Subsidiary | [7] [17] [20] [21] [23] | 11 | - | - | 76 | - | - | 4 | 404 |
| ENERGYS SRL | Subsidiary | [7] [17] [21] [23] | 4 | - | - | - | - | - | 7 | - |
| PROGEMA SRL | Subsidiary | [17] [23] | 4 | - | - | 57 | - | - | - | 47 |
| PIOVAN VIETNAM LTD | Subsidiary | [17] [23] | - | - | - | 10 | - | - | 0 | 40 |
| PIOVAN JAPAN INC. | Subsidiary | [7] [8] [17] [21] [23] | 63 | - | 285 | 42 | - | - | 9 | 39 |
| DOTECO SPA | Subsidiary | | | | | | | | | |
| DOTECO INC. | Subsidiary | | | | | | | | | |
| STUDIO PONTE SRL | Subsidiary | | | | | | | | | |
| | | | | | | | | | | |
| **Total Subsidiaries** | | | **18,934** | **-** | **4,838** | **2,137** | **-** | **101** | **36,743** | **6,311** |
| | | | - | - | - | - | - | - | - | - |
| **Associates** | | | - | - | - | - | - | - | - | - |
| C.M.G. SPA | Associated company | [10] [17] [23] | - | - | - | 164 | - | - | - | 694 |
| | | | - | - | - | - | - | - | - | - |
| **Parent company** | | | - | - | - | - | - | - | - | - |
| PENTAFIN S.P.A.* | Piovan S.p.A. parent company | [10] | - | - | - | - | - | 196 | - | - |

| Transactions at 31.12.2020 | Nature of transactions | Notes | Current trade receivables | Other current assets | Financial current assets | Trade payables | Non-current financial liabilities | Other current liabilities | Revenues | Expenses |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | - | - | - | - | - | - | - | - |
| **Other related parties** | | | - | - | - | - | - | - | - | - |
| CARSIL S.R.L. | Company owned by Nicola Piovan's relatives | [25] | - | 31 | - | - | - | 57 | 8 | 1,259 |
| SPAFID S.P.A. (DELTA ERRE S.P.A.) | Trust company - registered on behalf of Nicola Piovan | [31] | - | - | - | - | - | - | - | 644 |
| Nicola Piovan | Chairman of the BoD of Piovan S.p.A. and Sole shareholder of Pentafin S.p.A. | [24] | - | - | - | - | - | 65 | - | 130 |
| Filippo Zuppichin | Chief executive officer and shareholder of Piovan S.p.A. | [24] | - | - | - | - | 600 | - | - | 181 |
| | | | - | - | - | - | - | - | - | - |
| **TOTAL** | | | **18,934** | **31** | **4,838** | **2,300** | **600** | **420** | **36,751** | **9,218** |

| Transactions at 31.12.2019 | Nature of transactions | Note | Current trade receivables | Other current assets | Current financial assets | Trade payables | Current financial liabilities | Other financial liabilities | Revenues | Expenses |
|---|---|---|---|---|---|---|---|---|---|---|
| **Subsidiaries** | | | | | | | | | | |
| PIOVAN CANADA LTD | Subsidiaries | [7] [17] [21] [23] | 73 | | | 67 | | | 2,325 | 10 |
| PIOVAN GMBH | Subsidiaries | [7] [17] [21] [23] | 636 | | | 6 | | | 8,147 | 64 |
| PIOVAN CENTRAL EUROPE | Subsidiaries | [7] [17] [21] [23] | 1,510 | | | 10 | | | 6,377 | 162 |
| PIOVAN UK LIMITED | Subsidiaries | [7] [17] [21] [23] | 708 | | | 1 | | | 1,720 | 119 |
| PIOVAN DO BRASIL LTD | Subsidiaries | [7] [17] [21] [23] | 1,690 | | | 142 | | | 1,598 | 659 |
| PIOVAN PLASTICS MACHINERY | Subsidiaries | [7] [17] [21] [23] | 360 | | | 42 | | | 1,967 | 14 |
| PIOVAN MEXICO S.A. | Subsidiaries | [7] [17] [21] [23] | 2,461 | | | 57 | | | 4,021 | 65 |
| PIOVAN FRANCE | Subsidiaries | [7] [17] [21] [23] | 2,030 | | | 187 | | | 5,030 | 686 |
| PIOVAN CZECH REPUBLIC | Subsidiaries | [17] [23] | | | | | | | | 2 |

| Transactions at 31.12.2019 | Nature of transactions | Note | Current trade receivables | Other current assets | Current financial assets | Trade payables | Current financial liabilities | Other financial liabilities | Revenues | Expenses |
|---|---|---|---|---|---|---|---|---|---|---|
| UNIVERSAL DYNAMICS | Subsidiaries | [7]<br>[8]<br>[17]<br>[21]<br>[23] | 2,855 | 85 | 3,418 | 56 | | | 1,668 | 27 |
| TOBA PNC | Subsidiaries | [7]<br>[8]<br>[17]<br>[21]<br>[23] | 69 | | | | | | 76 | |
| PIOVAN ASIA PACIFIC | Subsidiaries | [7]<br>[17]<br>[21]<br>[23] | 3,511 | | | 45 | | 28 | 2,828 | 169 |
| FDM GMBH | Subsidiaries | [7]<br>[17]<br>[21]<br>[23] | 18 | | | 489 | 2,800 | | 375 | 763 |
| PIOVAN INDIA PVT LTD | Subsidiaries | [7]<br>[17]<br>[21]<br>[23] | 157 | | | 71 | | | 366 | 198 |
| PIOVAN MUHENDISLIK | Subsidiaries | [7]<br>[8]<br>[17]<br>[21]<br>[23] | 1,004 | | 260 | 80 | | | 484 | 148 |
| AQUATECH S.R.L. | Subsidiaries | [7]<br>[17]<br>[21]<br>[23] | 19 | | 2,025 | 1,155 | | 32 | 275 | 2.537 |
| PENTA SRL | Subsidiaries | [7]<br>[14]<br>[17]<br>[21]<br>[23] | 224 | | | 3 | 12,773 | | 293 | 20 |
| PIOVAN GULF FZE | Subsidiaries | [7]<br>[17]<br>[20]<br>[21]<br>[23] | 41 | | | 66 | | | 6 | 336 |
| ENERGYS SRL | Subsidiaries | [7]<br>[17]<br>[21]<br>[23] | 29 | | | 20 | | | 32 | 16 |
| PROGEMA SRL | Subsidiaries | [17]<br>[23] | 4 | | | 0 | | | | 0 |
| PIOVAN VIETNAM LTD | Subsidiaries | [17]<br>[23] | 103 | | | 145 | | | 90 | 131 |
| PIOVAN JAPAN INC. | Subsidiaries | [7]<br>[8]<br>[17]<br>[21]<br>[23] | 54 | | 285 | 2 | | | 23 | 108 |
| PIOVAN MAROC SA | Subsidiaries | [7]<br>[8]<br>[17]<br>[21]<br>[23] | 3 | | | 56 | | 69 | | 113 |
| **Total subsidiaries** | | | **17,557** | **85** | **5,988** | **2,700** | **15,573** | **129** | **37,700** | **6,346** |
| | | | | | | | | | | |
| **Associated company** | | | | | | | | | | |
| C.M.G. SPA | Aociated company | [10]<br>[17]<br>[23] | 8 | | | 198 | | | 67 | 600 |
| | | | | | | | | | | |
| **Parent company** | | | | | | | | | | |
| PENTAFIN S.P.A.* | Piovan S.p.A. parent company. | [10] | | 275 | | | | 940 | 0 | |
| | | | | | | | | | | |
| **Altre parti correlate** | | | | | | | | | | |
| CARSIL S.R.L. | Company owned by Nicola Piovan's relatives | [25] | | | | | | | | 277 |
| Nicola Piovan | Chairman of the BoD of Piovan S.p.A. and Sole shareholder of Pentafin S.p.A. | [24] | - | 35 | | | | | | 1,206 |

| Transactions at 31.12.2019 | Nature of transactions | Note | Current trade receivables | Other current assets | Current financial assets | Trade payables | Current financial liabilities | Other financial liabilities | Revenues | Expenses |
|---|---|---|---|---|---|---|---|---|---|---|
| Filippo Zuppichin* | Chief executive officer and shareholder of Piovan S.p.A. | [24] | | | | | | | | 524 |
| **C.D.A. members (excluding the president)** | **Consiglieri** | | | | | | | | | **115** |
| **TOTAL** | | | **17,566** | **396** | **5,988** | **2,899** | **15,573** | **1,069** | **37,707** | **9,119** |

*Dividends of Euro 53 thousand were paid

## Commitments and risks

At December 31, 2020, the Company had guarantees in place for Euro 685 thousand provided to third parties in relation to commercial activities for sales orders (Euro 685 thousand at December 31, 2019).

At December 31, 2020, the Company provided sureties in favor of credit institutions in the interest of subsidiaries and subject to the control of the parent company for a total of Euro 15.9 million (Euro 10.3 million at December 31, 2019) and future lease payables of Euro 262 thousand (Euro 262 thousand at December 31, 2019).

## Contingent liabilities

We are not aware of the existence of further disputes or proceedings that are likely to have significant repercussions on the Company's economic and financial situation.

## Disbursements from the Public Administration

The Company has not received subsidies, contributions, assignments and/or economic benefits of any kind from public administrations and/or entities controlled by them, even indirectly, during 2020. This disclosure obligation is described in Article 1, paragraphs 125 and subsequent of Law 124/2017 on the transparency of public disbursements.

## Remuneration of Directors, Statutory Auditors and Independent Audit Firm

Remuneration paid to Directors, Statutory Auditors and Independent Audit Firm for the year ended December 31, 2020 compared to the previous year are shown below:

| | 2020 | 2019 |
|---|---|---|
| Directors | 1,876 | 1,658 |
| Key managers | 894 | 826 |
| Statutory auditors | 39 | 39 |

## Disclosure pursuant to Article 149 of the Consob Issuer's Regulation

The following table, drawn up pursuant to Art. 149-duodecies of the Consob Issuers' Regulation, highlights the fees charged in the year 2020 for auditing and non-auditing services rendered by this appointed independent audit firm and by the companies in its network.

| Type of service | Person who provided the service | Recipient | Fees 2020 (€/000) |
|---|---|---|---|
| External audit of accounts | Auditor of the parent company | Parent company | 94 |
| Auditing and review | Auditor of the parent company | Parent company | 30 |
| Non-audit services | Network of the parent company's auditors | Parent company | 22 |

## Subsequent events after December 31, 2020

With the exception of the continuing global COVID-19 pandemic, there have been no significant events since the end of the year.

Santa Maria di Sala (Venezia), March 19, 2021

On behalf of the Board of Directors

Executive Chairman

Nicola Piovan

## DECLARATION OF THE SEPARATE ANNUAL FINANCIAL STATEMENTS AS PER ARTICLE 154-BIS OF LEG. DECREE NO. 58 OF 24.02.1998 AND ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999 AND SUBSEQUENT AMENDMENTS AND SUPPLEMENTS

Santa Maria di Sala, March 19, 2021

The undersigned Filippo Zuppichin, Chief Executive Officer, and Elisabetta Floccari, Executive Officer for Financial Reporting of Piovan S.p.A. declare, also in consideration of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24, 1998:

- the accuracy of the information on company operations and
- the effective application

of the administrative and accounting procedures for the compilation of the separate annual financial statements for 2020.

No significant aspect emerged concerning the above.

In addition, we declare that the separate financial statements at December 31, 2020:

d) is drawn up in compliance with the applicable international accounting standards recognized by the European Union, in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and the Council of July 19, 2002;

e) correspond to the underlying accounting documents and records;

f) provides a true and fair view of the financial position, financial performance and cash flow of the issuer.

The Directors' Report includes a reliable analysis on the performance and operating result,

as well as the issuer's situation, together with a description of the main risks and uncertainties to which it is exposed.

| | |
|---|---|
| The Chief Executive Officer | The Executive Officer for Financial Reporting |
| Filippo Zuppichin | Elisabetta Floccari |

## INDEPENDENT AUDITORS' REPORT ON THE SEPARATE FINANCIAL STATEMENTS

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# INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Piovan S.p.A.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the separate financial statements of Piovan S.p.A. (the "Company"), which comprise the statement of financial position as at 31 December 2020, the statement of profit and loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

### Basis for Opinion

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

### Key Audit Matters

There are no key audit matters to communicate in this report.

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

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

**Other information communicated pursuant to art. 10 of the EU Regulation 537/2014**

The Shareholders' Meeting of Piovan S.p.A. has appointed us on 14 september 2018 as auditors of the Company for the years from 31 December 2018 to 31 December 2026.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

**Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98**

The Directors of Piovan S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Piovan S.p.A. as at 31 December 2020, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Piovan S.p.A. as at 31 December 2020 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure is consistent with the financial statements of Piovan S.p.A. as at 31 December 2020 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
**Barbara Moscardi**
Partner

Treviso, Italy
March 30, 2021

This report has been translated into the English language solely for the convenience of international readers.

## BOARD OF STATUTORY AUDITORS' REPORT ON THE SEPARATE FINANCIAL STATEMENTS

### REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING OF PIOVAN S.P.A. OF 29 APRIL 2020, IN ACCORDANCE WITH SECTION 153 OF ITALIAN LEGISLATIVE DECREE 58/1998 AND ARTICLE 2429 OF THE ITALIAN CIVIL CODE.

Dear Shareholders,

The Board of Statutory Auditors in office was appointed by the Shareholders' Meeting of Piovan S.p.A. (hereinafter the "Company") on 14 September 2018 (for the effective statutory auditors) and on 25 September 2018 (for the Chairman) and its term of office will cease on approval of the financial statements for year ended 31 December 2020 by the Shareholders' Meeting.

Pursuant to Article 153(1) of Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Finance, Italian acronym T.U.F.) and with reference to the period commencing from its appointment, the Board of Statutory Auditors reports on the supervisory and control activities provided for under current legislation, with particular reference to the provisions of the Italian Civil Code, to article 148 et seq. of the Consolidated Law on Finance, to Legislative Decree no. 39 of 27 January 2010, as amended by Legislative Decree no. 135 of 17 July 2016 and to Legislative Decree no. 254 of 2016, also taking into account Consob's guidelines on matters of corporate controls and tasks of the Board of Statutory Auditors, as well as the standards of conduct recommended by the National Board of Chartered Accountants and Accounting Experts.

This Report has been submitted to the Shareholders of Piovan S.p.A., in preparation for the Shareholders' Meeting called for 29 April 2021, in a single call, for approval of the Financial Statements year ended 31 December 2020 and submission of the Consolidated Financial Statements.

As known, the year 2020 was characterized by a situation of profound uncertainty due to the effects of the COVID -19 pandemic: the activities of the corporate bodies did not stop and continued in a manner that favored meetings and exchanges of information "from remote"; the activity of the Board of Statutory Auditors also continued through the acquisition of data and information in electronic format and the holding of its meetings via video conference.

* * *

In view of the foregoing, the activities conducted by the Board of Statutory Auditors up to the date of this report are described below, also with reference to the requirements of Consob Communication DEM/1025564 of 6 April 2001, as amended.

### Most significant economic, financial and equity-related transactions.

The most significant transactions and events that took place during the 2020 financial year are fully illustrated in the specific paragraph of the management report in the consolidated financial

statements, to which reference should be made, and listed as follows: Implications of the Covid-19 pandemic, Incentive plans, Acquisitions, Dividends, Governance.
With regards to the Covid-19 pandemic, the information notes to the financial statements adequately report the references to the "Coronavirus" emergency, describing the effects on the various items of the balance sheet and income statement, underlying the constant monitoring and the planning of mitigation actions. The board, in the aforementioned information, considering the competitive position and the highly profitability and financial solidity of the entities and the Group, certifies the absence of doubts in regards to the existence of the assumption of business continuity.
As for the most significant events occurring after the end of the financial year, nothing is reported.
The Board of Statutory Auditors received, with due frequency, information from Directors on operations and on the most important economic, financial and equity transactions conducted by the Company and its subsidiaries. The Directors have reported on such transactions in their Report on Operations, to which reference should be made, also with regard to transaction features and their economic effects.
The Board of Statutory Auditors has acquired adequate information on such transactions, which allows it to reasonably believe that the above transactions complied with the law, the Articles of Association and standards of correct administration and they were not imprudent, risky or in conflict with the resolutions passed by the shareholders' meeting or, however, such as to compromise the integrity of corporate assets.
Transactions with Director interests or with other related parties have undergone transparency procedures provided under current legislation.

## Atypical and/or unusual transactions, executed with third parties, intercompany or related parties.

The Board of Statutory Auditors has not identified or received any indications from the Board of Directors, the Independent Auditors or the Head of Internal Audit regarding the existence of atypical and/or unusual transactions, within the meaning of Consob Communication DEM/6064293 of 28 July 2006, conducted with third parties, related parties or intragroup.

The Directors reported on transactions with group companies or related parties conducted during the year in the notes to both the consolidated and the separate financial statements, to which reference should be made also with regard to transaction features and their economic effects. In particular, the financial report acknowledges that the underlying transactions are regulated at arms-lenght conditions when concerning sales of goods and provision of services, at an equal quality level.

The Board of Statutory Auditors verified the approval of the procedure for transactions with related parties adopted by the Company and monitors the periodic information provided by the Board of Directors, in the event such transactions may be conducted.

## Observations and proposal on remarks and requests for information contained in the independent auditors' report.

The auditing firm, Deloitte & Touche. S.p.A., on March 30, 2020 issued its reports on the separate and consolidated financial statements of the Company, in accordance with Article 14 of Italian Legislative Decree 39/2010 and Article 10 of EU Regulation 537/2014. The reports contain no remarks or requests for information and express an opinion that the Report on Operations and the report on corporate governance and ownership structure is consistent with the relevant financial statements.
On the same date, independent auditors, Deloitte & Touche S.p.A., also issued their additional report for the Internal Control and Audit Committee, in accordance with Article 11 of EU Regulation 537/2014.

## Complaints, pursuant to Article 2408 of the Italian Civil Code and filing of complaints. Actions undertaken by the Board of Statutory Auditors and relevant outcomes.

No complaints or reports were received from shareholders in reporting period 2020. *No* official complaints were received by the Board of Statutory Auditors in reporting period 2020.

## Appointment of the independent auditors and relevant fees.

The Board of Statutory Auditors has been notified by Independent Auditors, Deloitte & Touche S.p.A., of the fees registration to them recognized and to the companies belonging to their network for services pertaining to the 2020 reporting year, as reported on the Annual Report:

| Type of service | Person who provided the service | Recipient | Fees 2020 (€/000) |
|---|---|---|---|
| External audit of accounts | Auditor of the parent company | Parent company | 94 |
| External audit of accounts | Auditor of the parent company | Subsidiaries | 98 |
| External audit of accounts | Network of the parent company's auditors | Subsidiaries | 99 |
| Review review of the half-yearly financial statements | Auditor of the parent company | Parent company | 30 |
| Review review of the half-yearly financial statements | Auditor of the parent company | Subsidiaries | 9 |
| Review review of the half-yearly financial statements | Network of the parent company's auditors | Subsidiaries | 24 |
| Non-audit services | Network of the parent company's auditors | Parent company | 22 |

Pursuant to the provisions of Article 6(2)(a) of EU Regulation 537/2014, the Board of Statutory Auditors has received a statement from Deloitte & Touche S.p.A. that, up to the current date, taking into account activities conducted, it has maintained its position of independence and objectivity vis-à-vis the Company and the Group.
The Board of Statutory Auditors was promptly notified of the non-auditing services provided to the Company by Deloitte & Touche S.p.A. and entities belonging to its network.

## Main opinions issued by the Board of Statutory Auditors, in accordance with current legislation.

The undersigned members of the Board of Statutory Auditors declare that they have issued a positive opinion from the date of their appointment until the present time, in accordance with the current legislation.
Since its appointment and up to the date of this report, the Board of Statutory Auditors has:

- reviewed and positively assessed the subject matter of the Remuneration Policy for the financial year 2019 as proposed by the Nomination and Remuneration Committee at its meeting held on March 16, 2020, and the relative Remuneration Report approved by the Board of Directors at its meeting held on March 17, 2021, verifying that it contains disclosures required under Article 123-*ter* of the Consolidated Law on Finance (T.U.F.) and under Article 84 *quater* of Consob Regulation 11971/1999;
- reviewed and positively assessed the subject matter of the Report on Corporate Governance and Ownership Structure, approved by the Board of Directors at its meeting held on March 19, 2021, verifying that it contains the disclosures required under Article 123-*bis* of the Consolidated Law on Finance and complies with the provisions of the format established by Borsa Italiana S.p.A.;
- reviewed and positively assessed, together with the Control and Risk Committee, the 2020 and approved by the Board of Directors at its meeting held on March 19, 2021.

## Attendance at meetings of corporate bodies.

In 2020, the Board of Directors met eight times. Up to the date of this report, 2 meetings have been held in 2021, including the meeting held on March 19.
The Board of Statutory Auditors has attended all meetings of the Board of Directors, during which it was informed on operations conducted and on the most significant transactions executed by the Company and its subsidiaries. Moreover, up to the date of this report, the Board of Statutory Auditors attended to 5 meetings of the Control and Risks Committee during 2020 and to 2 meetings during 2021, to 1 meeting of the Related Parties Committee, to 7 meetings of the Nomination and Remuneration Committee and has held 9 collegial meetings, during which information was also exchanged with the independent auditors, to ensure that no imprudent and risky transactions, potentially presenting a conflict of interest with the Articles of Association or with the resolutions of the shareholders' meeting or such as to compromise the integrity of the shareholders' equity had been concluded.

## Observations on compliance with good administration best practice.

The Board of Statutory Auditors, as a result of its oversight activity, has no observations to make regarding compliance with correct administration best practice standards and has verified that the Directors are aware of the risks and effects related to operations conducted.

## Observations on the adequacy of the organisational structure.

The Board of Statutory Auditors gathered information on the Company's organisational structure and on its changes, also by holding meetings with the relevant corporate managers. In the light of audit findings, the Board of Statutory Auditors considered the improvement actions undertaken by internal functions, deems the organization structure, the procedures, expertise and responsibilities substantially adequate, in relation to the scale of the company and the type of operations.

## Adequacy of the Internal Control and Risk Management System.

The Board of Statutory Auditors monitored the adequacy of the internal control and risk management system of Piovan S.p.A., by means of:

a) collecting information, also during meetings of the Control and Risk Committee, with the Internal Audit function and with the other functions identified from time to time, on the activities carried out, on the activities in progress and the relevant risk mapping, on auditing programs and on the projects for the implementation of the Internal Control System, with the acquisition of the relevant documentation;

b) regularly participated in the work of the Control and Risk Committee, established, in accordance with the Corporate Governance Code for listed companies;

c) reviewing the Report of the Control and Risk Committee;

d) reviewing the structure of operational controls;

e) reviewing the annual relation of the Internal Audit function, as well as the positive evaluation of the same function in relation to eligibility of the internal control and risk management system of the Company compared to the characteristic of the company and to its risk profile.

The head of the Internal Audit function and the Watch Structure during the recurrent meetings and the information exchanges occurred, have not reported any particular critical issues regarding their respective area of responsibility.

The Board of Statutory Auditors, having acknowledged the opinion expressed by the Board of Directors and the assessment of the Control and Risk Committee, found that the internal control and risk management system which is still in the consolidation phase, is adequately arranged, albeit with a margin of improvement that is better suited to the greater complexity of the business and governance.

The Board has also:

- verified that the Company has adopted an Organisation, Management and Control Model complying with the rules under Legislative Decree 231/01 and guidelines prepared by Industry Associations;
- reviewed the information provided by the Supervisory Body during the meeting of the Board of Directors held on March 19, 2021, from which it appears that no reprehensible circumstances or breaches of the Model were identified.

## Adequacy of the administrative-financial reporting system and its reliability.

The Board of Statutory Auditors, within the scope of its responsibility, monitored the adequacy of the administrative-financial reporting system and its reliability in correctly representing operating events, as well as the activities conducted, under the coordination of appointed Manager, in charge of corporate financial reporting records, for the purposes of compliance with Law 262/05 "*Provisions for the protection of savings and the regulation of financial markets*", as amended, by means of:

a) acquiring information from the Manager, responsible for preparing the company's financial reports, also by participating in the work of the Control and Risk Committee;

b) acquiring information on the procedures adopted for preparing the Group's Annual Report year ended 31 December 2020;

c) attending meetings with the independent auditors and the outcomes of their activities.

d) the strengthening of the aforementioned information flows in light of the consequences of the Covid-19 pandemic as prescribed - most recently - in the CONSOB notice 1/2021 of 16 February 2021.

In the course of conducting the above activities, the Board of Statutory Auditors has not identified any critical situations or events that might lead to concluding, in relation to reporting period 2019, that the administrative-reporting system of Piovan S.p.A. is inadequate and/or unreliable. With reference to the gathering, handling and reliability of the non-financial informations, the Board of Statutory Auditors evaluates the process to be adequate, coherent with the strategic Group objectives in the socio-evironmental field.

## Adequacy of instructions provided to subsidiaries.

The Board of Statutory Auditors considers the instructions given by the Company to its subsidiaries, in accordance with Section 114(2) of the Consolidate Law on Finance (T.U.F.) to be adequate, for the purpose of compliance with statutory disclosure requirements.

## Any significant factors relating to the meetings with Independent Auditors.

The Board of Statutory Auditors met with the Independent Auditors:

a) to exchange information on audits conducted by the latter, in accordance with Legislative Decree 39/2010 and Article150(3) the Consolidated Law on Finance, on the regular keeping of company accounting records and on the correct recording of operating events in the accounting records. No reports of critical or irregular events were reported at such meetings;

b) to review and assess the formation process, including evaluating the correct adoption of accounting standards and their uniformity across the Annual Report of Piovan Group year ended 31.12.2019, as well as the outcomes of audits and assessments of such documents.

The Board of Statutory Auditors, in addition to the disclosures made in paragraph 3, also has:

a) received, in accordance with Article 11(2) of EU Regulation. 537/2014, the additional report of the Independent auditors, also illustrating the key issues identified during the statutory audit and any significant shortcomings identified in the internal control system, in relation to the financial reporting process, for which it may be reported, no significant shortcomings were identified;

b) discussed, in accordance with the provisions of Article 6(2)(b) of EU Regulation 537/2014, with the Independent Auditor, risks relating to independence of the latter, as well as measures adopted by the independent auditors to limit such risks.

## Adoption of the Corporate Governance Code (already Code of Conduct) approved by the Committee for the Governance of Listed Companies.

The Board of Statutory Auditors has verified that the Company complies with the Code of Conduct for Listed Companies, in the version in force in 2020, and that from 1 January 2021 will adopt the new Corporate Governance Code which replaces the Code of Conduct.

It, therefore, monitored, in accordance with Article 149(1)(c-*bis*) of the Consolidated Law on Finance (T.U.F.), the procedures for actual implementation of corporate governance standards provided under the Code, with special regard to:

- correct transposition of assessment criteria and procedures adopted by the Board of Directors to assess the independence of its members;
- the procedures adopted to appoint members of the Internal Committees of the Board of Directors, with special reference to the requirements of director independence;
- the Company's corporate governance structure.

* * *

In addition to the foregoing, the Board of Statutory Auditors has:

- on November 22, 2020, verified compliance with the criteria of independence, with reference to each of its members, as required under the Code of Conduct, reporting a positive outcome. In making these assessments, the Board of Statutory Auditors has adopted all criteria under the Code of Conduct. The outcome of these audits is presented in the Annual Report on Corporate Governance and Ownership Structure prepared for the 2019 reporting period.

## Final assessments of the supervisory activity conducted and proposal to the shareholders' meeting.

Having regard to the foregoing and duly representing that it has:

- monitored compliance with statutory provisions and the Articles of Association, compliance with the standards of correct administration and, specifically, the adequacy of the organisational, administrative and financial reporting structure adopted by the Company and its actual working;
- supervised compliance with disclosure requirements on Insider Trading;
- monitored compliance with statutory provisions governing the preparation and presentation of the Company's separate and consolidated financial statements and

the Group's consolidated financial statements and report on operations for year ended 2020, including, via direct audits and information obtained from the independent auditors, and ascertained that the Directors' Report on Operations for year ended 2019 complies with statutory provisions;

– monitored that, in compliance with Regulation (EC) 1606/2002 and Italian Legislative Decree 38/2005, the separate financial statements of Piovan S.p.A. year ended December 31, 2020 and the consolidated financial statements of the Group were prepared in compliance with the international accounting standards (IAS/IFRS), approved by the European Commission, supplemented by relevant interpretations issued by the international Accounting Standard Board (IASB);

– monitored compliance with the procedure for preparing and presenting the financial statements and consolidated financial statements to the Shareholders' Meeting;

– monitored compliance with the provisions of Legislative Decree 254/2016 and Consob Regulation. 20267/2018, reviewing, among other things, the consolidated non-financial disclosure, under a specific separate document, and also ascertaining compliance with the provisions governing its preparation, in accordance with the aforementioned decree and, therefore, its preparation in compliance with such provisions.

The Board of Statutory Auditors, specifically, among other things, verified the approval by the Board of Directors on March 19, 2021 of the aforesaid Statement, and the issue, on March 30, 2021, by the auditing firm BDO, of the certificate of conformity of disclosures provided under this document, as required under Articles 3 and 4 of Legislative Decree 254/2016.

In consideration of the foregoing, the Board of Statutory Auditors invites Members to approve the financial statements year ended 31 December 2020, submitted by the Board of Directors, together with the Report on Operations, as well as the proposal for the allocation of financial year result.

Santa Maria di Sala (VE) March 30, 2020

The Board of Statutory Auditors

Carmen Pezzuto - Chairman
Luca Bassan - Statutory Auditor
Patrizia Santonocito - Statutory Auditor

Versione 1.0

PiovanGroup

Annual Financial Report as of
December 31, 2020 of Piovan S.p.A.

PIOVAN S.p.A.

Via delle Industrie 16 – 30036

S. Maria di Sala VE - Italy