PiovanGroup

ANNUAL FINANCIAL REPORT

at December 31, 2019

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SHAREHOLDERS' AGM CALL NOTICE

The Company informs the Shareholders that in the event that the competent Authorities issue further measures for the Covid-19 emergency, the date of the Shareholders' Meeting and the relevant procedures set out in this notice of call may change. In this case, the Company will promptly inform the Shareholders and the public.

The Company is also considering to make use of the option provided for in Law Decree no. 18 of March 17, 2020, in order for the Shareholders to confer, free of charge (delivery charges excluded), a written proxy with voting instructions on all or some of the items on the agenda to a designated representative ("rappresentante designato") in accordance with article 135-undecies of Legislative Decree no. 58 of February 24, 1998 (even if the Company's by-laws do not include a specific provision in such respect). In this case, the Company will promptly inform the Shareholders and the public, also indicating the procedures to grant the proxy.

Those with the right to attend and vote are called to the Shareholders' AGM at the registered office of Piovan S.p.A. ("Piovan" or the "company") in Santa Maria di Sala (VE) on April 29, 2020 at 10.30 AM in single call, to discuss and vote upon the following:

AGENDA

1. Approval of the Financial Statements of Piovan S.p.A. for the year ended December 31, 2019; Directors' Report; Board of Statutory Auditor's Report; Independent Auditors' Report; resolutions thereon. Presentation of the Consolidated Financial Statements at December 31, 2019 of the Group and relative reports. Presentation of the Consolidated Non-Financial Report prepared as per Legislative Decree No. 254/16. Approval of the allocation of the result for the year ended December 31, 2019. Resolutions thereon.

2. Approval of three new incentive plans, the "2020-2022 Performance Shares Plan", the "2020-2022 Long-term Monetary Incentive Plan" and the "2020-2022 Phantom Stock Option Plan", reserved for executive directors, senior executives and employees or consultants of the company or the Group, with simultaneous cancellation of the "2019-2021 Performance Shares Plan" and the "2019-2021 Long-term Monetary Incentive Plan".

3. Remuneration Policy and Report pursuant to Article 123-ter, paragraph 3-bis and 6 of Legislative Decree No. 58/98:

- Binding motion on first section regarding the remuneration policy, drawn up as per Article 123-ter, paragraph 3 of Legislative Decree No. 58/1998;

- Non-binding motion on second section on remuneration paid, drawn up as per Article 123-ter, paragraph 4 of Legislative Decree No. 58/1998.

On behalf of the Board of Directors

The Chairman

Nicola Piovan

Santa Maria di Sala (VE), March 19, 2020

DIRECTORS' REPORT

Dear Shareholders,

We present for your review and approval the separate financial statements at December 31, 2019 of the parent company Piovan S.p.A. which reports "Total Revenue and other income" of Euro 105.5 million and a net profit of Euro 14.4 million, after total net current and deferred taxes of Euro 5.1 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 2019.

The consolidated financial statements present "Total Revenue and income" of Euro 234.4 million and a net profit of Euro 19.0 million, of which Euro 18.6 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 is included in a separate document to which reference should be made.

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

Registered Office: Via delle Industrie 16 – 30036 S. Maria di Sala (Venice) Italy

Telephone: +39 041 5799111

Certified e-mail: piovanspa@legalmail.it

E-mail: info@piovan.com

Website: www.piovangroup.com

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

Tax No.: 02307730289 VAT No.: 02700490275

Venice Economic & Administrative Registration No. 235320

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

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
Marco Milani (*)	Independent Director
Chiara Mio (*)	Independent Director
(*) Independent Director pursuant to art. 147-ter, paragraph 4 of the Consolidated Finance Act and art. 3 of the Corporate Governance Code.	
(**) Director appointed as Lead Independent Director pursuant to art. 2, paragraph 4 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	
Marco Milani	

Nomination and Compensation Committee

Name	In charge
Lucia Giancaspro	Chairman
Marco Maria Fumagalli	
Chiara Mio	

Related Parties Committee

Name	In charge
Marco Maria Fumagalli	Chairman
Lucia Giancaspro	
Marco Milani	

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% at December 31, 2019 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	56.126	67.828	51.143	64.174
7INDUSTRIES HOLDING BV	7INDUSTRIES HOLDING BV	8.955	6.567	8.955	6.567
Allianz SE	ALLIANZ IARD SA	7.799	5.718	7.799	5.718

(*) Total number of ordinary shares: 53,600,000, including Piovan S.p.A.'s own shares amounting to 2,670,700
(**) Share capital expressed as number of votes pursuant to art. 120, paragraph 1 of Legislative Decree no. 58 of 24 February 1998 (Consolidated Finance Act or "TUF"), including Piovan S.p.A.'s own shares.
(***) Total number of ordinary shares: 50,929,300, excluding Piovan S.p.A.'s own shares
(****) Share capital expressed as number of votes pursuant to art. 120, paragraph 1 of Legislative Decree no. 58 of 24 February 1998 (Consolidated Finance Act or "TUF"), excluding Piovan S.p.A.'s own shares.

Executive officer for financial reporting

Marco Mammano

Independent Audit Firm

In office until the Shareholders' AGM for the approval of the 2026 Annual Accounts.

Deloitte & Touche S.p.A.

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 since 2011. 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, Indonesia and Vietnam.

This expansion aimed at guaranting 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.

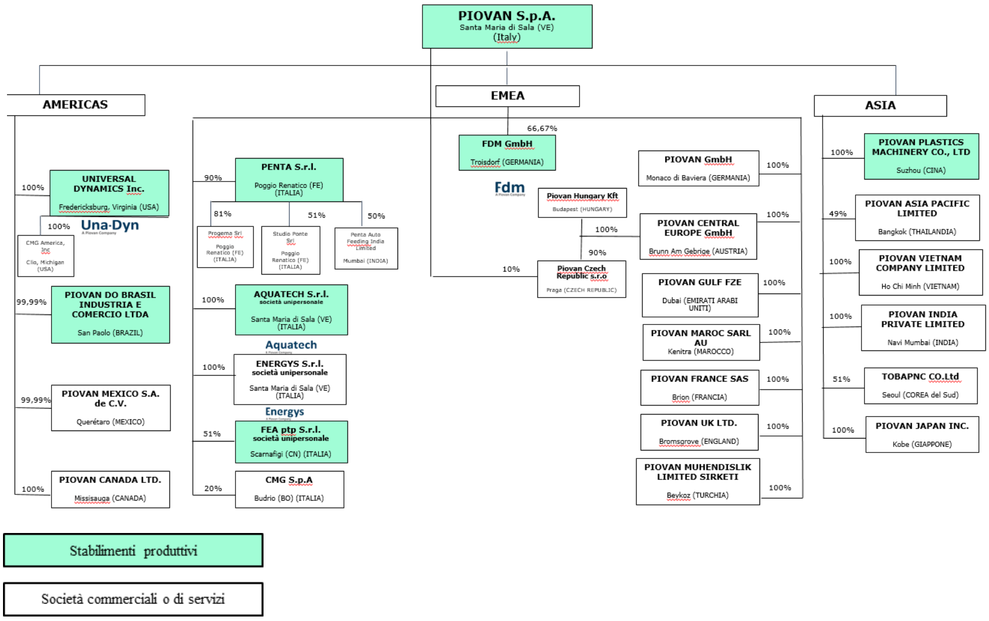
Today the Group comprises a network of direct or indirect subsidiaries of Piovan S.p.A., with sites in Europe, the United States and Asia. The strategic, managerial and operational direction of the Piovan Group is entrusted directly to Piovan S.p.A., which as of December 31, 2019 coordinates 30 service and commercial companies including 8 production plants on 4 continents. In July 2019 the network was further expanded following the acquisition of FEA Process & Technological Plants S.r.l. in Italy and ToBaPNC Co. Ltd. in South Korea.

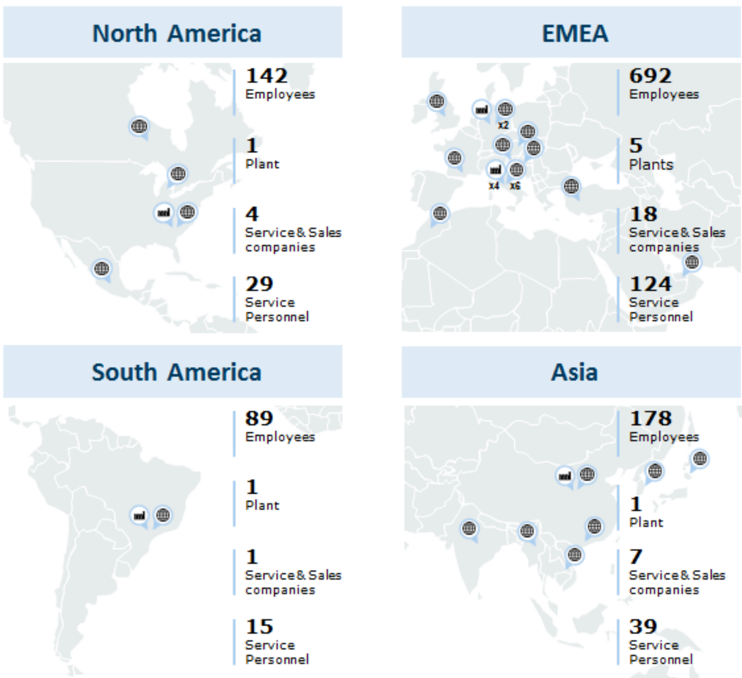
The global spread of Piovan Group companies creates a major competitive advantage, providing customers across its various markets with a uniform level of service quality, in addition to an extremely broad and constantly developing range of products. This range is a core feature of the Group's commercial 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, which has recently become an area of development within the Group's range, thanks to the acquisition of the subsidiary Penta S.r.l.

On Italian Republic Day on June 2, 2019, ***Nicola Piovan*** was named **"Cavaliere del Lavoro"** (***Knight of the Order of Merit of Labor***) by Italian President Sergio Mattarella, and on October 22, 2019 the official ceremony for the award of the insignia took place at the Quirinale.

The award is an important recognition and an expression of the excellence of Italian entrepreneurship.

GROUP STRUCTURE AT DECEMBER 31, 2019





GENERAL OVERVIEW

General economic overview

The performance of the world economy in 2019 continued to partially benefit from favorable monetary policies. Financial conditions are less favorable, however, particularly for some emerging economies, and import tariff policies, especially the reciprocal relationship between China and the USA, have slowed world trade growth.

In the latest update of the "World Economic Outlook", the International Monetary Fund (IMF) further reduces its estimates of global GDP growth to 3% in 2019 and 3.4% in 2020.

In this context, the Piovan Group has an organizational structure based on the presence of both subsidiaries with production sites on different continents and a global network providing technical and commercial assistance of the same quality across the world. This is an advantage for minimizing risks and seizing opportunities.

As noted, since January 2020, the domestic and international picture has been dominated by the spread of Coronavirus and the resulting restrictive containment measures implemented by the public authorities of the countries affected. Specifically, on 11th March 2020, the World Health Organization qualified Covid-19 as a pandemic. These circumstances, which are extraordinary by nature and extent, are having considerable direct and indirect impacts on many sectors such as tourism, transport, luxury goods, consumption and food services and the automotive sector. Generally, they are having repercussions on the global economic activity, creating a context of general uncertainty, which evolution and related effects are not foreseeable as of today. On the other hand, the Group is present in different geographic areas and is operating in diversified sectors allowing to mitigate the overall risk and to benefit from any improvement situations in some areas / sectors compared to others.

Significant events in the year

On April 17, 2019, the Shareholders' Meeting of the Parent Company approved two medium/long-term incentive plans ("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 *"2019-2021 Performance Shares Plan",* is intended for Executive Directors, excluding the Executive Chairperson, and for Senior Executives at Piovan Group's Italian companies, and provides for the free allocation of Piovan S.p.A. shares already held by the Company. The second, called the "*2019-2021 Long-Term Monetary Incentive Plan*", is intended for Executive Directors and for Senior Executives at Piovan Group's foreign companies, and provides for monetary incentives. Both plans are linked to performance results based on the Group's consolidated Revenue and EBITDA. For further detail see the plan regulations available on the Company's website. For 2019, since the results envisaged in the Plans were not achieved, no costs were set aside in the financial statements at December 31, 2019.

During the second quarter of 2019, the Piovan Group established a commercial subsidiary in Morocco in order to better monitor the North African area, which has significant potential growth.

In July 2019, Piovan S.p.A. completed the acquisition of 51% of ToBaPNC Co. Ltd. (hereinafter also "ToBaPNC"), a leading South Korean company in industrial process automation, specializing in systems for the transport and storage of plastic powders. This operation allows the Group to expand its international profile and achieve significant penetration into the strategic South Korean market. It also gives the Group access to world-leading companies in electronics and automotive technologies, and reinforces its expertise in the powder processing industry, which represents a significant growth area for the Group. ToBaPNC Co. Ltd. recorded turnover of Euro 4.6 million in 2018 and has in recent years managed projects in several countries, including South Korea, the United States, Vietnam and China, thanks to strong relationships with some of the major South Korean industrial groups, of which it is a partner.

The transaction was carried out through a share purchase by Piovan S.p.A., with a total spend of USD 872 thousand. ToBaPNC shareholders, on the one hand, may exercise a put option on 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; Piovan S.p.A., on the other hand, may exercise a call option on the same shares in the same period, in one or more tranches, according to certain economic and financial parameters defined in the agreements between the parties.

Also in July 2019, Piovan S.p.A. finalized the acquisition of 51% of the share capital of FEA Process & Technological Plants S.r.l. (hereinafter also FEA), a Cuneo-based company specializing in the automation of transport and storage systems for viscous liquids for the food industry. The company, which had a turnover of Euro 3 million in 2018, specializes in the installation and production of machinery for the transport of creams of varying density.

The transaction was carried out through a share capital increase reserved to Piovan S.p.A., which undersigned the increase with a total spend of Euro 390 thousand. FEA shareholders, on the one hand, may exercise a put option on all, and not part, of their share capital in the period between 30.04.2022 and 30.04.2024; Piovan S.p.A., on the other hand, may exercise a call option - also in a single transaction and in the same period - on the 12% of share capital held by FEA's historic shareholders, according to certain economic and financial parameters defined in the agreements between the parties.

FEA is a long-standing industrial enterprise operating in the confectionery and chocolate production sector. Its expertise in the processing and transport of complex food liquids completes that of the Piovan Group in the transport and storage of food powders. The acquisition of FEA will expand the range of key plants in the food sector and boost the Group's market share in this strategic sector.

In July 2019, the subsidiary Penta S.r.l. signed a purchase agreement with an established partner to acquire a further 19.0% stake in the subsidiary Progema S.r.l. The Group now holds an 81% stake in Penta S.r.l. The transaction was carried out through a share purchase by Penta S.r.l., with a total spend of Euro 185 thousand.

It should be noted that over the last two years the Group has undertaken a production expansion and technological upgrading project, improving the production and logistics capacity at its facilities. The project was completed substantially on schedule.

The non-recurring investments incurred in 2019 to boost the Group's production capacity in Italy totaled Euro 11.5 million.

We highlight, finally, in September 2019 the transfer of the operating facilities of the subsidiary Aquatech S.r.l. to the new production facility at Santa Maria di Sala (VE), while the building owned by Piovan S.p.A utilized by the subsidiary was sold. The sale of the facility generated a gain of Euro 714 thousand.

Group operating performance

(amounts in €'000)	Economic performance indicators											
	2019			*% on total revenues and other income*		2018			*% on total revenues and other income*		2019 vs 2018	*%*
	Total	**Recurring**	**Not Recurring ***	**% on total**	***% on Recurring***	**Total**	**Recurring**	**Not Recurring ***	**% on total**	***% on Recurring***	**Changes on recurring**	
Revenue	228,526	228,526		*97.5%*	*97.8%*	241,661	241,661		*97.5%*	*98.3%*	(13,135)	*(5.4%)*
Other revenue and income	5,834	5,120	714	*2.5%*	*2.2%*	6,182	4,249	1,933	*2.5%*	*1.7%*	871	*20.5%*
TOTAL REVENUE AND OTHER INCOME	**234,360**	**233,646**	**714**	***100.0%***	***100.0%***	**247,843**	**245,910**	**1,933**	***100.0%***	***100.0%***	**(12,264)**	*(5.0%)*
EBITDA	**30,920**	**31,010**	**(90)**	***13.2%***	***13.3%***	**35,017**	**38,491**	**(3,474)**	***14.1%***	***15.7%***	**(7,481)**	***(19.4%)***
of which IFRS16 Lease effect	***1,305***	***1,305***	*-*	***0.6%***	***0.6%***							
OPERATING PROFIT	**25,795**	**25,885**	**(90)**	***11.0%***	***11.1%***	**31,338**	**34,812**	**(3,474)**	***12.6%***	***14.2%***	**(8,927)**	***(25.6%)***
PROFIT BEFORE TAXES	**26,257**			***11.2%***		**33,490**			***13.5%***			
Income taxes	7,253			*3.1%*		7,976			*3.2%*			
NET PROFIT	**19,004**			***8.1%***		**25,514**			***10.3%***			
Attributable to:												
Owners of the parent	**18,700**			***8.0%***		**23,881**			***9.6%***			
Non-controlling interests	**304**			***0.1%***		**1,633**			***0.7%***			
Earnings per share	**0.37**					**0.47**						
Basic and diluted earnings per share (in Euros)	**0.37**					**0.47**						

*The effects of non-recurring values are considered only up to the Operating Result.

Piovan Group revenue and other income in 2019 amounted to Euro 234,360 thousand, down on Euro 247,843 thousand in 2018 (-5.4%). Plastic and Food & non plastic segment revenue in 2019 did not benefit from a particularly strong performance, as occurred in 2018. Revenue in Q4 2019 outperformed the same period of the previous year, confirming the ongoing order intake improvement.
Service and Spare parts revenue improved over the same period of the previous year.

In terms of Other revenue, in September 2019 the Parent Company Piovan S.p.A. reported a gain of Euro 714 thousand from the sale of the facility previously used by the subsidiary Aquatech S.r.l.
In 2018, on the other hand, the subsidiary Unadyn in the United States realized a capital gain of Euro 1,933 thousand from the sale of the former production site no longer utilized following the transfer to the new plant in Virginia.

Excluding this non-recurring income Piovan Group Revenue and other income in 2019 amounted to Euro 233,646 thousand, down on Euro 245,910 thousand in 2018 (-5.0%).
Piovan Group Revenue alone amounted to Euro 228,526 thousand, down on Euro 241,661 thousand in 2018 (-5.4%). Revenue calculated on a like-for-like basis (i.e. at the 2018 average exchange rate) decreased by Euro 2,489 thousand, with Revenue on a like-for-like basis of Euro 226,037 thousand and down 6.5% on 2018, mainly due to the movements on the US Dollar.

The revenue relating to the acquisitions made in 2019 was approx. Euro 3.1 million.

EBITDA considering only recurring data amounts to Euro 31,010 thousand, down on Euro 38,491 thousand in the previous year (-19.5%), with a decrease of Euro 7,481 thousand. The EBITDA figure refers to recurring data in percentage terms on "Total Revenue and other income" equal to 13.3%, down on 15.7% in the previous year.
The reduction relates to lower sales volumes, due to market weakness in the initial part of 2019 and to a lesser extent inefficiencies stemming from the transfer of the operating facilities of the subsidiary Aquatech S.r.l. to the new production plant, in addition to the slight increase in fixed costs following the development of this structure with expert personnel in order to consolidate future sales growth. The increase in fixed costs was mainly in the first quarter of 2019, following a number of savings measures with a positive impact already emerging by the second quarter of 2019.
In addition, the application of the new IFRS 16 on lease contracts and operating hire contracts improved EBITDA by Euro 1,305 thousand.
Non-recurring costs in the period totaled Euro 803 thousand and mainly concern the use of production capacity and other costs incurred by the Group for the transfer to the new operating facilities and, to a lesser extent, accessory charges on the acquisitions and the incorporation of new companies.
The non-recurring costs in the previous year amount to Euro 5,407 thousand and relate to:

- costs incurred for the listing process of the parent company for Euro 3,653 thousand;
- costs relating to the former production site at Unadyn in Woodbridge (VA) and the transfer to the new plant facility at Frederiksburg (VA), for a value equal to Euro 947 thousand;
- bonus paid for Euro 807 thousand to employees of Piovan S.p.A., Aquatech S.r.l. and Energys S.r.l. in relation to the Milan Stock Market listing of Piovan S.p.A., as further described in the 2018 Annual Report.

EBITDA, including non-recurring items, amounts to Euro 30,920 thousand, down on Euro 35,017 thousand in the previous year (-11.7%).

EBITDA considering **only recurring data** amounts to Euro 25,885 thousand, down on Euro 34,812 thousand in 2018 (-25.6%), with a decrease of Euro 8,927 thousand. The recurring EBITDA in percentage terms on total Revenue and other income is 11.1%, down on 14.2% in the previous year.
The effect of applying IFRS 16 to lease contracts and operating hire contracts resulted in higher amortization and depreciation in 2019 of Euro 1,221 thousand, with a consequent positive net impact on EBIT of Euro 84 thousand.

Total **Operating Profit** amounts to Euro 25,795 thousand, down on Euro 31,338 thousand in the previous year (-17.7%).

The **net profit** was Euro **19,004** thousand, reducing on Euro 25,514 thousand in 2018 (-25.5%), as a result of that outlined above.

The result in 2019, under "Gains (losses) on liabilities for option granted to non-controlling interests", includes income of Euro 0.5 million on the change in the value of the liability relating to the acquisition of the residual 10% of the subsidiary Penta S.r.l. This account in 2018 included income from the difference between the valuation of the liability at December 31, 2017 and the price paid to acquire a further 25% stake in the investee, net of the charge, for Euro 430 thousand relating to the change in the fair value of the put option granted on the residual 10% of the share capital of Penta S.r.l. owned by non-controlling interests.

Profit attributable to shareholders of the parent amounted to Euro 18,700 thousand in 2019 compared to Euro 23,881 thousand in the previous year (-21.7%). Profit attributable to the owners of the parent amounted to Euro 304 thousand compared to Euro 1,633 thousand in the previous year. The reduced non-controlling interests profit principally concerns the fact that the Parent Company held for the full year in 2019 the additional 25% stake in Penta S.r.l., acquired in September 2018, alongside the reduced profit of the subsidiary in 2019 on the basis of lower Food & non plastic sales.

Earnings per share were Euro 0.37 in 2019 compared to Euro 0.47 in the previous year and were calculated net of treasury shares held by the company.

Revenue by market and region

	2019	2018
Plastic Systems	180,616	187,722
Food & non plastic Systems	18,697	27,799
Service & Spare parts	29,213	26,140
Revenue	**228,526**	**241,661**

Revenue by market indicates:

- Plastic Systems revenue in 2019 slightly contracted on the previous year. The Group however won new market share amid a general sector slowdown, confirming and building its international leadership position.

- Food & non plastic Systems revenue in 2019 totaled Euro 18,697 thousand, decreasing Euro 9,102 thousand on 2018.

The contraction is due to the fact that the subsidiary Penta S.r.l. dedicated in the initial part of the year its production capacity to manufacturing systems to process plastic powders, planning Food & non plastic production in the final quarter of 2019. In addition, the production of a major Food & non plastic order, initially planned for the second part of 2019, was postponed in 2020 by the customer.

However, the Food & non plastic Systems market, which includes also the production of systems for industrial uses other than plastic powders, continues to develop, benefitting from the same strategy as that implemented for the Plastic Systems market.

- The Service and spare parts market in 2019 reported Revenue of Euro 29,213 thousand, up Euro 3,073 thousand on the previous year (+11.8%).

Revenue by region

	2019	2018
EMEA	140,954	156,789
ASIA	29,237	28,648
NORTH AMERICA	45,805	44,767
SOUTH AMERICA	12,530	11,458
Revenue	**228,526**	**241,661**

The North American markets reported growth. EMEA revenue (including Italy) amounted to Euro 48,511 thousand in 2019 and Euro 52,755 thousand in the previous year. The reduction in EMEA revenue mainly related to Italy and particularly the Food & non-plastic market. Revenue in Asia benefitted from the improved South-East Asian performance and offset the Chinese market which showed signs of slowdown in the second half of the year. Results substantially held up in South America thanks to the Group's entry into the Food & non plastic market, although slowed by the general economic performance, particularly in view of the elections in Brazil and the situation in Argentina, in addition to the ongoing crisis in Venezuela.

Equity and Financial profile of the Group

Net Financial Position

€/000	31.12.2019	31.12.2018
A. Cash	15	29
B. Current accounts and post office deposits	59,108	39,084
C. Cash & cash equivalent (A+B)	**59,123**	**39,113**
D. Current financial assets	**6,319**	
E. Current bank loans and borrowings	(25,026)	(12,995)
F. Current portion of non-current debt	(11,961)	(5,994)
G. Other current financial liabilities	(189)	(280)
H. Current financial position (E+F+G)	**(37,176)**	**(19,269)**
I. Net current financial position (H+C+D)	**28,267**	**19,844**
J. Long term loans	(20,939)	(10,760)
K. Bond issued	-	
L. Other non-current financial liabilities	(404)	(609)
M. Non-current financial position (J+K+L)	**(21,343)**	**(11,368)**
N. Net financial position (I+M) before IFRS16	**6,924**	**8,476**
€/000	**31.12.2019**	**31.12.2018***
IFRS16 - Lease - impact	**(7,864)**	**(5,866)**
Current portion	(1,537)	(1,116)
Non-current portion	(6,327)	(4,750)
N. Net financial position (N+IFRS 16 impact)	**(940)**	**2,610**

*The impact of the IFRS16 as at Decemebr 31, 2018 has been illustrated only for comparative purposes, as it has been applied starting from 1st January 2019 as required by the "Modified Retrospective Method", chosen by the Company come first-time application method .

The Group's net financial position at December 31, 2019 (analyzed for improved comparability pre-IFRS 16 application with December 31, 2018) was a cash position of Euro 6,924 thousand, compared to Euro 8,476 thousand at December 31, 2018.

We also report during the year dividends distributed of Euro 7.7 million, non-recurring investments to expand production capacity and technological upgrading at the company's headquarters of Euro 11.5 million and acquisitions of approx. Euro 1.2 million.

Net of these non-operating items of Euro 20.5 million, cash generated in 2019 would have amounted to approx. Euro 20 million.

In addition, the application of IFRS 16 impacted the net financial position at the end of 2018 by Euro 7.9 million.

The financial position includes medium/long-term loans, mainly relating to the Parent Company, for Euro 32.9 million, of which Euro 12.0 million repayable within 12 months and the remainder Euro 20.9 million within 5 years. The loans are not supported by guarantees and are expressed in Euro.

In order to optimize the financial structure and to seize the opportunity of extremely favorable interest rates on the financial market, in 2019 four amortizing loans were drawn down for a total of Euro 22 million, with maturities at 5, 4 and 2 years and an average interest rate of approx. 0.5%. Of the new loans drawn down, on one for Euro 7 million a fixed rate of 0.54% was applied, with 4-year amortizing maturity.

Net non-current assets

Net non-current assets comprising property, plant and equipment, intangible assets and equity investments, amounted to Euro 60,209 thousand, increasing Euro 19,401 thousand, of which Euro 7.8 million due to the application of IFRS 16, which resulted in the recognition of right-of-use assets used by the Group under lease contracts.

In addition, over the last two years the Group has undertaken a production expansion and technological upgrading project at its US facility, completed in 2018, and at the Parent's Italian Headquarters, largely completed at the reporting date. Non-recurring investments incurred in 2019 to boost the Group's production capacity totaled Euro 11.5 million.

Net non-current assets (amounts in €'000)	**At 31st December 2019**	**At 31st December 2018**
Property, plant and equipment	52,430	34,531
of which Right of Use (new IFRS 16 - Lease)	*7,788*	-
Intangible assets	7,510	6,007
Equity investments	270	270
Net non-current assets	**60,209**	**40,808**

In applying the new IFRS 16-Leases at the transition date (January 1, 2019), and having chosen to adopt the "Modified Retrospective Method", the Group initially recognized a right-of-use on property, plant and equipment of Euro 5,866 thousand and, for the same amount a financial liability, as outlined in the annual financial report at December 31, 2018.

This "right-of-use" was amortized in 2019, on the basis of the individual contract, for Euro 1,221 thousand. New amounts concerning the change to the consolidation scope were also included, with regards to the companies TOBA, FEA and Piovan Marocco for Euro 648 thousand. The duration of a number of contracts was also reviewed to incorporate the possibility to extend their maturity on the basis of the information added above subsequently, increasing the value of the assets recognized and the relative liability by Euro 729 thousand. In addition, following an interpretation to IFRS on the establishment of the "Lease Term", published in November 2019, increased rights-of-use were recognized for Euro 1,063 thousand over that previously recorded. The account Right-of-use at December 31, 2019, as per IFRS 16 new application, amounted to Euro 7,788 thousand. Reference should be made to note [1] of the Explanatory Notes and the new accounting standards applied from 01.01.2019 section.

Total investments - to be considered as non-recurring - in 2019 amounted to Euro 11.5 million. Total investments in property, plant and equipment in 2018 amounted to Euro 13,065 thousand, of which Euro 1,566 thousand related to non-recurring investments.

Net Trade Capital and Net Working Capital

Net working capital (amounts in €'000)	At 31st December 2019	At 31st December 2018
Trade receivables	52,816	50,656
Inventories	29,264	28,049
Contract assets for work in progress	3,712	3,654
Trade payables	(40,556)	(39,937)
Advance from customers	(16,063)	(12,577)
Contract liabilities for work in progress	(2,527)	(2,703)
Net trade capital	**26,646**	**27,142**
Tax receivables	3,735	3,455
Other current assets	3,705	4,192
Tax liabilities and social security contributions	(6,738)	(6,422)
Other current liabilities	(11,102)	(12,241)
Net working capital	**16,246**	**16,126**

Net Trade Capital and Net Working Capital were both stable on December 31, 2018, on the basis of the year's operating performance. The main accounts on the one hand indicate substantial stability for contract assets and liabilities for work-in-progress, added to inventories, thanks to a business model featuring a network of distributed suppliers, and on the other hand a slight increase in trade payables from the minor differences in customer order acquisition timing against the consequent liability cycle with the supplier network.

Medium/long term liabilities

(amounts in €'000)	As at 31st December 2019	As at 31st December 2018
Liabilities for employee benefits plans	4,814	3,887
Provision for risks and charges	2,954	2,925
Other non-current liabilities	268	121
Deferred tax liabilities	1,987	3,505
Medium/long-term liabilities	**10,023**	**10,438**

During the year, medium/long-term liabilities were stable 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 2019, particularly with regards to TOBA PNC and FEA Process. The value of deferred tax liabilities however decreased due to a reduction in temporary differences.

Investments

In 2019, the Piovan Group undertook total investments of Euro 14,128 thousand, mainly relating to tangible fixed assets.

Since 2018 the Group has undertaken a production expansion and technological upgrading project at its US and Italian plants. In particular, in Italy, an expansion project was undertaken at the Parent Company's headquarters to build two separate buildings covering a total area of approximately 15,000 m2 to be used as a logistics warehouse connected with the current production areas and a new production plant of the subsidiary Aquatech. The aim of the expansion project is to increase production efficiency and, above all, to increase production capacity to support production growth in line with the expected turnover growth in future years. The project in Italy was concluded in 2019. In the USA the completion of the new headquarters and the relocation took place during the second half of 2018.
Investments in the year mainly concern the Italian expansion project.

The parent company Piovan S.p.A. invested a total of approx. Euro 11.1 million. In addition to the investments previously outlined for the new logistics hub for, Piovan S.p.A. invested in patents and IT system upgrades.

Research and development

In 2019 the Piovan Group incurred research and development expenses amounting to 4.2% of total Revenue and other non-recurring income (Euro 9,826 thousand compared to Euro 8,668 thousand in 2018). In 2019, Euro 8.3 million 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 also 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, Training and Industrial Relations

Workforce

During 2019, the Group employed an average of 1,104 people - compared to 1,044 in 2018 - 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:

	31.12.2019		31.12.2018	
	period end	average	period end	average
Managers	28	29	28	29
Junior managers	63	65	55	55
White collars	617	609	581	576
Blue collars	393	401	380	384
Total	**1,101**	**1,104**	**1,044**	**1,044**

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 Parent Company figures follow:

	31.12.2019		31.12.2018	
	period end	average	period end	average
Managers	10	10	10	11
Junior managers	12	13	12	12
White collars	182	181	175	174
Blue collars	196	197	197	194
Total	**400**	**401**	**394**	**391**

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.

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 Revenue 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 Revenue 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.

On December 3, 2015, Consob published Communication No. 92543/15, rendering applicable the Guidelines issued on October 5, 2015 by the European Security and Markets Authority (ESMA) regarding the presentation of such indicators in regulated information circulated. These Guidelines, updating the previous CESR Recommendation (CESR/05-178b), seek to promote the utility and transparency of alternative performance indicators included in regulated information or financial statements within the scope of application of Directive 2003/71/EC in order to improve their comparability, reliability and comprehensibility. The criteria utilized for these indicators, in line with the above communications, are provided below.

In particular, EBITDA is considered by management as a key parameter for monitoring and assessing the Group's operating performance as it is not influenced by the effects of the different methods of determining taxable income, the amount and characteristics of the capital employed, as well as depreciation and amortization policies.

EBITDA

Operating profit adjusted 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 interest, (iv) - exchange gains/(losses), (v) + financial expenses, (vi) - financial income, (vii) + amortization, depreciations and write-downs and (viii) + provisions for risks and charges. The EBITDA Margin is calculated as a percentage on the total Revenue and other income.

Adjusted EBITDA

Adjusted EBITDA differs from EBITDA only in terms of non-recurring items. The Adjusted EBITDA Margin is calculated as a percentage on total Revenue and other income only in terms of recurring items.

EBIT and Adjusted EBIT

The EBIT corresponds to the operating result indicated in the accounting statements and the Adjusted EBIT differs from the EBIT only in terms of non-recurring items. The EBIT and the Adjusted EBIT in percentage terms are calculated on total Revenue and other income.

Contribution Margin

The contribution margin is calculated as the sum of: (i) total Revenue 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 Revenue and other income.

Adjusted Contribution Margin

The Adjusted Contribution Margin differs from the Contribution Margin only in terms of non-recurring items. The Adjusted Contribution Margin in percentage terms is calculated on total Revenue and other income only for recurring items.

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 the personnel costs for the R&D and engineering activities sustained by the Group, 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 S. 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.

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. – Ferrara, Italy

The Penta plant is located in 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 systems for the transport of plastic powders 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. – Venice, 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 our products to the Austrian market, and constitutes our main channel for sales to Eastern European markets.

Piovan UK Ltd – Bromsgrove, England

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

Piovan France Sas - Chemin du Pognat, 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 on 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 on the Turkish market.

Piovan Japan Inc.- Kobe - Japan

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

Piovan Maroc - Kenitra, Morocco

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

Piovan Gulf FZE – Dubai, United Arab Emirates

The company is responsible for marketing Piovan systems on the Middle-Eastern market.

Piovan Vietnam Company Ltd - Mai Chi Tho, Vietnam

The company is responsible for marketing Piovan systems on the South East Asia 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.

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 2019 "Total Revenue and other income" of Euro 105.5 million and a net profit of Euro 14.4 million.

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 perfomance indicators											
	2019			*% on total revenues and other income*		**2018**			*% on total revenues and other income*		**2019 vs 2018**	*%*
	Total	**Recurring**	**Not Recurring ***	**% on total**	***% on Recurring***	**Total**	**Recurring**	**Not Recurring ***	**% on total**	***% on Recurring***	**Changes on recurring**	
Revenue	102,694	102,694		*97.3%*	*98.0%*	106,674	106,674		*98.7%*	*98.7%*	(3,980)	*(3.7%)*
Other revenue and income	2,800	2,086	714	*2.7%*	*2.0%*	1,377	1,377	-	*1.3%*	*1.3%*	709	*51.5%*
TOTAL REVENUE AND OTHER INCOME	**105,494**	**104,780**	**714**	***100.0%***	***100.0%***	**108,052**	**108,052**	**-**	***100.0%***	***100.0%***	**(3,271)**	***(3.0%)***
EBITDA	**20,137**	**19,776**	**361**	***19.1%***	***18.9%***	**16,701**	**20,979**	**(4,278)**	***15.5%***	***19.4%***	**(1,203)**	***(5.7%)***
OPERATING PROFIT	**18,001**	**17,640**	**361**	***17.1%***	***16.8%***	**14,498**	**18,777**	**(4,278)**	***13.4%***	***17.4%***	**(1,136)**	***(6.0%)***
PROFIT BEFORE TAXES	**19,464**			***18.5%***		**15,956**			***14.8%***			
Income taxes	5,066			*4.8%*		4,285			*4.0%*			
NET PROFIT	**14,398**			***13.6%***		**11,671**			***10.8%***			
Earnings per share	**0.28**					**0.23**						
Basic and diluted earnings per share (in Euros)	**0.28**					**0.23**						

*The effects of non-recurring values are considered only up to the Operating Result.

Piovan S.p.A. **Revenue and other income** in 2019 amounted to Euro 105,494 thousand, down on Euro 108,051 thousand in 2018 (-2.4%). In September 2019, the Parent Company booked a gain of Euro 714 thousand from the disposal of the facility previously used by the subsidiary Aquatech S.r.l., which was previously considered as a non-recurring revenue.
Excluding this non-recurring income, Parent Company total Revenue and other income amounted to Euro 104,780 thousand.
The revenue account amounted to Euro 102,694 thousand, contracting 3.7% on the previous year.

EBITDA considering **only recurring data** amounts to Euro 19,776 thousand, down on Euro 20,979 thousand in the previous year (-5.7%), with a decrease of Euro 1,203 thousand (-19.4%).
The reduction relates to lower sales volumes, due to market weakness in the initial part of 2019 and to a lesser extent the transfer of the operating facilities of the subsidiary Aquatech

S.r.l. to the new production facilities, in addition to the slight increase in fixed costs following the development of this structure with expert personnel in order to consolidate future sales growth. The increase in fixed costs was mainly in the first quarter of 2019, following a number of savings measures with a positive impact already emerging by the second quarter of 2019.

In addition, the application of new IFRS 16 on lease contracts and operating hire contracts resulted in an EBITDA improvement of Euro 311 thousand.

Non-recurring costs in 2019 amounted to Euro 353 thousand and mainly concern transfer costs for the new facility.
The non-recurring costs in 2018 amounted to Euro 4,278 thousand and relate to:

a) costs incurred for the listing process for Euro 3,568 thousand;
b) bonus paid for Euro 710 thousand to employees of Piovan S.p.A. in relation to the Milan Stock Market listing of the Company, entirely financed through a one-off financial contribution by the parent company PentafinS.p.A., which entirely underwrote the charge. The subsidiaries Aquatech S.r.l. and Energys S.r.l. benefitted from funding of the same type and for the same scope.

Overall **EBITDA**, gross of non-recurring elements, amounted to Euro 20,137 thousand, improving on Euro 16,701 thousand in the previous year in view of the non-recurring listing charges (+20.6%). This improvement was due to the absence of the above non-recurring costs.

EBITDA considering **only recurring data** amounts to Euro 17,640 thousand, down on Euro 18,776 thousand in 2018 (-6.0%), with a decrease of Euro 1,136 thousand (-17.4%) - equal to 16.8% of Revenue.
The effect of applying IFRS 16 on lease contracts and operating hire contracts in 2019 resulted in leasehold improvement charges of Euro 311 thousand, higher amortization and depreciation for Euro 292 thousand; the consequent net effect between lower service costs and higher amortization and depreciation on EBIT was positive for Euro 19 thousand.

Total EBITDA, before non-recurring items, amounts to Euro 18,001 thousand, up on Euro 14,498 thousand in the previous year (+24.2%).

The **net profit** was Euro 14,398 thousand, compared to Euro 11,671 thousand in the previous year. The increase is mainly due to the fact that in 2018 the parent company incurred non-recurring listing charges.

Earnings per share were Euro 0.28 in 2019 compared to Euro 0.23 in the previous year.

Revenue by market and region

	2019	2018
Plastic Systems	89,336	94,134
Food & non plastic Systems	28	253
Service & Spare parts	13,330	12,288
Revenue	**102,694**	**106,674**

	2019	2018
EMEA	82,790	90,929
ASIA	7,594	5,369
NORTH AMERICA	9,000	7,394
SOUTH AMERICA	3,311	2,982
Revenue	**102,694**	**106,674**

Revenue by market indicates:

- Plastic Systems Revenue in 2019 reduced Euro 4,798 thousand, -5.1% down on the previous year, confirming the Company's leadership position although against a slowdown in the market. The reduction is mainly due to the operations carried out in the third quarter to transfer the operating facilities.

- The Food Systems market is marginal for Piovan S.p.A. as concentrated in the subsidiary Penta S.r.l.

- The Services and Spare Parts market in 2019 reported Revenue of Euro 13,330 thousand, up Euro 1,042 thousand on the previous year (+8.5%).

Statement of financial position

Parent Company net financial position

€/000	31.12.2019	31.12.2018
A. Cash	1	2
B. Current accounts and post office deposits	39,590	11,432
C. Cash & cash equivalent (A+B)	**39,591**	**11,435**
D. Current financial assets	**12,307**	**3,899**
E. Current bank loans and borrowings	(25,025)	(12,994)
F. Current portion of non-current debt	(11,768)	(5,930)
G. Other current financial liabilities	(15,764)	(3,620)
H. Current financial position (E+F+G)	**(52,557)**	**(22,544)**
I. Net current financial position (H+C+D)	**(659)**	**(7,210)**
J. Long term loans	(20,069)	(10,704)
K. Bond issued	-	-
L. Other non-current financial liabilities	(402)	(569)
M. Non-current financial position (J+K+L)	**(20,471)**	**(11,273)**
N. Net financial position (I+M) before IFRS16	**(21,130)**	**(18,483)**
€/000	**31.12.2019**	**31.12.2018**
IFRS16 - Lease - impact	**(1,074)**	**(1,294)**
Current portion	(213)	(341)
Non-current portion	(861)	(953)
N. Net financial position (N+IFRS 16 impact)	**(22,204)**	**(19,778)**

**The impact of the IFRS16 as at Decemebr 31, 2018 has been illustrated only for comparative purposes, as it has been applied starting from 1st January 2019 as required by the "Modified Retrospective Method", chosen by the Company come first-time application method.

The company's net financial position at the end of 2019 reported a net cash position pre-IFRS 16 of Euro 21,130 thousand, increasing on Euro 18,483 thousand at the end of 2018, with net cash generation of Euro 2,646 thousand. In particular, during the year medium/long-term loans were repaid for Euro 5.9 million.

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

Other information

Principal risks and uncertainties to which the Group is exposed

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 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.
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

The global macro-economic picture may affect the Group's economic, equity and financial situation. However, the Group's 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. With regards to this issue, reference should be made to the Outlook paragraph.

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 2019.

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, 2018 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.

Furthermore, with reference to the shares issued, there are no restrictions on voting rights and there are no securities which confer with special control rights nor special powers assigned to the securities.

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.

On September 14, 2018, the Board of Directors of the company approved the initiation of a process, to be concluded by the approval of the half-year financial statements at June 30, 2019, to assess an extension of the organization, management and control model also to the Italian subsidiaries, in addition to an assessment regarding the introduction of the company's compliance system also to the overseas Group subsidiaries, 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 2019 consolidated non-financial information report, drawn up as per the "GRI Standards", is available on the Company website. https://ir.piovangroup.com/it/bilanci-relazioni/

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 36, paragraph 2 of Consob Regulation No.

16191/2007 at December 31, 2019, were Piovan Do Brasil LTDA, Piovan Mexico Sa, Piovan Plastics Machinery Co. Ltd, Universal Dynamics Inc., Piovan Asia Pacific Ltd, Toba PNC and Piovan Marocco and therefore fulfill the requirements as per paragraph 1 of this 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, 2019

A breakdown of the composition and movement of net equity of the parent company and the Group consolidated financial statements at December 31, 2019 is presented in the following table:

€/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**

€/000 as at 31.12.2018	Equity	Net Profit
Equity and net profit attributable to the owners of the parent	**42,647**	**11,671**
Elimination of the book value of consolidated shareholdings (Differences between book value and relevant shareholders' equities)	20,871	13,158
IAS 32 Put Option	(3,184)	2,270
Elimination of the effects of transactions between consolidated companies	(3,559)	(1,585)
Shareholders' equity and fiscal year result in the consolidated financial statements	56,775	25,514
Shareholders' equity and fiscal year result attributable to minority interests	3,791	1,633
Shareholders' equity and fiscal year result attributable to the Group	**52,984**	**23,881**

Outlook

The Group confirms the strategy set out in the IPO roadshow. This strategy is based around acquisitions in specific geographical areas, which aim to improve commercial penetration and continue to develop an even more comprehensive and customer-centric strategy, with a particular focus on major customers distributed across the globe, thus ensuring the maintenance of its technology and service leadership in the Plastic Segment. Alternatively, acquisitions focus on companies with products or technologies that can extend the Group's value chain. Both acquisitions made during 2019 - and which are expected to provide an operational boost to these companies - fit with this strategy.

At the same time, there is a key focus on continuing to drive market share and international development in the Food and non-plastics Segment - both through technological, commercial, service and customer synergies with the Plastics Segment and by improving organizational processes. The development strategy is clear and pursued actively and consistently. The Group also continues to use the technical expertise of its subsidiary Penta S.r.l. in the plastic and chemical powder market and in the food industry.

With reference to the European legislation development on the production and use of plastic, there is a risk of potential market reduction. However, to the Group, the European legislation represents an opportunity, since it has always been attentive to the use of recycled material and now more than ever, it will be able to offer forefront machinery, which manage to use recycled material in a much greater percentage compared to the extent covered by law. In this way, the Group will encourage the circular economy even further. Thereby, the Group finds itself in a position of strength both technologically and temporally compared to its competitors. In fact, it has already been active in the process of change by operating on different levels, such as by engaging in offering market-based solutions for a circular economy. Especially in the research and development of forefront technological innovations, to allow customers to use recycled polymers and to obtain a quality product, with low environmental impact so to reduce CO2 emissions and the consumption of scarce resources on the planet.

The Group's strategy is based on 3 pillars:

• The development of specific products for the recycled supply chain;

• The rising of customers' awareness towards topics related to good plastic, coming from recycling or from vegetal raw materials;

• The support, to guarantee quality and efficiency, during all phases of the plant's life.

Since 2006 the Group has built more than 300 plants for the recycling of plastic materials and is further expanding the range of solutions necessary to manage all the most critical phases of the material regeneration process. In 2019 the Piovan Group can already boast of having provided its customer with five of the packaging and textile automation sectors for the circular economy. In particular, with reference to the customers producing plastic bottles, the Group estimates that it has installed plants that use recycled material on about half of the plants sold in the year 2019. During the year, the Group also filed important new patents in the field of technology for the circular economy. For further information, please refer to the Sustainability Report.

In a volatile and slightly contracting macroeconomic environment, the Group is committed to pursuing its development strategy.

As noted, since January 2020, the domestic and international picture has been dominated by the spread of Coronavirus and the resulting restrictive containment measures implemented by the public authorities of the countries affected. These developments, which are extraordinary in nature and extent, have direct and indirect repercussions on economic activity giving rise to an environment of general uncertainty and whose evolution and effects are unforeseeable. The potential effects of this phenomenon cannot be determined as of today and they will undergo constant monitoring by the Group throughout the year. The Company looks at this delicate moment with particular attention. The coming months could be particularly difficult from a macroeconomic point of view. We look at the scenarios and relapses, ready to adopt the right and appropriate corrections possible while being aware that the financial strength of the Company makes it possible not to consider the short-term balance of capital and financial position compromised. In this regard, the Group is evaluating how and to what extent take advantage of the extraordinary measures that the Italian Government is adopting in terms of supporting for families and businesses in this moment of emergency. In particular, in order to anticipate possible slowdowns, the company, in a precautionary way, has put in place some of the instruments made available by Government, including the *Cassa Integrazione Guadagni Ordinaria* which will allow to minimize the impacts related to imposed restrictions.

Moreover (i) the Group is present in a plurality of geographic areas and in very diversified sectors allowing for a mitigation of the overall risk; (ii) Despite the turbulences on the financial markets, and in particular on the Italian stock exchange following the emergency described above, led to a sharp drop in prices which in turn determined a significant reduction in the stock market value of the Company's shares, compared to 31 December 2019, the current value although severely depressed, still largely supports the book values of the Group's net assets; (iii) the Group's management has also developed alternative scenarios, which highlight a holding of the assets' book value, even in the event of a significant reduction in the expectations elaborated with reference to future years. In particular, the stress test prepared refers to a reduction of approximately 18% of the forecasts in terms of turnover, while also keeping fixed costs prudentially unchanged.

Subsequent events after 31 December 2019

There are no particular significant events occurred after year end, except for what was explained above in relation to the Coronavirus emergency, which however had no significant impact on the Group's performance in the first two months of the year.

Allocation of the result for the year

The Board of Directors proposes to Shareholders the distribution of a dividend totaling Euro 7,639,395, entirely from the Parent Company net profit, amounting to Euro 0.15 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. For the remainder, it is proposed to carry forward the net profit, allocating it to the extraordinary reserve.

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, 2019 and we invite you to approve them.

The Chairman

Nicola Piovan

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€/000)

ASSETS	Notes	31.12.2019	31.12.2018
NON-CURRENT ASSETS			
Property, plant and equipment	**Note 1**	52,430	34,531
Intangible assets	**Note 2**	7,510	6,007
Equity investments	**Note 3**	270	270
Other non-current assets	**Note 4**	427	325
Deferred tax assets	**Note 5**	4,489	4,663
TOTAL NON-CURRENT ASSETS		**65,126**	**45,796**
CURRENT ASSETS			
Inventories	**Note 6**	29,264	28,049
Contract assets for work in progress	**Note 7**	3,712	3,654
Trade receivables	**Note 8**	52,816	50,656
- of which related parties	**Note 41**	*200*	*167*
Current financial assets	**Note 9**	6,319	-
Tax receivables	**Note10**	3,735	3,455
Other current assets	**Note 11**	3,705	4,192
- of which related parties	**Note 41**	*431*	*1,414*
Cash and cash equivalents	**Note 12**	59,123	39,113
TOTAL CURRENT ASSETS		**158,675**	**129,119**
TOTAL ASSETS		**223,801**	**174,915**

LIABILITIES AND EQUITY	Notes	31.12.2019	31.12.2018
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**	(1,211)	(1,594)
Other Reserves and retained earnings	**Note 13**	38,938	25,748
Net profit (loss)	**Note 13**	18,700	23,881
Equity attributable to the owners of the parent		**61,377**	**52,985**
Equity attributable to non-controlling interests	**Note 15**	3,774	3,791
TOTAL EQUITY		**65,151**	**56,775**
NON-CURRENT LIABILITIES			
Long-term loans	**Note 16**	20,939	10,760
Non-current financial liabilities	**Note 16**	6,516	609
Employee benefits plans	**Note 17**	4,814	3,887
Provision for risks and charges	**Note 18**	2,954	2,925
Non current liabilities for options granted to non-controlling interest	**Note 19**	2,535	3,185
Other non-current liabilities	**Note 20**	268	121
Deferred tax liabilities	**Note 5**	1,987	3,505
TOTAL NON-CURRENT LIABILITIES		**40,013**	**24,991**
CURRENT LIABILITIES			
Current portion of long-term loans	**Note 16**	11,962	5,994
Current bank loans and borrowings	**Note 16**	25,026	12,995
Current financial liabilities	**Note 16**	1,942	280
Trade payables	**Note 21**	40,556	39,937
- of which related parties	**Note 41**	*698*	*601*
Advance from costumers	**Note 22**	16,063	12,577
Contract liabilities for work in progress	**Note 7**	2,527	2,703
Current liabilities for options granted to non-controlling interest	**Note 19**	2,721	-
Tax liabilities and social security contributions	**Note 23**	6,738	6,422
Other current liabilities	**Note 24**	11,102	12,241
- of which related parties	**Note 41**	*888*	*671*
TOTAL CURRENT LIABILITIES		**118,636**	**93,148**
TOTAL LIABILITIES		**158,650**	**118,139**
TOTAL LIABILITIES AND EQUITY		**223,801**	**174,915**

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(€/000)

CONSOLIDATED STATEMENT OF PROFIT AND LOSS	Notes	31.12.2019	31.12.2018
Revenue	**Note 25**	228,526	241,661
- of which related parties	**Note 41**	*182*	*115*
Other revenue and income	**Note 26**	5,834	6,182
TOTAL REVENUE AND OTHER INCOME		**234,360**	**247,843**
Costs of raw materials, components and goods and changes in inventories	**Note 27**	88,272	97,455
- of which related parties	**Note 41**	*2,666*	*1,848*
Services	**Note 28**	51,019	53,273
- of which related parties	**Note 41**	*1,713*	*1,327*
Use of third party assets	**Note 29**	1,547	2,632
Personnel expenses	**Note 30**	59,006	57,079
- of which related parties	**Note 41**	*133*	*441*
Other expenses	**Note 31**	3,596	2,387
Provisions for risks and charges	**Note 32**	350	1,092
Amortisation and depreciation	**Note 33**	4,775	2,587
- of which related parties	**Note 41**	*311*	*8*
TOTAL COSTS		**208,565**	**216,505**
OPERATING PROFIT		**25,795**	**31,338**
Financial income	**Note 34**	599	325
Financial Expenses	**Note 34**	(578)	(532)
- of which related parties	**Note 41**	*(30)*	*(96)*
Net exchange rate gain (losses)	**Note 35**	(46)	239
Gains (losses) on liabilities for option granted to non controlling interest	**Note 36**	549	2,270
Profit (losses) from equity investments carried at equity	**Note 37**	(63)	(150)
PROFIT BEFORE TAXES		**26,257**	**33,490**
Income taxes	**Note 38**	7,253	7,976
NET PROFIT		**19,004**	**25,514**
ATTRIBUTABLE TO:			
Owners of the parent		18,700	23,881
Non-controlling interests		304	1,633
Earnings per share			
Basic and diluted earnings per share (in Euros)	**Note 14**	**0.37**	**0.47**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€/000)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	31.12.2019	31.12.2018
Net profit	**19,004**	**25,514**
Items that may be subsequently reclassified to profit or loss:	-	-
- Exchange rate differences	383	13
Items that may not be subsequently reclassified to profit or loss:	-	-
- Actuarial gains (losses) on employee benefits net of the tax effect	(387)	104
- Actuarial gains on agents' termination benefits net of the tax effect	4	(12)
Total Comprehensive income	**19,006**	**25,620**
attributable to:	-	-
- Owners of the parent	18,701	23,986
- Non-controlling interests	304	1,633

CONSOLIDATED STATEMENT OF CASH FLOW (€/000)

Consolidated Statement of Cash Flow	31.12.2019	31.12.2018
OPERATING ACTIVITES		-
Net profit	***19,004***	***25,514***
Adjustments for:	-	-
Amortisation and depreciation	4,775	2,587
Inventory write-down and bad debt provision	1,356	560
- Net non-monetary financial (income)	(37)	-
Change in provisions for risks and charges and employee benefits liabilities	(67)	949
Net capital (gains) losses on sale of fixed assets and equity investments	(714)	(1,988)
Non-monetary changes related to liabilities for options granted to non-controlling shareholders	(550)	(2,270)
Investment equity valuation	63	150
Other non-monetary variations	106	(68)
Taxes	7,253	7,976
Cash flows from operating activities before changes in net working capital	**31,189**	**33,411**
(Increase)/decrease in trade receivables	(356)	10,487
- of which related parties	*33*	*167*
Increase in inventories	(552)	(5,306)
(Increase)/decrease in other current assets	279	(6,450)
- of which related parties	*(983)*	*628*
Increase/(decrease) in trade payables	(2,733)	5,477
- of which related parties	*97*	*484*
Increase/(decrease) in advance from customers	3,117	(1,556)
Increase/(decrease) in other current liabilities	(1,795)	(5,716)
- of which related parties	*217*	*671*
(Increase)/decrease in non-current assets	(33)	(861)
Increase/(decrease) in non-current liabilities	1	827
Income taxes paid	(8,286)	(7,761)
CASH FLOWS FROM OPERATING ACTIVITIES (A)	**20,831**	**22,552**
INVESTING ACTIVITIES	-	-
Investments in property, plant and equipment	(14,238)	(6,396)
Investments in intangible assets	(761)	(467)
Disinvestments/(investments) in financial assets	(6,283)	-
Disinvestments in equity investments	0	169
Business combinations net of the acquired cash	(472)	-
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	**(21,753)**	**(6,694)**
FINANCING ACTIVITIES	-	-
Issuance of bank loans	22,000	-
Repayment of bank loans	(6,786)	(6,053)
Change in current bank loans and borrowings	12,031	3,776
Repayment of bonds	-	(2,500)
- of which related parties	-	*(2,500)*
Increase/(decrease) in other financial liabilities	1,703	(162)
Purchase of minority interests in subsidiaries	(187)	(4,228)
Contribution	-	637
Dividends paid	(7,723)	(6,018)
CASH FLOWS USED IN FINANCING ACTIVITIES ©	**21,038**	**(14,548)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A ± B ± C)	**20,116**	**1,160**
EFFECT OF EXCHANGE RATE CHANGES ON BALANCE OF CASH HELD IN FOREIGN CURRENCY	**(106)**	**68**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (E)	**39,113**	**37,885**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (G=D+E+F)	**59,123**	**39,113**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**20,116**	**1,160**
INTERESTS PAID	**396**	**532**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(€/000)

	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, 2018	**6,000**	**1,200**	**(7,641)**	**(1,607)**	**14,312**	**19,553**	**31,817**	**4,866**	**36,683**
firt time adoption IFRS 9	-	-	-	-	(144)	-	(144)	-	(144)
Distribution of dividends	-	-	-	-	(6,000)	-	(6,000)	(18)	(6,018)
Allocation of prior year profit	-	-	-	-	19,553	(19,553)	-	-	-
Pentafin S.p.A. contribution	-	-	-	-	637	-	637	-	637
Sale of treasury shares	-	-	5,391	-	(5,391)	-	-	-	-
Change in non-controlling interests	-	-	-	-	2,689	-	2,689	(2,689)	-
Total comprehensive income	-	-	-	13	93	23,881	23,986	1,633	25,620
Balance at December 31st, 2018	**6,000**	**1,200**	**(2,250)**	**(1,594)**	**25,748**	**23,881**	**52,985**	**3,791**	**56,775**

	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	19,004
Balance at December 31st, 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

GENERAL INFORMATION

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 ("Plastics 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 and Spare Parts").
The Group is 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.
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.
The Group has 9 production plants and 29 commercial branches covering all the main geographic markets.

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.

CONTENT AND FORMAT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Group prepared the consolidated financial statements at December 31, 2019, 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 Board of Directors of Piovan S.p.A. approved these consolidated financial statements on March 19, 2020.
The IFRS consolidated financial statements at December 31, 2019 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, 2019 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 statement of changes in consolidated 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 derivative financial instruments which have been recognized at fair value as required by 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.

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).

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 Statement of Profit and Loss but recorded directly to equity.

Consolidated statement of cash flows

The statement of cash flows was prepared applying 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 foreign 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 [39] Other information in the Explanatory Notes outlines the companies included in the consolidation scope at December 31, 2019.

CONSOLIDATION METHOD

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

- the assets and liabilities, the Revenue 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 equity. Any differences are recognized in accordance with IFRS 10 "Consolidated Financial Statements" and IFRS 3 "Business Combination"; non-controlling 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, revenue 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;
- non-controlling interest 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 Statement of Profit and Loss items, and the exchange rate in force at the reporting date for the Statement of Financial Position items. The difference between the translation rate of the Statement of Profit and Loss items and the translation rate of the Statement of Financial Position 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 31.12.2018	% of ownership as at 31.12.2019
Studio Ponte S.r.l. (*)	51%	51%
CMG America Inc.m(**)		100%

(*) the percentage refers to the % owned by he subsidiary Penta S.r.l..
(**) CMG America Inc. is owned by the subsidiary Universal Dynamics Inc.

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 interests 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 the value of any minority interest equity 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

It is recalled that the consolidated financial statements at December 31, 2017 represented the first IFRS consolidated financial statements of Piovan S.p.A. and therefore application of IFRS 1. The "transition date", intended as the starting date of the earliest period for the presentation of the comparative information in the first IFRS financial statements, was January 1, 2015. The Piovan Group, for the purposes of the preparation of the consolidated financial statements at December 31, 2017, within the Application for Admission described in the previous paragraph "General information", used, in accordance with the requirements of IFRS 1, the set of IFRS standards in force for the year ended December 31, 2017.

In the preparation of these consolidated financial statements at December 31, 2019 the accounting standards adopted are those as utilized in the preparation of the consolidated financial statements as at December 31, 2018, with the exception of that reported below.
We recall that, as already described in the consolidated financial statements at December 31, 2018, the Group adopted in advance and on a voluntary basis IFRS 15 – Revenue from contracts with customers from January 1, 2015.

The Directors in fact illustrate that, in the previous years 2015, 2016 and 2017, Piovan S.p.A. availed of the exemption from the preparation of the consolidated financial statements as per Article 27, paragraph 3 of Legislative Decree No. 127/1991, in consideration of the preparation of such statements, in accordance with Italian GAAP, by the parent company Pentafin S.p.A.. In addition, within the Admission Application, there was no obligation for the preparation of consolidated financial statements in accordance with Italian GAAP by

Piovan S.p.A. for the years 2015, 2016 and 2017. The Directors had therefore noted that in this circumstance it was not possible to prepare reconciliations between consolidated equity and consolidated profit and loss, as resulting respectively from the financial statements drawn up in accordance with Italian GAAP and the financial statements drawn up in accordance with international accounting standards, which would have been necessary in the event of Piovan S.p.A.'s obligation to prepare consolidated financial statements in accordance with Italian GAAP and subsequent transition to international accounting standards.

In the preparation of the first IFRS consolidated financial statements at December 31, 2017, the Group availed of the following optional exemptions provided by IFRS 1 when first applying international standards:

- exemption under IFRS 1 - Appendix Exemptions for business combinations - paragraph C4(j). This exemption applies when, under the previously applied accounting standards, a company was not required to consolidate a subsidiary acquired in the past (because, for example, the subsidiary was not qualified as such under the previously applied standards or the company was not required to prepare consolidated financial statements as in the present case). The Directors, therefore, in consideration of the exemption provided for by Italian GAAP of Piovan S.p.A. from the preparation of the consolidated financial statements, decided to apply the aforesaid exemption as per paragraph C 4 (j). The Group therefore determined the goodwill arising from the business combinations that took place before the transition date for an amount equal to the deemed cost of goodwill at the transition date (January 1, 2015) given by the difference between i) the value of the investment in the parent company's financial statements, prepared in accordance with Italian GAAP, and ii) the net book value of the parent company's share of the subsidiary's assets and liabilities adjusted for any adjustments required by international accounting standards.

IFRS accounting standards, amendments and interpretations applicable to the Group and applied from January 1, 2019

On January 13, 2016, the IASB published IFRS 16 - Leases, as well as the interpretations IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The new standard provides a new definition of leases and introduces a criterion based on control (right of use) of an asset to distinguish leasing contracts from service contracts, identifying essential differences:
identification of the asset;

- right to replace the asset;
- right to obtain substantially all the economic benefits from the use of the asset and
- the right to use the asset underlying the contract.

The standard establishes a single model to recognize and measure leasing contracts for the leasee (lessees) which provides also for the recognition of operating leases under assets with a related financial payable, providing the possibility not to be recognize as leasing contracts “low-value assets” and leasing contracts less than 12 months. Meanwhile, the standard does not include any significant changes for lessors.
The Company has used the practical expedient for the transition to IFRS 16 in order not to restate when a contract is or contains a lease. Therefore, the conclusion regarding the qualification of an agreement as a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to contracts entered into or amended before January 1, 2019.
The change in the definition of a lease mainly refers to the right of use criterion. As per IFRS 16 a contract contains a lease when the client has the right to control the use of the identified asset for an established period of time in exchange for consideration. This concept is substantially different from the concept of "risks and benefits" to which significant attention is paid in IAS 17 and IFRIC 4.
The Company applies the definition of leases and the related provisions of IFRS 16 for all leases entered into or amended on or after January 1, 2019 (regardless of whether a lessee or lessor in each lease). In view of the first-time application of IFRS 16, the Group carried out a project to assess the potential impacts and implementation of IFRS 16.
The Company has chosen to adopt the "Modified Retrospective Method", recording the cumulative effect of applying the standard under equity at January 1, 2019 (not modifying the comparative figures for 2018), in accordance with IFRS 16: C7-C13:

In particular, with regard to “lease” contracts previously classified as operating leases, the Company recognizes them as follows:

- a financial liability, at the present value of the residual future payments at the transition date, discounted using an adequate borrowing rate applicable to each contract as per the standard;
- a right-of-use equal to the value of the financial liability at the transition date, net of any prepayments and accruals associated with the lease.

The following table shows the estimated impact of the adoption of IFRS 16 at the transition date:

Total Assets	Effects as at 01/01/2019
Land and buildings	5,297
Machinery	
Industrial and cmmercial equipment	
Other tangible assets	569
Total	**5,866**

Total Liabillities	Effects as at 01/01/2019
Nun current financial liability	4,750
Current financial liability	1,116
Total	**5,866**

In adopting IFRS 16, the Group opted for the exemption permitted under paragraph IFRS 16:5(a) in respect of short-term leases for the following types of assets: land, buildings and motor vehicles.
Likewise, the Group opted for the exemption permitted under IFRS 16:5(B) with regard to lease contracts for which the underlying asset qualifies as a "low-value asset" (i.e., the asset underlying the lease contract does not exceed USD 5 thousand when new).
The contracts for which the exemption has been applied primarily fall within the following categories:

- computers, telephones and tablets;
- printers;
- other electronic devices.

For such contracts, the introduction of IFRS 16 did not entail the recognition of the financial liability associated with the lease and relevant right of use. Rather, the lease payments were booked to the Statement of Profit and Loss on a straight-line basis over the term of the relevant contracts.

In addition, with regard to the transition rules, the Company opted for the following practical expedients available in the event of the selection of the modified retrospective transition method:

- Utilizes a single discount rate to a portfolio of leases with reasonably similar characteristics;
- exclusion of the initial direct costs from the measurement of the right-of-use at January 1, 2019;
- Use of the information available at the transition date to determine the lease term, with particular regard to the exercise of extension and early termination options.

For leases previously classified as finance leases in application of IAS 17, the carrying amount of the assets subject to the lease and the obligations under leases recognized in accordance with IAS 17 at December 31, 2018 are reclassified respectively under right-of-

use assets and lease liabilities without any adjustment, with the exception of the exemption for the recognition of low-value leases.
The transition to IFRS 16 introduces some elements of professional judgment that entail the definition of certain accounting policies and the use of assumptions and estimates with regard to the lease term and the incremental borrowing rate. The main ones are summarized below:

- Lease term: the Group has analyzed all of its lease contract and has identified the lease term for each of them – this is the non-cancellable period together with the effects of any extension or early termination options whose exercise is considered reasonably certain. In more detail, for properties, this determination considered the specific facts and circumstances of each asset. For other categories of assets, mainly company cars and equipment.
  In this regard, in November 2019, the IFRS Interpretation Committee (IFRIC IC) issued an agenda decision, which addressed and clarified the determination of lease term in cases where there are renewal options. The IFRIC IC specified that under paragraph B34 a lease is no longer enforceable when both parties have the right to terminate the contract without seeking permission from the other party with a minimum penalty. If only one of the parties has such a right, the contract is enforceable beyond the date on which the contract can be terminated by that party.
  Based on these specifications and clarifications, the Company has revised the lease term of some contracts. This change was applied prospectively. Changes in lease term resulting from this interpretation are disclosed in note [1] Property, plant and equipment.
- Definition of the incremental borrowing rate: since most lease contracts entered into by the Group do not include an implicit interest rate, the discount rate to be applied to future lease payments has been taken as the risk-free rate in each country in which the contracts were entered into, with maturities commensurate with the term of the specific lease contract, plus the specific credit spread of the subsidiary/Group.
  We report that the weighted average incremental borrowing rate applied to the financial liabilities recorded at January 1, 2019 was 2.9%.

In order to illustrate the impacts from the initial application of the standard, the following table reconciles future commitments regarding lease contracts at December 31, 2018 and the impact from the adoption of IFRS 1 at January 1, 2019.

Committment reconciliation (€/000)	
Commitment whitin IFRS16	5,866
Commitment for installments related to contracts excluded from IFRS 16 application (low value assets, short-time and non-lease components)	883
Discount effects	532
Future commitment as of December 31, 2018	**7,281**

The net effect before taxes in the 2019 Statement of Profit and Loss was Euro 60 thousand, broken down as follows:

- lower services costs of Euro 1,305 thousand;
- higher amortization of Euro 1,221 thousand;
- higher financial charges of Euro 143 thousand.

On December 12, 2017 the IASB published the document "Annual Improvements to IFRSs 2015-2017 Cycle" which reflects the amendments to some standards within the annual improvements process. The principal changes relate to:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements;
- IAS 12 Income Taxes;
- IAS 23 - Borrowing costs.

The adoption of this amendment does not have effects on the separate financial statements of the company.

On October 12, 2017, the IASB published the document "Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)". This document clarifies the necessity to apply IFRS 9, including the requirements related to impairment, to the other long-term interests in associates and joint ventures which do not apply the equity method. The adoption of this amendment does not have effects on the company's financial statements.

The IASB published the interpretation "Uncertainty over Income Tax Treatments" on June 7, 2017. The document addresses the issue of uncertainty over income tax treatments. In particular, the interpretation requires an entity to analyze uncertain tax treatments (individually or collectively, depending on their characteristics), always assuming that the tax authority will examine the tax position in question, with access to all relevant information. If the entity believes it is improbable that the tax authorities will accept the tax treatment followed, the entity shall reflect the effect of the uncertainty on the measurement of its current and deferred income taxes. The interpretation does not contain any new disclosure requirements but highlights that an entity should establish whether there will be a need to provide any disclosures based on management considerations relating to any uncertainty over the accounting treatment of taxation, in accordance with IAS 1. The new interpretation has been applied with effect from January 1, 2019. The adoption of this amendment does not have effects on the company's financial statements.

The IASB published an amendment to IFRS 9 "Prepayment Features with Negative Compensation" on October 12, 2017. This document specifies that instruments which provide for an advance repayment could comply with the Solely Payments of Principal and Interest ("SPPI") test also in the case where the "reasonable additional compensation" to be paid in the event of advance repayment is a "negative compensation" for the lender. The adoption of this amendment does not have effects on the separate financial statements of the company.

IFRS and IFRIC standards, amendments and interpretations approved by the European Union, not yet mandatory and not adopted in advance by the Company or by the Group at December 31, 2019

- 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 amendments introduced were approved on November 29, 2019 and apply to all transactions subsequent to January 1, 2020.
The Directors do not expect this amendment to have a significant impact 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 standards when no IFRS standard is applicable to a particular transaction and, more generally, helps stakeholders to understand and interpret the Standards.

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 Directors do not expect this standard to have an impact on the Company's financial statements and the Group's consolidated financial statements.

- On October 12, 2017, the IASB published the document "Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)". This document clarifies the necessity to apply IFRS 9, including the requirements related to impairment, to the other long-term interests in associates and joint ventures which do not apply the equity method. The amendment applies from January 1, 2019, although early application is permitted. The Directors do not expect these amendments to have a significant impact on the Group consolidated financial statements.

- On December 12, 2017 the IASB published the document “Annual Improvements to IFRSs 2015-2017 Cycle” which reflects the amendments to some standards within the annual improvements process. The principal changes relate to:
  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendment clarifies that when an entity obtains control of a business which represents a joint operation, it must remeasure its previous holding in the business. This process however is not required in relation to obtaining joint control.
  - IAS 12 Income Taxes: the amendment clarifies that all the tax effects related to dividends (including the payments on financial instruments classified within equity) must be recognized in line with the transaction which generated these profits (profit or loss, OCI or net equity).
  - IAS 23 Borrowing costs: the amendment clarifies that loans that remain in place even after the related qualifying asset is ready for use or sale shall become part of the total loans used to calculate borrowing costs.

  The amendments are applicable from January 1, 2019, although advance application is permitted. The Directors are currently assessing the possible effects of introduction of these amendments on the Group’s consolidated financial statements.

- The IASB published the document “Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)” on February 7, 2018. The document clarifies that an entity must recognize a change (i.e. a curtailment or a settlement) of a defined benefit plan. The amendment requires the entity to update its assumptions and to remeasure the net liability or asset resulting from the plan. The amendments clarify that after the occurrence of this event, an entity utilizes updated assumptions to measure the current service cost and interest for the remainder of the period. The Directors are currently assessing the possible effects of introduction of these amendments on the Company’s separate financial statements and on the Group’s consolidated financial statements.

- On October 22, 2018, the IASB published the document “Definition of a Business (Amendments to IFRS 3)”. The document provides certain clarifications on the definition of a business for the purposes of the proper application of IFRS 3. As the amendment will be applied to new acquisition transactions concluded with effect from January 1, 2020, any effects, currently being assessed by the Directors, will be reflected in the consolidated financial statements for periods ending after that date.

- 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 Directors do not expect this amendment to have a significant impact on the Company’s separate financial statements and on the Group consolidated financial statements.

- On September 11, 2014, the IASB published an amendment to IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture. The document was published in order to resolve the current conflict between IAS 28 and IFRS 10.
  Currently, the IASB has suspended the application of this amendment. The Directors do not expect these amendments to have a significant impact on the Group consolidated financial statements.

- On January 30, 2014 the IASB published IFRS 14 Regulatory Deferral Accounts which permits only those adopting IFRS for the first time to continue to recognize amounts concerning Rate Regulation Activities according to the previous accounting standards adopted. As the Group is not a first-time adopter, this standard is not applicable.

ACCOUNTING POLICIES

Revenue and costs

Revenue and costs are accounted for on an accrual basis.
Revenue is 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 fulfillment of the obligation.

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 Revenue can also be broken down into:

- Revenue 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 Revenue from the sale of plant and ancillary equipment according to how the performance obligations are met. Specifically:

    - 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 Revenue 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 revenue 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 revenue 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 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: revenue from the sale of spare parts is 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 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. Exchange differences arising upon the collection and payment of balances in foreign currency are recognized in the income statement.

Revenue 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, 2019 and December 31, 2018 (comparative data) are summarized below:

Currency		Average rate		Closing rate	
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
BRL	Brazilian Real	4.41	4.30	4.52	4.44
CAD	Canadian Dollar	1.49	1.54	1.46	1.56
CZK	Czech Koruna	25.67	25.35	25.41	25.72
CNY	Yuan Renminbi	7.74	7.78	7.82	7.88
GBP	Pound Sterling	0.88	0.88	0.85	0.89
HUF	Forint	325.30	317.44	330.53	320.98
MXN	Mexican Peso	21.56	22.74	21.22	22.49
USD	US Dollar	1.12	1.19	1.12	1.15
THB	Baht	34.76	38.40	33.42	37.05
INR	Indian Rupee	78.84	80.22	80.19	79.73
TRY	Turkish Lira	6.36	5.50	6.68	6.06
AED	UAE Dirham	4.11	4.39	4.13	4.21
JPY	Yen	122.01	130.96	121.94	125.85
VND	Dong	26003	24364	26033	26547
MAD	Dirham Marocco	10.77	0.00	10.78	0
KRW	Won sud	1,305.32	-	1,296.28	-

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 the, 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 standards 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 value of disposal and the carrying value 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 Revenue and costs section, these items arise with reference to the execution of contracts in which the recognition of Revenue takes place over time. For these contracts, the Group records sales revenue 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 the 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 interest

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 equity until the put option is exercised.

Use of estimates

When preparing this 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 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. 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 interest: 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. Specifically, the forecasts on the basis of which the financial statements were prepared do not take into account the impact of the Covid-19 emergency that emerged in the early months of 2020, which, however, cannot be determined.

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 from the end customer and from 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:

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

31.12.2018										
(€/000)	EUR	USD	CNY	BRL	MXN	THB	GBP	CAD	Other currencies	**Total**
Total assets	111,020	27,772	10,027	7,603	5,559	3,466	3,223	3,654	2,592	**174,915**
Totale liabilities	78,821	15,004	5,414	3,722	4,793	3,827	2,476	1,880	2,204	**118,139**

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

	2019			2018		
Net revenues	**Current Forex in €**	**Forex +10%**	**Forex -10%**	**Current Forex in €**	**Forex +10%**	**Forex -10%**
EUR - Euro	151,058	151,058	151,058	165,125	165,125	165,125
USD - US Dollar	47,338	43,025	52,586	44,327	40,228	49,168
CNY - Renminbi	12,180	11,073	13,533	16,908	15,371	18,786
BRL – Real	8,158	7,417	9,065	6,971	6,337	7,745

Net revenues	2019			2018		
	Current Forex in €	Forex +10%	Forex -10%	Current Forex in €	Forex +10%	Forex -10%
GBP - Pound sterling	4,213	3,830	4,682	4,796	4,360	5,329
THB – Bath	1,525	1,387	1,695	2,035	1,850	2,261
TRY - Turkish lira	825	750	917	838	761	931
INR - Indian rupee	856	778	951	572	520	635
JPY - Japanese yen	76	69	84	17	15	19
CAD - Canadian dollar	-	-	-	-	-	-
MXN - Mexican peso	31	28	34	20	18	22
AED - United Arab Emirates dirham	25	23	28	29	26	32
VND - Vietnamese Dong	180	164	200	25	23	28
VND - Vietnamese Dong	198	180	220	-	-	-
VND - Vietnamese Dong	225	205	250	-	-	-
VND - Vietnamese Dong	1,635	1,487	1,817	-	-	-
VND - Vietnamese Dong	2	2	2	-	-	-
TOTAL	**228,526**	**221,473**	**237,121**	**241,661**	**234,635**	**250,081**

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.

Result before taxes	2019			2018		
	Current Forex in €	Forex +10%	Forex -10%	Current Forex in €	Forex +10%	Forex -10%
EUR - Euro	23,452	23,452	23,452	27,437	27,437	27,437
SGD	-	-	-	-	-	-
USD - US Dollar	267	243	297	1,185	1,077	1,316
CNY - Renminbi	612	557	680	2,548	2,316	2,831
BRL - Real	236	215	262	129	117	144
GBP - Pound sterling	163	148	181	306	279	340
THB - Bath	120	109	134	126	115	141
TRY - Turkish lira	(4)	(4)	(4)	(35)	(32)	(39)
INR - Indian rupee	306	278	340	132	120	146
JPY - Japanese yen	67	61	75	(112)	(102)	(124)
CAD - Canadian dollar	731	665	813	784	713	871

Result before taxes	2019			2018		
	Current Forex in €	Forex +10%	Forex - 10%	Current Forex in €	Forex +10%	Forex - 10%
MXN - Mexican peso	115	105	128	870	791	967
AED - United Arab Emirates dirham	108	98	120	(8)	(7)	(9)
VND - Dong	54	49	60	(16)	(14)	(18)
HUF - Hungarian forint	10	9	11	(31)	(28)	(35)
KRW - South Corean Won	(185)	(168)	(205)	-	-	-
MAD - Dirham	17	16	19	-	-	-
CSK - Czech Koruna	186	169	207	175	159	194
TOTAL	**26,257**	**26,002**	**26,569**	**33,490**	**32,940**	**34,163**

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%
31/12/2018	32	55	78	9	-
31/12/2019	32	56	80	9	-

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

The global macro-economic picture may affect the Group's economic, equity and financial situation. However, the Group's 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. However, as indicated above, the overall economic environment could be negatively impacted by the Covid-19 emergency and the consequent restrictions introduced by the governments of the countries involved. These circumstances, extraordinary in nature and extent, have direct and indirect repercussions on economic activity and have created a context of general uncertainty, the evolution of which and the related effects are not foreseeable. The potential effects of this phenomenon cannot be determined to date and will be subject to constant monitoring by the Group throughout the year. In this regard, the Group is evaluating how and to what extent to take advantage of the extraordinary measures that the Italian Government is adopting in terms of support for families and businesses in this moment of emergency. In particular, in order to anticipate possible slowdowns, the company, as a precaution, has activated the use of some of these measures, including the Ordinary Redundancy Fund which will allow to minimize the impacts related to the restrictions imposed.

Moreover (i) the Group is present in a plurality of geographic areas and in very diversified sectors allowing a mitigation of the overall risk; (ii) although the turbulence on the financial markets, and in particular on the Italian stock exchange, following the emergency described above, led to a sharp drop in prices which led to a significant reduction also in the stock market value of the Company's shares compared to 31 December 2019, the current value, although severely depressed, still largely supports the book values of the Group's net assets; (iii) the Group's management has also developed alternative scenarios that highlight a holding of the book value of the assets even in the event of a significant reduction in the expectations elaborated with reference to future years. In particular, the stress test prepared refers to a reduction of approximately 18% of the forecasts in terms of turnover, while also keeping fixed costs prudentially unchanged.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

[1] Property, plant & equipment

They amount to Euro 52,430 thousand at December 31, 2019 (Euro 34,531 thousand at December 31, 2018). They are composed as shown in the following tables, which show their composition and changes compared to the previous year.

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 2018	**21,871**	**3,007**	**550**	**3,604**	**5,498**	**34,531**
of which:						
- Historical cost	**25,483**	**11,266**	**4,248**	**15,250**	**5498**	**61,745**
- Depreciation fund	**(3,613)**	**(8,259)**	**(3,698)**	**(11,645)**		**(27,215)**
IFRS16 - Lease impact at 01.01.2019	**5,297**			**569**		**5,866**
Changes in 2019						
- Additions	4,847	6,793	404	1,129	252	**13,425**
- New IFRS16 contracts	2,811	-	-	367	-	**3,178**
- Change in consolidation scope (Historical cost)	463	433	37	280		**1,212**
- Change in consolidation scope (depreciation fund)	(4)	(180)	(5)	(157)		**(346)**
- Reclassifications	5,136	362	-	-	(5,498)	**-**
- Disposals (Historical cost)	(2,120)	(193)	(59)	(351)		**(2,724)**
- Disposals (Depreciation fun)	711	180	11	321		**1,223**
- Exchange rate differences (Historical cost)	121	28	1	8		**158**
- Depreciation	(723)	(716)	(243)	(1,236)	-	**(2,918)**
- Depreciation IFRS16	(905)	-	-	(316)	-	**(1,221)**
- Discount rate change	32			13		**45**
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)**

As already described, since 2018 the Group has undertaken a production expansion and technological upgrading project at its US and Italian plants. In particular, in Italy, an

expansion project was undertaken at the Parent Company's headquarters to build two separate buildings covering a total area of approximately 15,000 m2 to be used as a logistics warehouse connected with the current production areas and a new production plant of the subsidiary Aquatech. The aim of the expansion project is to increase production efficiency and, above all, to increase production capacity to support production growth in line with the expected turnover growth in future years. The project in Italy was concluded in 2019. In the USA the completion of the new headquarters and the relocation took place during the second half of 2018.
Investments in the year mainly concern the Italian expansion project.

In addition, in September 2019 the parent company Piovan S.p.A. sold its property in Via Galilei 3, Santa Maria di Sala, at a sale value of Euro 2,047 thousand, entirely collected in 2019, realizing a non-recurring capital gain of Euro 714 thousand, recognized in the Statement of Profit and Loss under "Other Revenue and income".

At December 31, 2019, 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.

The regional breakdown of tangible fixed assets is as follows:

Property, plant and equipment	31.12.2019	31.12.2018
EMEA	40,553	24,220
- of which Italy	*35,680*	*23,119*
NORTH AMERICA	8,556	8,609
- of which the United States of America	*8,346*	*8,456*
ASIA	1,717	305
SOUTH AMERICA	1,604	1,397
Total	**52,430**	**34,531**

Finally, in applying the new IFRS 16-Leases at the transition date (January 1, 2019), and having chosen to adopt the “Modified Retrospective Method”, the Group recognized a right-of-use of Euro 5,866 thousand, as outlined in the annual financial report at December 31, 2018 to which reference should be made.
In 2019 new contracts were recognized of Euro 330 thousand and additional amounts incorporated concerning the change to the consolidation scope with regards to the companies TOBA, FEA and Piovan Marocco for Euro 648 thousand. The duration of a number of contracts was also reviewed to incorporate the possibility to extend their maturity on the basis of the information added above subsequently, increasing the value of the assets recognized and the relative liability by Euro 729 thousand. This includes in particular (i) the lease agreement of the subsidiary Penta S.r.l., whose lease term was

extended for a further 6 years, in view of the fact that in November 2019 the subsidiary entered into a new lease agreement, valid from 2020 for a building adjacent to the one currently under lease; (ii) the new lease agreement for the buildings of the UK subsidiary, which changed the duration of use of the building. In addition, following an interpretation to IFRS on the establishment of the "Lease Term", published in November 2019, increased rights-of-use were recognized for Euro 1,063 thousand over that previously recorded. The account Right-of-use at December 31, 2019 amounted to Euro 7,788 thousand.
This "right-of-use" was amortized in 2019, on the basis of the individual contract, for Euro 1,221 thousand.
The total right of use linked to the application of IFRS 16 is therefore equal to 7,788 thousand euros at 31 December 2019.
It should also be noted that some financial leases already accounted for in accordance with IAS 17 have been reclassified among the user rights. The net book value of these assets is equal to € 6,642 thousand.

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

CHANGES DURING THE PERIOD (€/000)	Land and buildings	Plant and machinery	Other assets	Total
Balance at 31 December 2018	-	-	-	-
Balance at 01 January 2019	**5,297**	**-**	**569**	**5,866**
- IAS 17 reclassification	5,992	334	316	6,642
- New IFRS16 contracts			300	300
- Lease term change	2,230			2,230
- Change in consolidation scope	581		67	648
- Disposals (net book value)	(80)			(80)
- Depreciation ex IAS17	(273)	(94)	(147)	(514)
- Depreciation IFRS16	(905)	-	(316)	(1,221)
- Change in Interest rate	32		13	45
Balance at 31st December 2019	**12,874**	**240**	**802**	**13,916**
- Of which Right of Use related to the application of IFRS16	***7.155***	**-**	***633***	***7.788***

[2] Intangible assets

They amount to Euro 7,510 thousand at December 31, 2019 compared to Euro 6,007 thousand at December 31, 2018. The breakdown of the movements is 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 2018	**5,427**	**353**	**39**	**110**	**77**	**6,007**
Changes in 2019	-	-	-	-	-	-
- Additions	-	632	68	-	3	703
- Consolidation area change	1,256	-	-	154	-	1,410
- Disposals	-	47	-	(53)	(60)	(66)
- Dismissioni (Fondo ammortamento)	-	-	-	28	-	28
- Exchange rate differences (Historical cost)	62	-	(3)	6	(0)	65
- Exchange rate differences (depreciation fund)	-	-	4	(6)	-	(2)
- Depreciation	-	(412)	(62)	(161)	-	(635)
Balance at 31st December 2019	**6,745**	**620**	**46**	**78**	**20**	**7,510**

The regional breakdown of intangible assets is as follows:

Intangible Assets	31.12.2019	31.12.2018
EMEA	3,065	2,635
- of which Italy	*3,019*	*2,456*
NORTH AMERICA	3,333	3,271
- of which the United States of America	*3,333*	*3,271*
ASIA	1,010	32
SOUTH AMERICA	102	69
Total	**7,510**	**6,007**

Goodwill at December 31, 2019 amounted to Euro 6,745 thousand compared to Euro 5,427 thousand at December 31, 2018. 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.

Goodwill	31.12.2018	Increase	Decrease	Change in translation reserve	31.12.2019
UnaDyn	3,271			62	3,333
Penta and Progema	1,872				1,872

Goodwill	31.12.2018	Increase	Decrease	Change in translation reserve	31.12.2019
Energys	276				276
FEA		274			274
Toba Pnc		982			982
Other goodwill	8				8
Total	**5,427**	**274**		**62**	**6,745**

The Group has no goodwill which is tax deductible.

New amounts were recorded as a result of the goodwill arising from the acquisitions in 2019 of the companies FEA Process&Technological Plants S.r.l. and Toba PNC.

Information on the acquisition of the company FEA Process&Technological Plants S.r.l.
In July, a 51% stake in the company FEA was acquired. The acquisition took place through the contribution by Piovan of Euro 380 thousand. The company was consolidated as from July 1, 2019, as this is the closest date for the acquisition of control.

The Group decided to recognize the goodwill from this acquisition based on the share of the net assets of the company acquired measured at fair value (so-called partial goodwill method).
The transaction was accounted for by provisionally allocating to goodwill the difference between the cost of the acquisition and the fair value of the assets acquired and liabilities assumed at the transaction date. As required by IFRS 3, the final allocation process will be completed within 12 months of the acquisition date.
The goodwill recorded is therefore equal to the difference between the price paid (Euro 380 thousand) and 51% of the assets and liabilities acquired (Euro 106 thousand).

FEA is a long-standing industrial enterprise operating in the confectionery and chocolate production sector. Its expertise in the processing and transport of complex food liquids completes that of the Piovan Group in the transport and storage of food powders. The acquisition of FEA p.t.p. S.r.l. will expand the range of key plants in the food sector and boost the Group's market share in this important strategic sector.
Below are the values referring to the company acquired at the consolidation date (the values refer to the total assets of the company):

FEA	Acquisition value
Tangible & intangible assets	678
Non-current assets	**678**
Trade receivables	804
Inventory	397
Other current assets	106
Cash & cash equivalent	408
Current Assets	**1,715**

FEA	Acquisition value
Total Assets	**2,393**
Net equity	**208**
Non current liabilities	455
Total non current liabilities	**455**
Trade payable and advances	1,121
Other current liabilities	608
Total current liabilities	**1,729**
Total liabilities	**2,185**

The effect on revenue of the consolidation of FEA, net of intercompany items, from the date of acquisition to December 31, 2019 amounts to Euro 455 thousand. The company reported a profit of Euro 221 thousand in the half year period.

Information on the acquisition of the company Toba PNC

In July, a 51% stake in the Korean company Toba PNC was acquired. The acquisition took place through the purchase by Piovan of 51% of the shares for a consideration of Euro 773 thousand. The company was consolidated as from July 1, 2019, as this is the closest date for the acquisition of control.

The Group decided to recognize the goodwill from this acquisition based on the share of the net assets of the company acquired measured at fair value (so-called partial goodwill method).

The transaction was accounted for by provisionally allocating to goodwill the difference between the cost of the acquisition and the fair value of the assets acquired and liabilities assumed at the transaction date. As required by IFRS 3, the final allocation process will be completed within 12 months of the acquisition date.

The goodwill recorded is therefore equal to the difference between the price paid (Euro 773 thousand) and 51% of the assets and liabilities acquired (negative Euro 208 thousand).

Toba PNC leads South Korea in industrial process automation in the plastic sector, specializing in systems for the transport and storage of plastic powders. This operation allows the Group to expand its international profile and achieve significant penetration into the strategic South Korean market. It also gives the Group access to world-leading companies in electronics and automotive technologies, and reinforces its expertise in the powder processing industry, which represents a significant growth area for the Group.

Below are the values referring to the company acquired at the consolidation date (the values refer to the total assets of the company, restated on the basis of the accounting policies adopted by the Group and translated at the exchange rate of June 28, 2019):

TOBA	Acquisition value
Tangible & intangible assets	415
Non-current assets	**415**

TOBA	Acquisition value
Trade receivables	1,050
Inventory	489
Other current assets	17
Cash & cash equivalent	274
Current Assets	**1,831**
Total Assets	**2,245**
Net equity	**(409)**
Non current liabilities	123
Non current Bank loan	903
Total non current liabilities	**1,026**
Trade payable and advances	1,434
Current Bank loan	30
Other current liabilities	165
Total current liabilities	**1,628**
Total liabilities	**2,654**

The effect on revenue of the consolidation of TOBA, net of intercompany items, from the date of acquisition to December 31, 2019 amounts to Euro 1.635 thousand. The company reported a loss of Euro 185 thousand in the half year period.

It should be noted that the acquisition of control of Universal Dynamics Inc. and Penta S.r.l. took place before the first consolidation of the Piovan Group (January 1, 2015) and therefore the related goodwill was calculated, based on the exemption under IFRS 1, using the deemed cost arising from the difference between i) the value of the investment in the parent company's financial statements and ii) the carrying amount of the subsidiary's assets and liabilities adjusted in accordance with any adjustments required by international standards. With reference to the subsidiaries Progema and Energys it is recalled that the acquisition of control took place in 2016 and that the Group decided to recognize the related goodwill based on the share of the net assets of the company acquired measured at fair value (so-called partial goodwill). The value at which the investment held before the acquisition of control was recorded was considered representative of its fair value. The goodwill recorded is therefore equal to the difference between the price paid in cash and the fair value of the assets and liabilities acquired.

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

We recall that in September 2018, Piovan S.p.A. acquired a further 25% stake in the subsidiary Penta S.r.l. from a minority interest (3B Inc. S.r.l.), without any effect on goodwill. With reference to the investee companies, the Parent Company holds options to purchase non-controlling interests, and specifically the option to purchase the residual non-controlling interests in Penta S.r.l., FDM Gmbh, Fea and Toba.

These call options, which can only have a value for the Parent Company, have not been valued in view of the fact that the contractual provisions triggering the right to exercise them are mainly in the Company's hands and that their occurrence is considered highly unlikely by management. On the basis of these assumptions the fair value of these options would be close to zero.

Details of impairment test

Goodwill is allocated to the Group's cash generating units, represented by the individual companies to which it refers, with the exception of Penta S.r.l. and Progema S.r.l., which for the purposes of the test were considered a single CGU due to the interdependence of the cash flows generated by them.

As required by IAS 36, the Group has tested the recoverability of the residual value of goodwill recorded in the consolidated financial statements at all reporting dates. In particular, goodwill is subject to an impairment test, even in the absence of loss indicators, at least once a year. With reference to the Energys CGU, in the light of the positive results achieved by the subsidiary, as well as the expected results for the subsidiary and its reference market, the Directors did not consider there to be any indicators of impairment; therefore, taking into account the reduced amount of goodwill, they did not carry out the same type of test adopted for the goodwill relating to the other CGU.

The Directors did not undertake impairment testing on assets subject to amortization as they did not detect events or circumstances such as to indicate impairment. The methods and results of the impairment test carried out are illustrated below.

The recoverable value of the CGU's to which the individual goodwill is allocated is 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). Specifically:

- Cash flows from the 2020-2024 business plan were used for these CGUs, using an explicit projection period of 5 years. The plans of these CGUs were approved by the Board of Directors on March 19, 2020. 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 plan, 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 to be used for the calculation of the terminal value. 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 plan, as well as its own expectations of developments in the market in which the CGU operates.

- The discount rate used is the weighted average cost of capital (so-called post-tax WACC) for each CGU, and has been calculated 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 in turn is the product of the average market risk for 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 (1.91% for the Penta-Progema CGU and FEA, 2.14% for the Unadyn CGU and 1.70% for the Toba PNC CGU), adjusted by the market risk premium of each reference country reflecting the investment risk (equal to 5.20% for all CGUs) plus an additional risk premium (equal to 1.9% for the Penta-Progema CGU, 0.6% for the Unadyn CGU and 3% for the TOBA and FEA CGU's). The beta coefficient applied is 0.89.

- the "g" growth rate for the determination of cash flows beyond the explicit period (from 2025 onwards) is prudently maintained by management equal to zero.

The table below provides details of the growth assumptions used in the forecast plans and the discount rates used as part of the impairment tests carried out for goodwill of greater value:

31.12.2019			
CGU	Goodwill	Pre-tax discount factor	WACC post-tax
Universal Dynamics	3,333	9.38%	6.93%
Penta - Progema	1,872	10.87%	7.96%
Toba	982	11.18%	8.74%
FEA	274	12.25%	8.88%

31.12.2018			
CGU	Goodwill	Pre-tax discount factor	WACC post-tax
Universal Dynamic	3,271	11.11%	8.70%
Penta-Progema	1,872	12.99%	9.63%

For the Unadyn CGU, the assumptions described result in a recoverable value at December 31, 2019, referring to 100% of the CGU, of Euro 22.9 million. The carrying amount of the CGU's net invested capital is Euro 10.6 million and therefore the recoverable value exceeds the carrying amount of the net invested capital by Euro 12.3 million.

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 Penta-Progema CGU, the assumptions described result in a recoverable value at December 31, 2019, referring to 100% of the CGU, of Euro 51.9 million. The carrying amount of the CGU's net invested capital is Euro 3.0 million and therefore the recoverable value exceeds the carrying amount of the net invested capital by Euro 48.9 million.
For the Toba PNC CGU, the assumptions described result in a recoverable value at December 31, 2019, referring to 100% of the CGU, of Euro 4.4 million. The carrying amount of the CGU's net invested capital is Euro 2.7 million and therefore the recoverable value exceeds the carrying amount of the net invested capital by Euro 1.7 million.

For the FEA CGU, the assumptions described result in a recoverable value, referring to 100% of the CGU, of Euro 4.8 million. The carrying amount of the CGU's net invested capital is Euro 0.7 million and therefore the recoverable value exceeds the carrying amount of the net invested capital by Euro 4.1 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 value (changes in the g rate of -5%, or changes in the discount rate of +2%), would not lead to different results with respect to the sustainability of goodwill. In fact, the recoverable value, determined with a change in the g rate of -5% and an increase in the discount rate of +2%, still supports the carrying amount of net invested capital at 31.12.2019. With regard to this aspect, the business plans and cash flows used in the impairment test do not reflect possible developments linked to the current national and international scenario dominated by the spread of Coronavirus and the resulting restrictive containment measures implemented by the public authorities of the countries affected. These developments, which emerged in the initial months of 2020, and which are extraordinary in nature and extent, have direct and indirect repercussions on economic activity giving rise to an environment of general uncertainty and whose evolution and effects are unforeseeable. However, in the face of this phenomenon, stress tests have been developed to identify to which extent the goodwill recorded would hold up against hypothetical reductions in the volume of business of the various CGUs, compared to the forecast data processed, by keeping fixed costs prudently unchanged and with WACC equal to the one used in the base case and g-rate equal to zero. In particular: (i) with reference to the Penta-Progema CGU, the book values remain valid even in the event of reductions in turnover of more than 55% over the explicit forecast period; (ii) with reference to the Unadyn CGU, the sustainable reduction is equal to approximately 20% and; (iii) about 25% with reference to the Toba CGU.

[3] Equity investments

At December 31, 2019, investments amounted to Euro 270 thousand and remained unchanged on December 31, 2018.
Details of the movements in these equity investments are as follows:

Company	Registered office	%	31.12.2018	Valuation of the year	31.12.2019
CMG S.p.A.	Budrio (BO)	20%	266	(76)	190
Piovan South Est Asia	Bangkok (Tailandia)	100%	-		-
Studio Ponte S.r.l.	Poggio Renatico (FE)	51%	-	76	76
Penta Auto Feeding India Ltd	Navi Mumbai (India)	50%	-		-
CMG America Inc.	Clio (Michigan)	100%	-	-	-
Altri			4		4
Total			**270**	**-**	**270**

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 associate CMG S.p.A., 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, corresponding to the present value of the assets contributed on that date. The valuation using the equity method resulted in the recognition of a reduction in the value of the investment of Euro 76 thousand, calculated on the basis of the best estimates available to date. The Company holds the option to purchase a further 45% interest in CMG at a price equal to the fair value of the investment at the exercise date.

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 12 thousand at December 31, 2019 has also been set up as the equity, at the date of the valuation, was negative for this amount.

With reference to the investee Studio Ponte S.r.l. the value of the investment has been restated and amounts to Euro 76 thousand as the equity, at the date of the valuation, was positive for this amount.

On April 29, 2019, the subsidiary Universal Dynamics Inc. acquired 100% of CMG America Inc. for consideration of USD 1. The value of the investment did not change between the date of acquisition and December 31, 2019, as the equity of the company at the date of valuation was zero.

Although the company is a subsidiary, it was not consolidated on a line-by-line basis as not considered material; however, the valuation of this entity using the equity method obtained the same effects, albeit globally.

[4] Other non-current assets

At December 31, 2019, these amounted to Euro 427 thousand compared to Euro 325 thousand at December 31, 2018; 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 4,469 thousand at December 31, 2019 compared to Euro 4,663 thousand at December 31, 2018. 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. The breakdown of deferred tax assets is as follows:

Increase	Taxable income 2019	Deferred tax assets 2019	Taxable income 2018	Deferred tax assets 2018
Consolidation adjustments of intercompany inventories	5,474	1,411	4,678	1,206
Stock write-down fund	2,233	617	1,819	488
Foreign currency conversion losses	241	58	119	29
Provisions for doubtful debts	1,236	284	954	244
Subcontractors installation fund	229	64	874	244
Provisions for risks	737	205	1,772	521
Product warranty provision	436	115	521	144
Additional client expenses	417	94	877	223
Leasing IAS 17	-	-	288	80
Assets/liabilities for contract work in progress - Trade receivables	523	143	2,306	643
Other	5,586	1,498	3,447	840
Total	**17,112**	**4,489**	**17,655**	**4,662**

Deferred tax liabilities amounted to Euro 1,987 thousand at December 31, 2019 compared to Euro 3,505 thousand at December 31, 2018. Details of deferred tax liabilities are as follows:

Decrease	Taxable income 2019	Deferred tax assets 2019	Taxable income 2018	Deferred tax assets 2018
Taxes paid not pertaining to the period	-	-	-	-
Leasing IAS 17	3,988	1,113	4,310	1,202
Assets/liabilities for contract work in progress - Trade receivables	524	131	4,936	1,377
Other differences	2,949	744	6,168	925

The change is mainly related to the amount of profits not yet distributed by the subsidiaries, which would generate a tax effect of Euro 285 thousand, and to the effects of the tax reform in the USA on investments made by the subsidiary Unadyn.

Movements in deferred tax assets and liabilities are shown below:

	31.12.2018	IFRS 16 first application	Effect on income statement	31.12.2019
Deferred tax assets	4,663	7	(181)	4,489
Deferred tax liabilities	(3,505)		1,518	(1,987)
Total	**1,158**	**7**	**1,337**	**2,495**

[6] Inventories

At December 31, 2019, they amount to Euro 29,264 thousand compared to Euro 28,049 thousand at December 31, 2018; the breakdown is shown below:

	31.12.2019	30.09.2019
Raw materials	4,571	5,930
Semi-finished products	13,356	10,978
Finished goods	14,175	15,567
Progress payments	468	1,311
Allowance for inventory write-down	(3,308)	(3,198)
Inventories	**29,264**	**30,587**

At December 31, 2019, inventories increased by Euro 3,007 thousand, gross of the obsolescence provision. The increase, mainly concerning Semi-finished and Finished Products, relates to normal business activities, the dynamics of which led to an increase in inventories at the end of the year in view of shipments in the initial months of 2020.
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] Assets and liabilities for contract work-in-progress

At December 31, 2019 the item *Assets for contract work-in-progress* amounted to Euro 3,712 thousand, compared with Euro 3,654 thousand at December 31, 2018.
Liabilities for contract work-in-progress amounted to Euro 2,527 thousand at December 31, 2019, compared with Euro 2,703 thousand at December 31, 2018. In particular, this refers to work-in-progress on contracts of the subsidiary Penta S.r.l.
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 (included under *Liabilities for contract work-in-progress*):

Contract assets for work in progress	31.12.2019	31.12.2018
Measurement of contracts in progress (costs incurred added to profits recognized)	4,665	13,762
Progress payments received	(954)	(10,108)

Contract assets for work in progress	31.12.2019	31.12.2018
Amounts due from customers	**3,712**	**3,654**

Contract liabilities for work in progress	31.12.2019	31.12.2018
Measurement of contracts in progress (costs incurred added to profits recognized)	2,688	1,210
Progress payments received	(5,215)	(3,913)
Amounts due to customers	**(2,527)**	**(2,703)**

The value of *Assets for contract work-in-progress* compared to December 31, 2018 remains stable. This item represents the difference between the production progress of the individual contracts compared to the value of customer contractual advances.
The reduction in *Liabilities for contract work in progress* compared to December 31, 2018 is due both to a difference in the timing in the invoicing of customer advances and to the progress of the individual contracts, as well as to the timing of the receipt of advances.
Revenue from contract work-in-progress amounted to Euro 27,469 thousand in 2019 and related mainly to the subsidiary Penta S.r.l.

The table below shows the changes in Assets and Liabilities for contract work-in-progress.

	31.12.2018	Decrease	Increase	31.12.2019
Assets for contract work in progress	3,654	(3,654)	3,712	3,712
Liabilities for contract work in progress	(2,703)	2,703	(2,527)	(2,527)

[8] Trade receivables

They amount to Euro 52,816 thousand at December 31, 2019 compared to Euro 50,656 thousand at December 31, 2018. This item, which represents the exposure to third parties, is broken down as follows:

Trade receivables	31.12.2019	31.12.2018
Gross trade receivables	57,609	54,136
Provision for bad debt	(4,793)	(3,480)
Trade receivables	**52,816**	**50,656**

Receivables	31.12.2019	31.12.2018
EMEA	33,663	28,612
of which Italy	15,771	9,188
NORTH AMERICA	6,902	9,629
ASIA	9,671	9,155
SOUTH AMERICA	2,580	3,260
Receivables	**52,816**	**50,656**

Gross receivables at December 31, 2019 increased by approximately Euro 2 million on the end of 2018, despite the decrease in turnover compared to the previous year. This increase is linked to a higher turnover in the fourth quarter compared to the previous three quarters.

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 financial statement date. These assessments do not take into account the impacts of the Covid-19 emergency that emerged in the first few months of 2020, which however cannot be determined.

The annual provision is included under Other operating costs.
Movements on the provision for impairment of receivables during the year are shown below:

Provision for bad debt		
31.12.2018	**3,480**	**3,106**
Accruals	947	602
Utilisations	(136)	(238)
Change in consolidation area	382	10
Exchange rate differences	40	-
Riclassifications	80	-
31.12.2019	**4,793**	**3,480**

The breakdown of receivables by past due and movements in the provision for doubtful debts is shown below:

Receivables and bad debt	31.12.2019		31.12.2018	
	Receivables	*Provision*	*Receivables*	*Provision*
Receivables due to expire	35,358	(219)	32,901	(162)
Receivables overdue within 30 days	8,645	0	7,588	(38)
Receivables overdue between 1 and 12 months	9,589	(922)	10,446	(1,054)
Receivables overdue over 12 months	4,017	(3,652)	3,201	(2,226)
Totale	**57,609**	**(4,793)**	**54,136**	**(3,480)**

[9] Current financial assets

During the first quarter of 2019, the parent company Piovan S.p.A. invested in 5 different security type for approximately Euro 6,283 thousand of financial resources. These instruments were measured at fair value (fair value of level 1) at December 31, 2019 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 total effect of the fair value measurement in 2019 is a net gain of Euro 36 thousand. As a result of movements during the quarter, the value of securities at December 31, 2019 was Euro 6,319 thousand.
Since these assessments are based on fair values as at 31 December 2019, they do not take into account the impact that the Covid-19 emergency, which emerged in the first few months of 2020, is having on the financial markets. The Company is monitoring these trends and at present the securities in the portfolio have not undergone significant changes in fair value.

[10] Tax receivables

They amount to Euro 3,735 thousand at December 31, 2019 compared to Euro 3,455 thousand at December 31, 2018.

Tax receivables	31.12.2019	31.12.2018
VAT receivables	3,259	2,776
Other current tax assets	475	679
Tax receivables	**3,735**	**3,455**

VAT receivables mainly refer to the parent company Piovan S.p.A. and the subsidiary Penta S.r.l. *Other tax receivables* include IRES and IRAP receivables recorded by the subsidiary Penta S.r.l. for the years 2016 and 2018, in addition to the research and development contribution of Piovan S.p.A.

[11] Other current assets

They amount to Euro 3,705 thousand at December 31, 2019 compared to Euro 4,192 thousand at December 31, 2018. A breakdown follows:

Other current assets	31.12.2019	31.12.2018
Advances to suppliers	1,798	1,197
Receivables from parent	279	1,493
Prepayments and accrued expenses	999	769
Other receivables	630	733
Other current assets	**3,705**	**4,192**

The item *Receivables from parent companies* includes 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). At December 31, 2018, the receivable amounted to Euro 786 thousand; during 2019, Euro 510 thousand was reimbursed and the balance at December

31, 2019 was Euro 275 thousand. The balance in the previous year also included the credit relating to the tax consolidation with the parent company, which was repaid in 2019.

[12] Cash and cash equivalents

They amount to Euro 59,123 thousand at December 31, 2019 compared to Euro 39,113 thousand at December 31, 2018.

Cash and cash equivalents	31.12.2019	31.12.2018
Current accounts and post office deposits	45,208	39,084
Cash equivalent	13,900	-
Cash	15	29
Cash and cash equivalents	**59,123**	**39,113**

For the analysis of the variations in cash and cash equivalents, reference should be made to the *Statement of Cash Flow*. The change in *Cash and cash equivalents* compared to December 31, 2018 is mainly due to investments in securities for approx. Euro 6.2 million, as further described in note [9].
Moreover, during the first quarter of 2019 the parent company Piovan S.p.A. undertook 2 contracts of "time deposit" for a value equal to Euro 13.9 million with the possibility of early release of the funds.
Current accounts and postal deposits are classified as current assets, highly liquid and convertible into cash with an exchange rate risk that is considered not significant.
At December 31, 2019 there were no restrictions on the availability of the Group's current accounts.

[13] Equity attributable to owners of the parent

Equity is made up as follows:

Equity attributable to the owners of the parent	31.12.2019	31.12.2018
Share capital	6,000	6,000
Legal reserve	1,200	1,200
Reserve for own shares in portfolio	(2,250)	(2,250)
Translation reserve	(1,211)	(1,594)
Other Reserves and retained earnings	38,938	25,748
Net profit (loss)	18,700	23,881
Equity attributable to the owners of the parent	**61,377**	**52,985**

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, 2018 and therefore the Company and the Group as at December 31, 2019 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, 2019.

The ***Translation reserve*** includes exchange rate differences arising from the translation of the opening 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 2019 following the allocation of the previous year's result.

[14] 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). Therefore, earnings per share calculations for all periods presented have been adjusted retrospectively and presented according to the new number of shares, taking into account the average number of treasury shares.

In particular, earnings per share was calculated, for all the periods presented, by dividing the net profit attributable to the shareholders of the Parent 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 ordinary shares were repurchased or issued during the years in question, nor are there any potential ordinary shares in circulation that could be converted with a dilutive effect.

Earnings per share are as follows:

Earnings per share	31.12.2019	31.12.2018
Net Profit Attributable to Owners of the Parent (in thousands of Euros)	18,700	23,881
Weighted average number of ordinary shares (in thousands of units)	50,929	50,929
Basic and dilutive earnings per share (in Euros)	**0.37**	**0.47**

[15] Equity attributable to non-controlling interests

The equity attributable to non-controlling interests at December 31, 2019 amounted to Euro 3,775 thousand compared to Euro 3,791 thousand at December 31, 2018. The account mainly includes the non-controlling interests in the subsidiaries Penta S.r.l., Progema S.r.l., FDM GmbH, FEA and Toba.

The changes in the consolidation scope mainly refer to the acquisitions of FEA and TOBA during the year.

Equity attributable to non-controlling interests					
31.12.2018	Net profit	Changes in consolidation scope	Dividendi distribuited	Variazioni di perimetro	31.12.2019
3,791	304		(83)	(237)	3,775

[16] Current and non-current financial liabilities

The account is broken down as follows:

Current financial liabilities	31.12.2019	31.12.2018
Short-term bank borrowings	25,026	12,995
Current portion of long-term loans	11,961	5,994
Loans for leases	404	280
Other loans and borrowings	1,537	-
Current financial liabilities	**38,928**	**19,269**

Non-current financial liabilities	31.12.2019	31.12.2018
Medium to long-term bank loans	20,939	10,760
Bonds	-	-
Loans for leases	189	609
Other loans and borrowings	6,327	-
Non-current financial liabilities	**27,455**	**11,369**

31.12.2019	Curr.	Original amount (Eur)	Maturity	Interest rate	Terms	Residual debt	Current	Non-current
Mediocredito II	EUR	5,000	30/06/2020	Variable	Euribor 3m +0,75%	667	667	0
Mediocredito III	EUR	8,000	31/03/2022	Variable	Euribor 6m+0,55%	4,000	1,600	2,400
Credem	EUR	6,000	05/04/2021	Fixed	0,48%	2,264	1,507	756
BNL II	EUR	7,500	06/06/2022	Fixed	0,50%	3,773	1,504	2,270
Credem II	EUR	7,000	03/05/2023	Fixed	0,54%	6,133	1,741	4,393
BNL III	EUR	3,000	13/06/2021	Variable	Euribor 6m+0,62%	3,000	2,000	1,000
Credit Agricole Friuladria	EUR	5,000	05/08/2024	Variable	Euribor 6m+0,65%	5,000	1,000	4,000
BNL IV	EUR	7,000	07/10/2023	Variable	Euribor 6m+0,85%	7,000	1,750	5,250
IBK I	KRW	870	25/09/2026	Fixed	3,848%	870	0	870
IBK II	KRW	154	09/03/2020	Fixed	2,085%	154	154	0
Altri						39	39	0
Totale		**49,524**				**32,900**	**11,961**	**20,939**

31.12.2019	Curr.	Original amount (Eur)	Maturity	Interest rate	Terms	Residual debt	Current	Non-current
Mediocredito II	EUR	5,000	30/06/2020	Variable	Euribor 3m +0,75%	2,000	1,333	667
Mediocredito III	EUR	8,000	31/03/2022	Variable	Euribor 6m+0,55%	5,600	1,600	4,000
Credem	EUR	6,000	05/04/2021	Fixed	0,48%	3,763	1,499	2,264
BNL II	EUR	7,500	06/06/2022	Fixed	0,50%	5,270	1,497	3,773
Altri	EUR					120	65	56
Totale		**26,500**				**16,753**	**5,994**	**10,760**

In 2019, at the same time as a new floating rate loan contract was signed, an IRS contract was entered into to cover fluctuations in the interest rate of the loan. At December 31, 2019, the notional value of the instrument was Euro 7,000 thousand and the fair value was positive and equal to Euro 10 thousand.

The application of IFRS16, as described in the section "summary of accounting standards applied", resulted in the recognition of a financial liability totaling Euro 7,864 thousand, which was classified as "current" for Euro 1,537 thousand and as "non-recurring" for Euro 6,327 thousand.

Short-term bank payables refer to the use of bank lines for operating purposes.

It should be noted that at December 31, 2019 there were no secured loans.
The following tables detail the changes in current and non-current financial liabilities, representing both monetary and non-monetary movements:

Current financial liabilities	31.12.2018	IFRS16 impact at 01.01.2019	31.12.2018 restated	Net cash flow	New borrowings	Change in consolidation scope	Increase for new rent/lease	31.12.2019
Short-term bank borrowings	12,995		12,995	12,031		-	-	25,026
Current portion of long-term loans	5,994		5,994	(677)	6,491	154	-	11,961
Other current financial liabilities	280	1,116	1,396	(70)		117	499	1,942
Current financial liabilities	**19,269**	**1,116**	**20,385**	**11,283**	**6,491**	**271**	**499**	**38,928**

Non-current financial liabilities	31.12.2018	IFRS16 impact at 01.01.2019	31.12.2018 restated	Net cash flow	New borrowings	Increase for new rent/lease	31.12.2019	Increase for new rent/lease
Medium to long-term bank loans	10,760	0	10,760	(5,334)	14,643	-	20,939	-
Bonds	-	0	-	-		-	-	-
Other non-current financial liabilities	609	4,750	5,359	(1,357)		2,032	6,516	2,032
Non-current financial liabilities	**11,369**	**4,750**	**16,119**	**(6,691)**	**14,643**	**2,032**	**27,455**	**2,032**

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

31.12.2019	Total	Total flows	Within 1 year	From 1 to 5 years	Over 5 years
Medium/long-term bank loans	20,939	21,069	-	21,069	-
Ordinary debentures after the next financial year	-	-	-	-	-
Lease financing after the next financial year	189	189	-	189	-
Other	6,327	6,327	-	6,327	-
Non-current financial liabilities	**27,455**	**27,585**	**-**	**21,258**	-
Current portion of medium/long-term loans	11,962	12,081	12,081	-	-
Current bank borrowings	25,026	25,028	25,028	-	-
Lease financing within the financial year	404	404	404	-	-
Other	1,537	**1,537**	**1,537**	-	-
Current financial liabilities	**38,929**	**39,051**	**39,051**	-	-

31.12.2018	Total	Total flows	Within 1 year	From 1 to 5 years	Over 5 years
Medium/long-term bank loans	10,760	11,222	-	11,222	-
Ordinary debentures after the next financial year	-	-	-	-	-
Lease financing after the next financial year	609	627	-	627	-
Non-current financial liabilities	**11,368**	**11,850**	**-**	**11,850**	**-**
Current portion of medium/long-term loans	5,994	6,238	6,238	-	-
Current bank borrowings	12,995	13,019	13,019	-	-
Lease financing within the financial year	280	289	289	-	-
Other	-	-	-	-	-
Current financial liabilities	**19,269**	**19,546**	**19,546**	**-**	**-**

[17] Employee benefit plans

The item mainly includes (Euro 4,814 thousand at December31, 2019 and Euro 3,887 thousand at December 31, 2018) the liabilities for the Post-employment benefit provision recorded in the Italian companies of the Group. These liabilities qualify as defined benefit plans in accordance with IAS 19 and have therefore been subject to actuarial calculation.
The remaining part of the balance (Euro 36 thousand at December 31, 2019 and Euro 25 thousand at December 31, 2018) concerns employee benefits paid by foreign branches individually and in aggregate not significant.
The change in the consolidation scope in the table below refers to the acquisitions of the companies FEA and TOBA during the year.

Liabilities for employee benefits	31.12.2019	31.12.2018
Opening balance	**3,862**	**3,885**
Change in consolidation scope	**735**	0
Other changes	(36)	(34)
Employee benefits paid	(414)	(256)
Provision	1,176	1,218
Transfer to pension funds and INPS treasury	(999)	(1,016)
Actuarial earnings (losses)	395	(105)
Interest cost	59	169
Closing balance	**4,778**	**3,862**

Liabilities for employee benefits	31.12.2019	31.12.2018
Annual discount rate	0.77%	1.57%
Annual inflation rate	1.20%	1.50%
Annual rate of increase in employee severance indemnity	2.40%	2.63%
Mortality rate		Tavole ISTAT 2018
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:

Liabilities for employee benefits	31.12.2019	31.12.2018
Discount rate +50bp	(242)	(194)
Discount rate -50bp	264	211
Inflation rate +50bp	178	138
Inflation rate -50bp	(168)	(134)

[18] Provisions for risks and charges

The provision for risks and charges at December 31, 2019 amounted to Euro 2,954 thousand compared to Euro 2,925 thousand at December 31, 2018. The composition and the movements of the item are shown in the following table:

	31.12.2018	Accruals	Utilisation	Exchange rate differences	Actuarial effect	31.12.2019
Provision for legal and tax risks	1,939	254	(141)			2,052
Provision for product warranties	748	60	(112)	9		705
Provision for agents' termination benefits	109	30	(56)	22	16	121
Pension provision	35	6				41
Provision for investments' losses	70		(58)			12
Other provisions for risks	23					23
Provisions for risks and charges	**2,925**	**350**	**(367)**	**31**	**16**	**2,954**

The *Provision for legal and tax risks* at December 31, 2019 mainly includes:

- a provision of Euro 587 thousand of 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;
- a provision of Euro 52 thousand of the subsidiary Piovan France Sas set aside in 2017 associated with the reorganization of the commercial network in the French market and utilized during 2019 for approx. Euro 110 thousand. The amount accrued during 2019 was Euro 32 thousand;
- a provision of Euro 624 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. In the first nine months of 2019, the provision amounted to Euro 38 thousand;
- a provision set aside in 2018 for a total amount at December 31, 2019 of USD 336 thousand (Euro 299 thousand) against a potential liability linked to indirect taxation in various states;
- a provision of Euro 345 thousand set aside in 2018 which represents the best estimate of potential charges related to the commercial activities of Piovan S.p.A., Penta S.r.l and Unadyn;
- a provision of Euro 10 thousand set aside in 2018 and adjusted in 2019 of the subsidiary Unadyn against a legal dispute in course and which the subsidiary has assessed the risk of losing the case as probable. This provision was updated compared to December 31, 2019.

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 was utilized by the Company Piovan S.p.A. for approx. Euro 51 thousand for the termination of an Italian agent.

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

[19] Current and non-current liabilities for options granted to minority interest

The items in question refer to liabilities for put options and commitments issued to the minority interest of Penta S.r.l., FEA and Toba.

At the end of December 2014 Piovan S.p.A. took control of Penta S.r.l. through the acquisition of 51% of its capital. Moreover, under the same acquisition agreement, Piovan S.p.A.:

had undertaken the commitment to acquire (hereinafter the "Commitment"), and the seller (hereinafter the “Seller”) the commitment to sell, a further 14% stake in the company. The purchase of this second closing took place in 2016.

granted to the seller a put option on a 35% stake in Penta S.r.l. (hereinafter the "Put Option") which gave the seller the unconditional right to sell to Piovan S.p.A. at a price defined by a formula based on the average economic and financial indicators taken from Penta S.r.l.’s financial statements prepared in accordance with GAAP.

After analysis of the purchase contract, the Directors established that control of Penta S.r.l. was acquired when the Group purchased the 51% stake in the subsidiary. At the transition date to international accounting standards, the Commitment and the Put Option were recognized as liabilities against a similar entry in the Equity attributable to owners of the parent, as they related to non-controlling interests that would have been taken over only after the acquisition of control with the purchase of 51% of the company (thus qualifying them as transactions between shareholders).

In April 2015, following the entry onto the Board of Directors of Penta S.r.l. of a new manager, this latter acquired from the seller, a minority stake of 10%. At the same time, Piovan S.p.A. granted this new minority interest a put option (or "Put Option 2") in relation to this stake in Penta S.r.l., exercisable during the period from January 1, 2020 to December 31, 2022. The exercise price is defined by a formula based on economic and financial indicators of the financial statements of Penta S.r.l. prepared in accordance with Italian GAAP and available at the date the option is exercised (2020-2022). The Put Option therefore remained for a 25% stake.

With reference to the 25% Put Option, Piovan S.p.A. signed a sales/purchase agreement with 3B Inc. S.r.l. (formerly 3B Immobiliare S.r.l.) on September 7, 2018 for the purchase of 25% of Penta S.r.l. The contract governed the manner, terms and conditions of the sales/purchase agreement and provided for the resolution - by mutual consent of the parties - of the Put Option in addition to the simultaneous transfer of the shares it holds.

At December 31, 2019, the liability relating to Put Option 2 on the remaining 10% stake in Penta S.r.l. was still outstanding. In January 2020, the minority interest and Penta S.r.l. signed an agreement which modified the exercise period of Put Option 2, with the other conditions unchanged. This option is to be exercised between August 1, 2020 and

September 30, 2020. For the purposes of preparing the financial statements at December 31, 2019, the liability was determined by applying the contractual formula to the economic and financial data available. The adjustment of this value led to a reduction in the liability and the consequent recognition of income of Euro 464 thousand in the income statement.
As previously illustrated, in July 2019, Piovan S.p.A. finalized the acquisition of 51% of the share capital of FEA and TOBA. The contracts relating to both acquisitions include the possibility for minority interest to exercise a put option and Piovan S.p.A. to exercise a call option on the shares of minority interest. Specifically:
FEA shareholders may exercise a put option on all, and not part, of their share capital in the period between 30.04.2022 and 30.04.2024. Piovan S.p.A., on the other hand, may exercise a call option - also in a single transaction and in the period between 30.04.2022 and 30.04.2024 - on the 12% of share capital held by FEA's historic shareholders, according to certain economic and financial parameters defined in the agreements between the parties;
ToBaPNC shareholders may exercise a put option on 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. may exercise a call option with the same characteristics, options exercisable according to certain economic and financial parameters defined in the agreements between the parties.
A liability relating to these put options was recognized at the acquisition date of the investee companies. In order to determine the value of this liability, the Parent Company estimated the economic and financial data used as the basis of the formula contractually agreed and described above and this value was discounted. This value was recorded under "Non-current liabilities for options granted to minority interest " with a similar entry in the Equity attributable to the owners of the parent, as they related to non-controlling interests that would have been taken over only after the acquisition of control of the company (thus qualifying them as transactions between shareholders).
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 fair value estimate are reflected in the Statement of Profit and Loss under income/(expense) from the valuation of liabilities for options granted to minority interest.

As previously mentioned, the estimates and forecasts available at the reference date and used for the evaluation do not take into account the impacts that the Covid-19 emergency, which emerged in the first few months of 2020, could have on the economic performance of the companies covered by these options. Any future impacts related to this emergency on the other hand would have a reduction effect on the liabilities for options.

	31.12.2018	Reclassifications	Increases	Decreases	Purchase	Charges (Income) from valuation	31.12.2019
Put Option Penta (10%)	3,185	-	-	(464)	-	-	2,721
Put Option FEA (49%)	-	-	1,221	-	-	(86)	1,135
Put Option Toba (49%)	-	-	1,400	-	-	-	1,400
Total Put Options	**3,185**	-	2,621	**(464)**	-	**(86)**	**5,256**
including	-	-	-	-	-	-	-
non-current	*3,185*	*(3,185)*	*2,621*	-	-	*(86)*	*2,535*
current	-	*3,185*	-	*(464)*	-	-	*2,721*

With reference to the subsidiary FDM, the minority interest 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, 2019 these amounted to Euro 268 thousand compared to Euro 121 thousand at December 31, 2018 and are represented by tax payables of the subsidiary Piovan Do Brasil.

[21] Trade payables

They amount to Euro 40,556 thousand at December 31, 2019 compared to Euro 39,937 thousand at December 31, 2018. Trade payables originate from the different payment terms negotiated with suppliers, which vary according to the various countries in which the Group operates. The movement in this item derives from the normal fluctuation in different quarters in relation to the business activities of the various companies.

[22] Advances from customers

At December 31, 2019 *Advances from customers* amounted to Euro 16,063 thousand compared toEuro 12,577 thousand at December 31, 2018. This item refers to advances received by the Group and relating to contracts where performance obligations are met at a point in time.

[23] Tax and social security payables

They amount to Euro 6,738 thousand at December 31, 2019 compared to Euro 6,422 thousand at December 31, 2018. The account is broken down as follows:

	31.12.2019	31.12.2018
Social security contributions	3,124	3,042
VAT liabilities	1,264	1,400
Tax withholdings for employees	1,471	1,471
Income tax liabilities (IRES and IRAP)	589	327

	31.12.2019	31.12.2018
Other	290	182
Tax liabilities and social security contributions	**6,738**	**6,422**

[24] Other current liabilities

They amount to Euro 11,102 thousand at December 31, 2019 compared to Euro 12,241 thousand at December 31, 2018. The account is broken down as follows:

	31.12.2019	31.12.2018
Payables to employees	5,932	5,951
Payables to parent company	822	669
Accrued income and deferred expense	2,369	3,923
Other payables	1,979	1,699
Other current liabilities	**11,102**	**12,241**

Employee payables refer to wages and salaries and accruals for vacation and leave accrued. Payables to parent companies mainly refer to parent company Piovan S.p.A. and derive from the tax consolidation contract in place with the parent company Pentafin S.p.A.

EXPLANATORY NOTES TO THE CONSOLIDATED INCOME STATEMENT

[25] Revenue

They amounted to Euro 228,526 thousand in 2019 compared to Euro 241,661 thousand in 2018, with a decrease of 5,4%.
In order to provide adequate disclosure a breakdown of Revenue 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:

	2019	2018
Plastic Systems	180,616	187,722
Food & non plastic Systems	18,697	27,799
Service & Spare parts	29,213	26,140
Revenue	**228,526**	**241,661**

Part of the revenue 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 Revenue, are met over time, as described in the section "Accounting policies". This revenue amounted to Euro 27,326 thousand in 2019, compared to Euro 37,620 thousand in 2018. Such revenue mainly relates to the subsidiary Penta S.r.l.

The breakdown of revenue by region is as follows:

	2019	2018
EMEA	140,954	156,789
ASIA	29,237	28,648
NORTH AMERICA	45,805	44,767
SOUTH AMERICA	12,530	11,458
Revenue	**228,526**	**241,661**

Revenue in EMEA includes revenue in Italy which amounted to Euro 48,511 thousand in 2018 and Euro 52,755 thousand in the previous year.

[26] Other Revenue and income

Other Revenue amounted to 5,834 thousand, a decrease of Euro 348 thousand on the previous year, and includes Euro 714 thousand non-recurring income from the capital gain on the sale of the property in September 2019, as further described in the Directors` Report.

This item is broken down as follows:

	2019	2018
Accessory transport services for sales	2.609	2.475
Gain for disposal of US building	-	1.933
Machinery rent	212	144

	2019	2018
Grants related to income	592	417
Other revenues	312	234
Gains for disposal of tangible and intangible assets	743	55
Recharges to suppliers	193	33
Insurance compensation	157	175
Agency commissions	129	80
Sale of scrap materials	96	111
Increase in fixed assets for internal works	377	-
Other	415	525
Other revenue and income	**5.834**	**6.182**
of which non-recurring	**714**	**1.933**
Other revenue and income (before non-recurring)	**5.120**	**4.249**

Transport ancillary services on sales mainly refers to revenue 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 for 2019 are mainly represented by grants for research and development of Piovan S.p.A.
the item Capital gains on the sale of tangible and intangible fixed assets mainly relates to the net capital gain of Euro 714 thousand from the sale of the building by the parent company Piovan S.p.A., located at Via Galilei 3, Santa Maria di Sala, for a total sales price of Euro 2,047 thousand. This amount has already been paid in full by the buyer to the seller Piovan S.p.A. For further information please refer to note [1].
Other Revenue includes recharges and penalties applied to customers.

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

This item amounted to Euro 88,272 thousand in 2019 compared to Euro 97,455 thousand in the previous year. This item is broken down as follows:

	2019	2018
Costs of raw materials, components and goods	84,735	99,689
Costs of consumables	3,585	3,367
Change in raw materials and goods	22	562
Change in finished goods and semi-finished products	(70)	(6,163)
Costs of raw materials, components and goods and changes in inventories	**88,272**	**97,455**

The decrease in purchases of raw materials, components and goods and change in inventory derives from the decrease in sales and sales mix effect.

[28] Services

Service costs amounted to Euro 51,019 thousand in 2019 compared with Euro 53,273 thousand in 2018, down Euro 1,299 thousand. In 2018, non-recurring consultancy costs related to the stock market listing process totaled Euro 3,653 thousand.

This item is broken down as follows:

	2019	2018
Outsourcing	21,253	21,323
Transport	6,659	6,832
Business trips and travel	4,483	4,498
Agency commissions	3,662	3,541
Fees to directors, statutory auditors and independent auditors	1,971	1,757
Consultancies	3,651	6,388
Maintenance and repairs	1,777	1,563
Marketing and advertising	1,648	1,588
Utilities	1,356	1,215
Insurance	944	964
Telephone and connections	586	523
Other costs for services	3,028	3,080
Services	51,019	53,273
of which non-recurring	100	3,653
Costs for services excluding non-recurring services	**50,919**	**49,620**

The change in this item is generally attributable to all Group companies, although the most significant amounts refer to the parent company Piovan S.p.A., Universal Dynamics Inc. and Penta S.r.l..

The largest cost items, in particular from an industrial process point of view, are:
- outsourcing costs amounting to Euro 21,253 thousand in 2019 (41.7% of total *Service costs excluding non-recurring*) determined by the production methods of the Group, which concentrates internally processing and high value added and core activities. In 2018 this item amounted to Euro 21,323 thousand and 40.0% of the total *Service costs*;
- decrease in transport costs on purchases and sales which is linked to business performance;
- 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.

[29] Use of third party assets

Rent, leasing and similar costs amounted to Euro 1,547 thousand compared with Euro 2,632 thousand in 2018.
This item is broken down as follows:

	2019	2018
Rental expenses	559	1,700
Leases	373	377
Hires	615	556
Use of third party assets	**1,547**	**2,632**

The decrease in this item is mainly due to the effect of the application of the new accounting standard IFRS16 - Lease.
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 Statement of Profit and Loss on a straight-line basis, but instead the depreciation of the related right-of-use for the duration of the respective contracts was recognized.

[30] Personnel expenses

Personnel expense amounted to Euro 59,006 thousand compared with Euro 57,079 thousand in 2018. A breakdown of personnel expenses and the workforce by category is provided below:

	2019	2018
Wages and salaries	44,421	43,245
Social security contributions	12,489	11,816
Costs for defined benefit plans	1,337	1,321
Other expenses	760	697
Personnel expenses	**59,006**	**57,079**

	31.12.2019		31.12.2018	
	period end	average	period end	average
Managers	28	29	35	36
Junior managers	63	65	56	56
White collars	617	609	572	568
Blue collars	393	401	381	384
Total	**1.101**	**1.104**	**1.044**	**1.044**

The number of Group employees has increased compared to December 2018. At December 31, 2018, the total number of employees was 1,044. The increase is due to the growth in business and proximity to customers that the Group is pursuing.

[31] Other expenses

This item amounted to Euro 3,596 thousand compared with Euro 2,387 thousand in the previous year. This item is broken down as follows:

	2019	2018
Other taxes and duties	1,070	1,065
Bad debt provision	852	602
Entertainment costs	433	331
Other	1,241	390
Other expenses	**3,596**	**2,387**

Other taxes and duties mainly include indirect taxes on property and local taxes in the various countries and in particular in Brazil and China.

[32] Provisions for risks and charges

Provisions in 2019 amounted to Euro 350 thousand compared to Euro 1.092 thousand in the previous year.
In 2019 the provision is mainly related to legal and tax risks as further described in note [18].

	2019	2018
Provision for legal and tax risks	261	880
Provision for product warranty	60	156
Provision for additional client expenses	28	56
Provisions for risks and charges	**350**	**1,092**

[33] Amortization, depreciation and write-downs

This item amounted to Euro 4,775 thousand compared with Euro 2,587 thousand in 2018. This item is broken down as follows:

	2019	2018
Amortisation	635	343
Depreciation	2,919	2,244
Right of Use depreciation (IFRS16)	1,221	-
Depreciation & amortisation	**4,775**	**2,587**

The increase in this item is essentially due to the application of IFRS 16, as described in note [1].

[34] Financial income and expenses

The item totaled net income of Euro 22 thousand in 2019 compared to net expenses of Euro 207 thousand in 2018.

	2019	2018
Interest income	117	161
Income on financial assets	405	60

	2019	2018
Other financial income	77	104
Financial income	**599**	**325**
Bank interest expenses	178	135
Other interest expenses	170	114
Other financial expenses	229	283
Financial expense	**577**	**532**
Net financial income (charges)	**22**	**(207)**

"Income from financial assets" includes interest income and financial charges from the valuation of securities as further described in note [9] relating to investments of liquidity.

[35] Net exchange rate gains/(losses)

This item amounted to losses of Euro 46 thousand in 2019 compared to gains of Euro 239 thousand in 2018. This item is broken down as follows:

	2019	2018
Exchange rate gains	2,687	4.320
Exchange rate losses	(2,733)	(4.081)
Net exchange rate gain (losses)	**(46)**	**239**

Unrealized foreign exchange gains included under *Foreign exchange gains* amounted to Euro 1,470 thousand in 2019 (55% of foreign exchange gains for the year) and Euro 2,440 thousand in 2018 (56% of foreign exchange gains for the year).
Unrealized foreign exchange losses included under *Foreign exchange losses* amounted to Euro 1,720 thousand in 2019 (63% of foreign exchange losses for the year) and Euro 1,455 thousand in 2018 (36% of foreign exchange losses for the year), respectively. Net exchange losses were recorded in 2019 of Euro 46 thousand.

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

The item reports net income of Euro 549 thousand in 2019 compared to net income of Euro 2,270 thousand in 2018.
In particular, the account includes income from the valuation and discounting of the put option granted to the minority interest on the remaining 10% of Penta's share capital. The account also includes the income from the fair value measurement of the put option of 49% of FEA, acquired during the year. For further information, reference should be made to Note [19].
In particular, 2018 includes, on the one hand, income of Euro 2.7 million from the purchase of a further 25% of Penta S.r.l. on September 7, 2018 for a lower price than the liability for the related option granted to the minority interest, estimated and recorded in the financial statements at December 31, 2017. The item also includes the cost for the valuation and discounting of the put option granted to the minority interest in relation to the remaining 10% of Penta's share capital.

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

The item amounted to a net loss of Euro 62 thousand in 2019 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 7,273 thousand in 2019 compared with Euro 7,976 thousand in 2018. 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.

	2019	2018
Current tax liabilities	8,303	8,014
Deferred/advance taxes	(1,051)	(38)
Income taxes	**7,253**	**7,976**

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

	2019	2018
Result before taxes	26,257	33,490
Income taxes calculated using the theoretical IRES rate (24%)	(6,302)	(8,038)
Irap	(1,108)	(1,021)
Effect of different taxation on companies operating abroad	131	(365)
Effect on income (charges) from valuation of liabilities for options granted to minority interest	132	545
Withholding tax on dividends		-
Other movements	(106)	903
Income taxes	**(7,253)**	**(7,976)**

Reference should be made to Note [5] in relation to changes in deferred tax assets and liabilities and the nature of these.
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] 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 revenue 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.

Information about products sold and services provided and regional presence is provided in Note [24].

[40] 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.
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. In 2018, on the other hand, the non-recurring income of Euro 1,933 thousand referred to the capital gain realized on the sale of the old production site no longer used in the United States following the transfer and expansion of production capacity to the new plant in Fredericksburg, Virginia (United States).
Non-recurring charges mainly relate to costs for the transfer to the new Italian building.
Non-recurring charges in 2018 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.

Non Recurring items	2019	2018
Gains on disposal of building	714	1.933
IPO Costs	-	(3.653)
Relocation Costs	(298)	(947)
Personnel expenses	(506)	(807)
Totale	**(90)**	**(3.474)**

[41] Other information

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 2018, to which reference should be made for further information.

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	52,816			52,816
Financial assets		6,319	6,319		
Total financial assets		**118,259**	**6,319**	**59,123**	**52,816**
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	1,942		1,942	

31.12.2019	IFRS 9 categories	Book value	Level 1	Level 2	Level 3
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**

31.12.2018	IFRS 9 categories	Book value	Level 1	Level 2	Level 3
Current accounts and post office deposits	Receivables and loans	39,084		39,084	
Cash	Receivables and loans	29		29	
Cash and cash equivalents		**39,113**		39,113	
Trade receivables	Receivables and loans	**50,656**			**50,656**
Financial assets		**89,770**	-	**39,113**	**50,656**
Total financial assets		10,760		10,760	
Bank borrowings	Liabilities at amortised cost	609		609	
Payables to other lenders	Liabilities at amortised cost	**11,368**	-	**11,368**	-
Non-current financial liabilities		12,995		12,995	
Short-term bank loans	Liabilities at amortised cost	5,994		5,994	
Short-term bank loans	Liabilities at amortised cost	280		280	
Payables to other lenders	Liabilities at amortised cost	**19,269**	-	**19,269**	-
Current financial liabilities		**39,937**			**39,937**
Trade payables	**Liabilities at amortised cost**	**12,577**			**12,577**
Advances from customers	**Liabilities at amortised cost**	**3,185**			**3,185**
Liabilities for commitments and put options	**Liabilities at fair value**	**86,336**	-	**30,637**	**55,699**

Related party transactions

During 2019 and 2018 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.

On November 12, 2018, the Board of Directors approved the related party transaction policy ("RPT Policy") in implementation of Article 2391-*bis* of the Italian Civil Code and the Consob Regulation with Motion No. 17221 of March 12, 2010, subject to the favorable opinion of Related Parties Transactions Committee. The RTP Policy contains the rules for

the approval and execution of related party transactions made by the Company, directly or through subsidiaries, to ensure that such transactions are transparent and correct both in substance and from a procedural viewpoint. The RPT Policy is available on the Company's website (piovangroup.com), in the policies and procedures section, to which reference should be made for further details.
During the period we report:

- no transactions were undertaken of significance as defined in the RPT Policy pursuant to the aforementioned Consob regulations,
- there were no individual related party transactions which “had a significant influence” on the equity situation or the Company’s or Group’s results.

All transactions are regulated at market conditions for goods and services of equal quality. For the balances at December 31, 2018, reference should be made to the Consolidated Financial Statements at December 31, 2018, while for the balances at December 31, 2019 there are no transactions and balances of significant amounts with the exception of the tax consolidation payable due to Pentafin S.p.A. described in note [23] and the IRES (corporate income tax) refund receivable on IRAP also due from Pentafin S.p.A. as described in note [10].

Transactions at 2019	Nature of transactions	Notes	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
Carsil S.r.l.	Company owned by Nicola Piovan’s relatives	[27]						277
TOTAL			**200**	**275**	**690**	**888**	**182**	**4,754**

Transactions at 2018	Nature of transactions	Notes	Current trade receivables	Other current assets	Trade payables	Other current liabilities	Revenues	Expenses	Transactions at 2019
Pentafin S.p.A.*	Piovan S.p.A. parent company	[11] [24]	-	1.402			671		
CMG S.p.A.	Associated company	[11] [21] [27]	-	12	504				1.410
Studio Ponte S.r.l.	Subsidiary	[21] [27]			97				438
Penta Auto Feeding India Ltd.	Subsidiary	[8] [25]	167					115	
Nicola Piovan	Chairman of the BoD of Piovan S.p.A. and Sole shareholder of Pentafin S.p.A.	[27]	-						1.339
Filippo Zuppichin	Chief executive officer and shareholder of Piovan S.p.A.	[27]							465
Carsil S.r.l.	Company owned by Nicola Piovan’s relatives	[27]	-						289
Spafid S.p.a. (Delta Erre S.p.A.)	Trust company - registered on behalf of Nicola Piovan	[27]				-			68
TOTAL			**167**	**1.414**	**602**	**-**	**671**	**115**	**4.009**

* in the first half of the year, non-depreciable assets of €988,000 were sold to the parent company Pentafin S.p.A.

Commitments and risks

At December 31, 2019, the Group provided guarantees to third parties as indicated below:

- Euro 3,545 thousand for guarantees in favor of third parties against advances received for contract work-in-progress;
- Euro 572 thousand for guarantees in favor of third parties of the Parent Company Piovan S.p.A. for commercial activities.
- payables for future rents of € 638 thousand (7,281 at 31 December 2018).

At December 31, 2019, 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 9.6 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, 2018 compared to the previous year are shown below:

	2019	2018
Directors	1,673	1.258
Key managers	826	819
Statutory auditors	39	10

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 2019 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 2019
External audit of accounts	Auditor of the parent company	Parent company	140
External audit of accounts	Auditor of the parent company	Subsidiaries	59
External audit of accounts	Network of the parent company's auditors	Subsidiaries	85
Auditing and review	Auditor of the parent company	Parent company	63
Non-audit services	Other auditors	Subsidiaries	5
Non-audit services	Network of the parent company's auditors	Parent company	14

Subsequent events after December 31, 2019

There are no particular significant events occurring after the end of the year, except as already explained with reference to the Coronavirus emergency, which however had no significant impact on the performance of the Group in the first two months of the year.

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 31/12/2019	% shareholding	Shares held Shareholder-Partner	Consolidation method
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
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%) 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

Company name	Registered office	Country	Currency	Share capital at 31/12/2019	% shareholding	Shares held Shareholder-Partner	Consolidation method
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	90.00%	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.	Equity method
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.	Equity method
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 (Venice), March 19, 2020.

On behalf of the Board of Directors

The 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, 2020

The undersigned Filippo Zuppichin and Marco Mammano, respectively CEO and 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 conformity in relation to the characteristics of the company and
- the effective application

of the administrative and accounting procedures for the compilation of the consolidated annual financial statements for 2019.
No significant aspect emerged concerning the above.

In addition, we declare that the consolidated financial statements at December 31, 2019:

a) are drawn up in conformity with the applicable international accounting standards recognized by the European Union in conformity with Regulation (CE) No. 1606/2002 of the European Parliament and the Commission of 19 July 2002;
b) correspond to the underlying accounting documents and records;
c) provides a true and fair view of the financial position, financial performance and cash flow of the issuer and of the other companies in the consolidation scope.

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	Marco Mammano

INDEPENDENT AUDITORS' REPORT ON 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 consolidated statement of financial position as at 31 December 2019, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated 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 related to the CGU Penta-Progema and Unadyn	
Description of the key audit matter	Consolidated financial statements include goodwill for a total of Euro 6,745 thousand pertaining, for Euro 1,872 thousand, to the cash generating unit (CGU) represented by the controlled entity Penta S.r.l. and its subsidiary Progema S.r.l. and, for Euro 3,333 thousand to the CGU represented by the subsidiary Universal Dynamics Inc. ("Unadyn"). 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. The valuation process carried out by Company's Management is based on assumptions concerning, among other things, the CGUs' expected cashflows, deriving from business plans prepared for the period 2020-2024 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 are influenced by expectations about future markets conditions. 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. Note [2] to the consolidated financial statements provides disclosures on goodwill, on the structure of the impairment test performed, including sensitivity analyses showing the impact to the test results of changes in the key parameters used.
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. As part of our audit we have, among other things, carried out the following procedures, also with the support of experts: • identification and understanding of relevant controls implemented by the Company on the impairment test process; • analysis of the reasonabless of main assumptions adopted in determining of the expected cash flows; • analysis of actual 2019 results compared to budgeted figures in order to evaluate the nature of differences and the reliability of the process used for the preparation of business plans used for 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.

Liabilities for options granted to non controlling interest	
Description of the key audit matter	The consolidated financial statements include liabilities for options granted to non controlling interest of subsidiaries totalling Euro 5,256 thousand, for Euro 2,721 thousand classified among current liabilities and Euro 2,535 thousand as non-current liabilities. In particular, these liabilities relate to three put options ("Put Option") on three different subsidiaries (Subsidiaries): (i) one, for an amount of Euro 2,721 thousand, granted to minority interest of the subsidiary Penta S.r.l. ("Penta") on a 10% quota, which can be exercised from August 1, 2020 to September 30, 2020; (ii) the second, for an amount of Euro 1,135 thousand, granted to minority interest of the subsidiary FEA Process & Technological Plants S.r.l. ("FEA") on a 49% quota, which can be exercised from April 30, 2022 to April 30, 2024; (iii) the third, for an amount of Euro 1,400 thousand, granted to minority interest of the subsidiary ToBaPNC Co. Ltd. ("TOBA") on a 49% quota, which can be exercised from January 1, 2023 to December 31, 2024; The strike price of these Put Option is to be determined with a formula based on financial parameters extracted from the Subsidiaries' financial statements available at the exercise date. The valuation process carried out by Company's Management with reference to the Stock Option is based on several assumptions concerning, among other things, the expectations regarding the date of exercise, during the contractual exercise period, in addition to the trend in the Subsidiaries' financial figures during the exercise period. These assumptions are also influenced by the expectation of the Put Option holder about the conditions of the reference markets, element which is outside the control of the Company. Considering the amount of the "Liability for options granted to non controlling interest" included in the financial statements, the level of judgement involved in the estimates regarding variables affecting the determination of such liability, we considered the valuation of the liability as a key audit matter of the consolidated financial statements. Note [19] to the consolidated financial statements includes the disclosure on this caption.
Audit procedures performed	We have preliminarily examined the methodology used by Management in determining the value of "Liabilities for options granted to non controlling interest", analyzing the methods and assumptions used by Management in developing relevant estimates.

As part of our audit we have, among other things, carried out the following procedures:

- identification and understanding of relevant controls implemented by the Company on the estimation process;
- analysis of reasonabless of the main assumptions adopted in determining forecast data on which the estimate is based;
- analysis of actual 2019 results compared to budgeted figures in order to evaluate the nature of differences and the reliability of the process for the preparation of estimates regarding the Subsidiaries future financial results used for the estimate of Put Option liabilities;
- evaluation of reasonabless of the discount rate;
- verification of mathematical accuracy of the model used to develop the estimate of the liability.

We have also examined the appriopriateness and compliance with respect to the applicable accounting principles of the disclosure provided by the Company on such key audit matter.

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.

Deloitte.

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 2019, 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 2019 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 some specific 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 2019 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 Group 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 auditor.

DELOITTE & TOUCHE S.p.A.

Signed by
Barbara Moscardi
Partner

Treviso, Italy
27 March 2020

SEPARATE FINANCIAL STATEMENT

At December 31, 2019

SEPARATE FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

(Amounts in Euro)

ASSETS	Notes	31/12/2019	31/12/2018
NON-CURRENT ASSETS			
Property, plant and equipment	**Note 1**	31,235,547	22,175,065
Intangible assets	**Note 2**	495,365	327,327
Equity investments	**Note 3**	31,667,812	30,367,639
- of which related parties	**Note 35**	*31,667,812*	*30,367,639*
Other non-current assets	**Note 4**	16,489	16,489
Deferred tax assets	**Note 5**	549,077	622,502
TOTAL NON-CURRENT ASSETS		**63,964,290**	**53,509,022**
CURRENT ASSETS			
Inventories	**Note 6**	9,373,576	9,946,388
Trade receivables	**Note 7**	36,004,584	33,827,956
- of which related parties	**Note 35**	*17,565,520*	*19,362,000*
Current financial assets	**Note 8**	12,307,380	3,898,702
- of which related parties	**Note 35**	*5,987,926*	*3,899,000*
Tax receivables	**Note 9**	791,246	839,153
Other current assets	**Note 10**	871,243	1,975,828
- of which related parties	**Note 35**	*395,545*	*1,328,000*
Cash and cash equivalents	**Note 11**	39,590,822	11,434,511
TOTAL CURRENT ASSETS		**98,938,850**	**61,922,538**
TOTAL ASSETS		**162,903,140**	**115,431,560**

LIABILITIES AND EQUITY	Notes	31/12/2019	31/12/2018
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**	29,957,800	26,025,168
Net profit (loss)	**Note 12**	14,397,951	11,671,417
TOTAL EQUITY		**49,306,006**	**42,646,841**
NON-CURRENT LIABILITIES			
Long-term loans	**Note 14**	20,068,667	10,703,577
Non-current financial liabilities	**Note 14**	1,263,382	569,237
Employee benefits plans	**Note 15**	2,279,402	2,373,920
Provision for risks and charges	**Note 16**	1,268,665	1,790,036
Other non-current liabilities		-	-
Deferred tax liabilities	**Note 5**	1,215,906	1,187,004
TOTAL NON-CURRENT LIABILITIES		**26,096,022**	**16,623,774**
CURRENT LIABILITIES			
Current portion of long-term loans	**Note 14**	11,768,151	5,929,534
Current bank loans and borrowings	**Note 14**	25,024,534	12,994,326
Current financial liabilities	**Note 14**	15,977,191	3,619,828
- of which related parties	**Note 35**	*15,573,128*	*3,300,000*
Trade payables	**Note 17**	25,027,127	23,464,847
- of which related parties	**Note 35**	*2,898,539*	*2,608,000*
Advance from costumers	**Note 18**	2,003,178	2,501,664
Tax liabilities and social security contributions	**Note 19**	3,210,848	3,380,037
Other current liabilities	**Note 20**	4,490,082	4,270,709
- of which related parties	**Note 35**	*1,068,673*	*24,000*
TOTAL CURRENT LIABILITIES		**87,501,112**	**56,160,945**
TOTAL LIABILITIES		**113,597,134**	**72,784,719**
TOTAL LIABILITIES AND EQUITY		**162,903,140**	**115,431,560**

STATEMENT OF PROFIT AND LOSS

(Amounts in Euro)

CONSOLIDATED STATEMENT OF PROFIT AND LOSS	Notes	31/12/2019	31/12/2018
Revenue	**Note 21**	102,694,077	106,674,271
- of which related parties	**Note 35**	*37,226,197*	*37,511,365*
Other revenue and income	**Note22**	2,800,169	1,377,323
- of which related parties	**Note 35**	*441,340*	*343,419*
TOTAL REVENUE AND OTHER INCOME		**105,494,246**	**108,051,594**
Costs of raw materials, components and goods and changes in inventories	**Note 23**	40,653,218	44,598,927
- of which related parties	**Note 35**	*3,695,807*	*5,464,778*
Services	**Note 24**	19,883,671	21,529,874
- of which related parties	**Note 35**	*4,780,489*	*3,757,367*
Use of third party assets	**Note 25**	170,236	424,890
- of which related parties	**Note 35**	*-*	*316,014*
Personnel expenses	**Note 26**	23,837,103	24,163,438
- of which related parties	**Note 35**	*128,000*	*441,274*
Other expenses	**Note 27**	813,085	633,788
- of which related parties	**Note 35**	*2,405*	*5,120*
Provisions for risks and charges	**Note 28**	(244,285)	413,194
Amortisation and depreciation	**Note 29**	2,380,018	1,789,115
- of which related parties	**Note 35**	*305,375*	*7,873*
TOTAL COSTS		**87,493,046**	**93,553,226**
OPERATING PROFIT		**18,001,200**	**14,498,368**
Financial income	**Note 30**	1,327,155	1,431,937
- of which related parties	**Note 35**	*965,653*	*1,378,873*
Financial Expenses	**Note 30**	(323,993)	(332,315)
- of which related parties	**Note 35**	*(62,106)*	*(95,685)*
Net exchange rate gain (losses)	**Note 31**	209,894	443,134
Financial asset adjustments	**Note 32**	250,000	(85,000)
PROFIT BEFORE TAXES		**19,464,256**	**15,956,124**
Income taxes	**Note 33**	5,066,305	4,284,707
NET PROFIT		**14,397,951**	**11,671,417**

Earnings per share			
Basic and diluted earnings per share (in Euros)	**Note 14**	**0.28**	**0.23**

STATEMENT OF COMPREHENSIVE INCOME

(Amounts in Euro)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		31/12/2019	31/12/2018
Net profit		**14,397,951**	**11,671,417**
Items that may be subsequently reclassified to profit or loss:		-	-
- Fair value difference hedging instruments net of the tax effects		0	0
- 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		(107,953)	69,549
- Actuarial gains on agents' termination benefits net of the tax effect		21,555	(2,184)
Total Comprehensive income		**14,311,553**	**11,738,782**

STATEMENT OF CASH FLOW *(Amounts in Euro)*

	31/12/2019	31/12/2018
Net profit	**14,397,951**	**11,671,417**
Adjustments for:	-	
- Ammortamenti immobilizzazioni materiali ed immateriali	2,380,018	1,874,115
- (Ripristini di valore) o svalutazione di immobilizzazioni	-	
- Svalutazioni di partecipazioni	-	
Amortisation and depreciation	2,380,018	*1,874,115*
Inventory write-down and bad debt provision	110,000	399,676
- Net non-monetary financial charges		
- Net non-monetary financial (income)	(101,159)	
Change in provisions for risks and charges and employee benefits liabilities	(715,279)	(122,532)
Net capital (gains) losses on sale of fixed assets and equity investments	(696,318)	38,149
(Gains) or losses on unrealized forex ecxchange	(209,894)	771,863
Dividend received	(926,667)	(1,342,819)
Other non-monetary variations	-	
Taxes	5,066,305	4,284,707
Cash flows from operating activities before changes in net working capital	**19,304,957**	**17,574,576**
(Increase)/decrease in trade receivables	(2,076,734)	4,888,209
- of which related parties	*1,796,480*	*(129,000)*
Increase in inventories	572,812	(1,575,387)
(Increase)/decrease in other current assets	574,572	(936,674)
- of which related parties	*932,455*	*(542,000)*
Increase/(decrease) in trade payables	1,562,280	3,940,069
- of which related parties	*290,539*	*702,000*
Increase/(decrease) in advance from customers	(498,486)	(604,824)
Increase/(decrease) in other current liabilities	(967,454)	538,023
- of which related parties	*219,373*	*(331,000)*
(Increase)/decrease in non-current assets	(30,119)	470,592
Increase/(decrease) in non-current liabilities	(8,341)	(64,495)
Dividend received	926,667	1,342,819
Income taxes paid	(3,329,960)	(4,072,212)
CASH FLOWS FROM OPERATING ACTIVITIES (A)	**16,030,195**	**21,500,694**
INVESTING ACTIVITIES		
Investments in property, plant and equipment	(9,064,554)	(5,638,387)
Investments in intangible assets	(553,666)	(394,019)
Disinvestments/(investments) in financial assets	(8,307,519)	(286,834)
- of which related parties	*(2,088,926)*	*(287,000)*
Disinvestments in equity investments	(1,300,173)	(3,993,140)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	**(19,225,912)**	**(10,312,380)**
FINANCING ACTIVITIES		
Issuance of bank loans	22,000,000	
Repayment of bank loans	(6,796,294)	(5,914,902)
Change in current bank loans and borrowings	12,030,208	3,776,044
Repayment of bonds	-	(2,500,000)
- of which related parties		*(2,500,000)*
Increase/(decrease) in other financial liabilities	11,757,507	(2,037,495)
- of which related parties	*12,273,128*	*(1,600,000)*
Contribution	-	539,571
Dividends paid	(7,639,395)	(6,000,000)
CASH FLOWS USED IN FINANCING ACTIVITIES ©	**31,352,027**	**(12,136,782)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A ± B ± C)	**28,156,310**	**(948,469)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (E)	**11,434,511**	**12,382,980**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (G=D+E+F)	**39,590,821**	**11,434,511**
	(323,993)	**(417,315)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**28,156,310**	**(948,469)**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Amounts in Euro)

	Share capital	Legal reserve	Reserve for treasury shares	Other reserves and retained earnings	Profit for the year	Total Equity
Balance at 01.01.2018	**6,000,000**	**1,200,000**	**(7,640,976)**	**20,277,362**	**16,532,072**	**36,368,458**
Distribution of dividends	-	-	-	(6,000,000)	-	(6,000,000)
Allocation of previous period operating profit	-	-	-	16,532,072	(16,532,072)	-
Cancellation of treasury shares	-	-	5,391,232	(5,391,232)	-	-
Other movements	-	-	-	539,602	-	539,602
Total comprehensive net income	-	-	-	67,365	11,671,417	11,738,782
Balance at 31.12.2018	**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**

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, 2019 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, 2019 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 Statement of Cash Flow and these explanatory notes. The financial statements have been prepared on the basis of the historical cost convention, with the exception of derivative financial instruments which have been recognized at fair value as required by 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.

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.

FINANCIAL STATEMENTS

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.

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.

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 "statement of comprehensive income", prepared in accordance with international accounting standards, shows the revenue and cost items which are not recorded in the Statement of Profit and Loss but recorded directly to equity.

Statement of Cash Flow

The Statement of Cash Flow was prepared applying the indirect method. The cash and cash equivalents included in the Statement of Cash Flow 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 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;

- changes in share capital (purchase and sale of treasury 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 non-controlling interests 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 separate financial statements for 2019 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, 2019 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, 2019

- On January 13, 2016, the IASB published IFRS 16 - Leases, as well as the interpretations IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The new standard provides a new definition of “leases” and introduces a criterion based on control (right of use) of an asset to distinguish leasing contracts from service contracts, identifying essential differences:
- identification of the asset;
- right to replace the asset;
- right to obtain substantially all the economic benefits from the use of the asset and
- the right to use the asset underlying the contract.

The standard establishes a single model to recognize and measure leasing contracts for the leasee (lessees) which provides also for the recognition of operating leases under assets with a related financial payable, providing the possibility not to be recognized as leasing contracts “low-value assets” and leasing contracts less than 12 months. Meanwhile, the standard does not include any significant changes for lessors.

The Company has used the practical expedient for the transition to IFRS 16 in order not to restate when a contract is or contains a lease. Therefore, the conclusion regarding the qualification of an agreement as a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to contracts entered into or amended before January 1, 2019.

The change in the definition of a lease mainly refers to the right-of-use criterion. As per IFRS 16 a contract contains a lease when the client has the right to control the use of the identified asset for an established period of time in exchange for consideration. This concept is substantially different from the concept of "risks and benefits" to which significant attention is paid in IAS 17 and IFRIC 4.

The Company applies the definition of leases and the related provisions of IFRS 16 for all leases entered into or amended on or after January 1, 2019 (regardless of whether a lessee or lessor in each lease). In view of the first-time application of IFRS 16, the Group carried out a project to assess the potential impacts and implementation of IFRS 16.

The Company has chosen to adopt the "Modified Retrospective Method", recording the cumulative effect of applying the standard under equity at January 1, 2019 (not modifying the comparative figures for 2018), in accordance with IFRS 16: C7-C13:

In particular, with regard to "lease" contracts previously classified as operating leases, the Company recognizes them as follows:

- a financial liability, at the present value of the residual future payments at the transition date, discounted using an adequate borrowing rate applicable to each contract as per the standard;
- a right of use equal to the value of the financial liability at the transition date, net of any prepayments and accruals associated with the lease carried in the Statement of Financial Position at the reporting date of these financial statements.

The following table shows the estimated impact of the adoption of IFRS 16 at the transition date:

Total Assets (€/000)	**01/01/2019**
Land and buildings	1,210
Plant and machinery	
Industrial and commercial equipment	
Other assets	84
Total	**1,294**

Total Liabilities (€/1000)	**01/01/2019**
Non-current finacial liability	953
Current finacial liability	341
Total	**1,294**

We report that the weighted average incremental borrowing rate applied to the financial liabilities recorded at January 1, 2019 was 2.9%.

In adopting IFRS 16, the Company intends to opt for the exemption permitted under paragraph IFRS 16:5(a) in respect of short-term leases for the following types of assets: land, buildings and motor vehicles.
Likewise, the Company intends to opt for the exemption permitted under IFRS 16:5(B) with regard to lease contracts for which the underlying asset qualifies as a "low-value asset" (i.e., the asset underlying the lease contract does not exceed USD 5 thousand when new).
The contracts for which the exemption has been applied primarily fall within the following categories:

- computers, telephones and tablets;
- printers;
- other electronic devices.

For such contracts, the introduction of IFRS 16 did not entail the recognition of the financial liability associated with the lease and relevant right of use. Rather, the lease payments were booked to the Statement of Profit and Loss on a straight-line basis over the term of the relevant contracts.

In addition, with regard to the transition rules, the Company opted for the following practical expedients available in the event of the selection of the modified retrospective transition method:

- Utilizes a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Classification of contracts set to expire within 12 months of the transition date as short-term leases. The lease payments for such contracts are taken to the Statement of Profit and Loss on a straight-line basis;
- exclusion of the initial direct costs from the measurement of the right-of-use at January 1, 2019;
- Use of the information available at the transition date to determine the lease term, with particular regard to the exercise of extension and early termination options.

For leases previously classified as finance leases in application of IAS 17, the carrying amount of the assets subject to the lease and the obligations under leases recognized in accordance with IAS 17 at January 1, 2019 are reclassified respectively under right-of-use assets and lease liabilities without any adjustment, with the exception of the exemption for the recognition of low-value leases.

In order to illustrate the impacts from the initial application of the standard, the following table reconciles future commitments regarding lease contracts at December 31, 2018 and the impact from the adoption of IFRS 1 at January 1, 2019. Below is the reconciliation:

Reconciliation (€/000)	
Commitment within IFRS 16	**1,294**
Commitment for installments related to contracts excluded from IFRS 16 application (low value assets, short-time and non-lease components)	56
Discount effects	109
Future commitments as of December 31, 2019	**1,459**

- On December 12, 2017 the IASB published the document "Annual Improvements to IFRSs 2015-2017 Cycle" which reflects the amendments to some standards within the annual improvements process. The principal changes relate to:
  - o IFRS 3 Business Combinations and IFRS 11 Joint Arrangements;
  - o IAS 12 Income Taxes;
  - Io IAS 23 - Borrowing costs.

  The adoption of this amendment does not have effects on the separate financial statements of the company.

- On October 12, 2017, the IASB published the document "Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)". This document clarifies the necessity to apply IFRS 9, including the requirements related to impairment, to the other long-term interests in associates and joint ventures which do not apply the equity method. The adoption of this amendment does not have effects on the company's financial statements.

- The IASB published the interpretation "Uncertainty over Income Tax Treatments" on June 7, 2017. The document addresses the issue of uncertainty over income tax treatments. In particular, the interpretation requires an entity to analyze uncertain tax treatments (individually or collectively, depending on their characteristics), always assuming that the tax authority will examine the tax position in question, with access to all relevant information. If the entity believes it is improbable that the tax authorities will accept the tax treatment followed, the entity shall reflect the effect of the uncertainty on the measurement of its current and deferred income taxes. The interpretation does not contain any new disclosure requirements but highlights that an entity should establish whether there will be a need to provide any disclosures based on management considerations relating to any uncertainty over the accounting treatment of taxation, in accordance with IAS 1. The new interpretation has been applied with effect from 1 January 2019. The adoption of this amendment does not have effects on the company's financial statements.

- The IASB published an amendment to IFRS 9 "Prepayment Features with Negative Compensation" on October 12, 2017. This document specifies that instruments which provide for an advance repayment could comply with the Solely Payments of Principal and Interest ("SPPI") test also in the case where the "reasonable additional compensation" to be paid in the event of advance repayment is a "negative compensation" for the lender. The adoption of this amendment does not have effects on the separate financial statements of the company.

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, 2019

- 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 amendments introduced were approved on November 29, 2019 and apply to all transactions subsequent to January 1, 2020.
The Directors do not expect this amendment to have a significant impact 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 standards when no IFRS standard is applicable to a particular transaction and, more generally, helps stakeholders to understand and interpret the Standards.

IFRS standards, amendments and interpretations not yet approved 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 October 22, 2018, the IASB published the document "Definition of a Business (Amendments to IFRS 3)". The document provides certain clarifications on the definition of a business for the purposes of the proper application of IFRS 3. In particular, the amendment clarifies that while a business normally yields an output, the existence of an output is not strictly necessary to identify a business when there is an integrated set of activities and assets. However, in order to satisfy the definition of a business, an integrated set of activities/processes and assets shall include, at the very least, an input and a substantive process which, together, make a significant contribution towards the ability to create outputs. The amendment also introduced an optional test ("concentration test"), which allows for the exclusion of the presence of a business if the price paid is substantially attributable to a single asset or group of assets. The amendments apply to all business combinations and acquisitions of activities after January 1, 2020, although advance application is permitted.
  As the amendment will be applied to new acquisition transactions concluded with effect from 1 January 2020, any effects will be reflected in consolidated financial statements for periods ending after that date.

- On May 18, 2017, the IASB published IFRS 17 - Insurance Contracts which replaces IFRS 4 - Insurance Contracts.

The standard is effective from January 1, 2021, although early application is permitted, only for entities applying IFRS 9 – Financial Instruments and IFRS 15 - Revenue from Contracts with Customers. for the non-insurance companies - The Directors do not expect this standard to have a significant impact on the Group consolidated financial statements.

- On January 30, 2014 the IASB published IFRS 14 Regulatory Deferral Accounts which permits only those adopting IFRS for the first time to continue to recognize amounts concerning Rate Regulation Activities according to the previous accounting standards adopted. As the Company is a first-time adopter, this standard is not applicable.

ACCOUNTING POLICIES

Revenue and costs

Revenue and costs are accounted for on an accrual basis.
Revenue 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 fulfillment 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 Revenue can also be broken down into:

- revenue 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.
- revenue from spare parts sales: Revenue from the sale of spare parts is 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 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. Exchange differences arising upon the collection and payment of balances in foreign currency are recognized in the income statement.
Revenue 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 Statement of Profit and Loss 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 value of disposal and the carrying value 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). 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 valued at purchase or subscription cost, written down for impairment 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 the purchases and sales of financial assets are recognized at the transaction data, or at the date when the Company assumes the commitment 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, during 2019 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 will send 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 Revenue takes place over time. For these contracts, the Group records sales Revenue 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, 2019 the Company should not recognize any Assets and liabilities for contract work- in-progress as there are no contracts in progress whose Revenue 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 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: 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 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.

Use of estimates

When preparing this 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 budget assessments were prepared do not take into account the impacts of the Covid-19 emergency that emerged in the first months of 2020, which cannot be determined.

Doubtful debt provision

The doubtful debt provision reflects management's estimate on losses from the end customer and from 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 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 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.

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 Revenue to the risk arising from the translation into euros of revenue generated in currencies other than the euro, for changes of around + /- 10% compared with the average exchange rate for the year.

Revenues (€/000)	31.12.2019				31.12.2018			
	FX Current currency	Current Forex in €	Forex +10%	Forex - 10%	FX Current currency	Current Forex in €	Forex +10%	Forex - 10%
EUR-Euro	92,119	92,119	92,119	92,119	97,071	97,071	97,071	97,071
USD-US Dollar	10,240	9,156	8,316	10,163	8,916	7,555	6,864	8,389
GBP-British Sterling	1,242	1,419	1,287	1,573	1,813	2,048	1,863	2,277
TOTAL		**102,694**	**101,721**	**103,855**		**106,674**	**105,797**	**107,736**

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 Revenue 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 changes in market interest rates may impact negatively or positively on the Company result, indirectly impacting 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 2018	32	55	78	9	-
31 december 2019	32	56	80	9	-

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

The global macro-economic picture may affect the Company's economic, equity and financial situation. However, the Company's 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. However, as indicated above, the overall economic environment could be negatively impacted by the Covid-19 emergency and the consequent restrictions introduced by the governments of the countries involved. These circumstances, extraordinary in nature and extent, have direct and indirect repercussions on economic activity and have created a context of general uncertainty, the evolution of which and the related effects are not foreseeable. The potential effects of this phenomenon cannot be determined to date and will be subject to constant monitoring by the Company throughout the year. In this regard, the Company is evaluating how and to what extent to take advantage of the extraordinary measures that the Italian Government is adopting in terms of support for families and businesses in this moment of emergency. In particular, in order to anticipate possible slowdowns, the company, as a precaution, has activated the use of some of these measures, including the Ordinary Redundancy Fund which will allow to minimize the impacts related to the restrictions imposed.

Moreover (i) the Company is present in a plurality of geographic areas and in very diversified sectors allowing a mitigation of the overall risk; (ii) although the turbulence on the financial markets, and in particular on the Italian stock exchange, following the emergency described above, led to a sharp drop in prices which led to a significant reduction also in the stock market value of the Company's shares compared to 31 December 2019, the current value, although severely depressed, still largely supports the book values of the Group's net assets; (iii) the Group's management has also developed alternative scenarios that highlight a holding of the book value of the assets even in the event of a significant reduction in the expectations elaborated with reference to future years. In particular, the stress test prepared refers to a reduction of approximately 18% of the forecasts in terms of turnover, while also keeping fixed costs prudentially unchanged.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

[1] Property, plant & equipment

They amount to Euro 31,326 thousand at December 31, 2019 (Euro 22,175 thousand at December 31, 2018). 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 2018	**13,066**	**1,461**	**481**	**2,031**	**5,137**	**22,175**
of which:	-	-	-	-	-	-
- Historical cost	**19,509**	**5,255**	**3,023**	**8,109**	**5,137**	**41,032**
- Depreciation fund	**(6,442)**	**(3,794)**	**(2,542)**	**(6,078)**	-	**(18,857)**
IFRS16 Effect - Lease at 01.01.2019						
Changes in 2019	-	-	-	-	-	-
- Additions	9,911	5,235	336	521	-	16,003
-New IFRS16 contracts (or new assessments)	21	-	-	116	-	137
- Disposals (Historical cost)	(2,120)	(172)	(48)	(198)	(4,885)	(7,422)
- Disposals (Depreciation fun)	711	166	-	165	-	1,043
- Depreciation	(485)	(382)	(202)	(634)	-	(1,702)
-Depreciation IFRS16	(246)	-	-	(46)	-	(292)
Total Changes	**7,791**	**4,848**	**86**	**(75)**	**(4,885)**	**7,766**
Balance at 31 December 2019	**22,069**	**6,309**	**567**	**2,040**	**252**	**31,237**
of which:	-	-	-	-	-	-
- Historical cost	**28,510**	**10,318**	**3,311**	**8,516**	**252**	**50,908**
- Depreciation fund	**(6,462)**	**(4,009)**	**(2,744)**	**(6,592)**	-	**(19,808)**

Since 2018 the Group has undertaken a production expansion and technological upgrading project at its US and Italian plants. In particular, in Italy, an expansion project was undertaken at the Parent Company's headquarters to build two separate buildings covering a total area of approximately 15,000 m2 to be used as a logistics warehouse connected with the current production areas and a new production plant of the subsidiary Aquatech. The aim of the expansion project is to increase production efficiency and, above all, to increase production capacity to support production growth in line with the expected turnover growth in future years. Construction in Italy was completed in October 2019 and depreciation commenced from that date. The total investment amounted to Euro 14,608 thousand, of which Euro 4,885 thousand in 2018 and the remainder in 2019.

In addition, in September 2019 the Company sold its property in Via Galilei 3, Santa Maria di Sala, at a sale value of Euro 2,047 thousand, entirely collected, realizing a capital gain of

Euro 714 thousand, recognized in the Statement of Profit and Loss under "Other Revenue and income".

Further investments in 2019 concern:

- industrial and commercial equipment of Euro 336 thousand
- Other assets of Euro 521 thousand relating to new furniture and fittings and EDP.

At December 31, 2019, 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, in applying the new IFRS 16-Leases at the transition date (January 1, 2019), and having chosen to adopt the "Modified Retrospective Method", the Company recognized a right-of-use of Euro 1,294 thousand. This "right-of-use" was amortized, on the basis of the individual contracts, for Euro 292 thousand and therefore amounted to Euro 1,059 thousand at December 31, 2019. Some financial leases already accounted for under IAS17 have also been reclassified among the user rights. The net book value of these assets is € 6,642 thousand.
Below is a table with the changes in the year for each class of Right-of-Use.

CHANGES DURING THE PERIOD (€/000)	Land and buildings	Plant and machinery	Other assets	Total
Balance at 31 December 2018	-	-	-	-
Balance at 01 January 2019	**1,210**	-	**84**	**1,294**
-Reclassification IAS 17	5,992	334	316	6,642
- New IFRS16 contracts	21	-	116	137
-Disposal (Net Book Value)	(80)			(80)
- Depreciation ex IAS 17	(273)	(94)	(147)	(514)
- Depreciation IFRS 16	(246)		(46)	(292)
	-	-	-	-
Balance at 31 December 2019	**6,624**	**240**	**323**	**7,187**
-Of which Right of use linked to the IFRS 16 application	***905***		***154***	***1,059***

[2] Intangible assets

They amount to Euro 495 thousand at December 31, 2019 compared to Euro 327 thousand at December 31, 2018. The breakdown of the movements is 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 2018	**276**	**5**	**46**	**327**
of which:				
- Historical cost	**5,487**	**11**	**46**	**5,544**
- Depreciation fund	**(5,210)**	**(6)**		**(5,216)**
Changes in 2019				
- Additions	600			600
-Depreciation	(386)			(386)
- Other changes	(1)		(46)	(47)
Total changes	**213**		**(46)**	**167**
Balance at 31 December 2019	**490**	**5**		**495**
of which:				
- Historical cost	**6,087**	**11**		**6,097**
- Depreciation fund	**(5,596)**	**(6)**		**(5,602)**

[3] Investments

They amount to Euro 31,668 thousand at December 31, 2019 compared to Euro 30,367 thousand at December 31, 2018.
Details of the movements in these equity investments are as follows:

CHANGES IN THE PERIOD €'000	Equity investments in subsidiaries	Equity investments in associates	Equity investments in other enterprises	Total
Balance at 31 December 2018	**30,098**	**266**	**3**	**30,367**
Movements in 2018				
Original cost:				
- Increases	1,301			1,301
- Decreases				
- Write-downs				
Total changes	1,301			1,301
Balance at 31 December 2019	**31,399**	**266**	**3**	**31,668**

Increases of Euro 1,300 thousand in 2019 relate to the purchase of shares in TOBAPNC Co. Ltd for Euro 773 thousand (purchase of a 51% stake in the share capital), FEA p.t.p. SRL for Euro 380 thousand (purchase of a 51% stake in the share capital) and the incorporation of Piovan Maroc Sarl AU for Euro 92 thousand. In addition, during 2019 the Company made a capital injection into Piovan Asia Pacific LTD for Euro 55 thousand.

The table below shows the composition of equity investments:

	31.12.2019			31.12.2018		
€'000	Historical cost	Provision for impairment	Net book value	Historical cost	Provision for impairment	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.	15,685	-	15,685	15,685	-	15,685
FDM GmbH	1,214	-	1,214	1,214	-	1,214
Piovan Asia Pacific LTD	141	(86)	55	86	(86)	-
Piovan South East Asia Ltd	-	-	-	-	-	-
Piovan Muhendislik	63	(63)	-	63	(63)	-
Piovan Cz	1	-	1	1	-	1
Piovan Maroc Sarl.Au	92	-	92	-	-	-
FEA p.t.p. SRL	380	-	380	-	-	-
TOBAPNC Co. Ltd	773	-	773	-	-	-
Total	31,636	(238)	31,398	30,336	(238)	30,098
	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	2	-	2	2	-	2
CONAI	-	-	-	-	-	-
Total	3	-	3	3	-	3
Total equity investments	31,905	(238)	31,667	-	-	30,367

The table below reports the disclosures at December 31, 2018 regarding the equity investments required by Article 2427 of the Italian 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	3,524	540	100.00%	1,319	2,205
Energys S.r.l.	Venice (IT)	EUR	10	298	53	100.00%	292	6
Piovan Do Brasil LTDA	Osasco (BRA)	Real	11,947	3,988	168	99.99%	3,203	785
Piovan Plastics Machinery Co.Ltd	Suzhou (CN)	Yuan	5,088	5,258	613	100.00%	500	4,758
Piovan Mexico S.A.	Queretaro(MX)	Peso Mess,	707	915	103	99.99%	40	875
Universal Dynamics Inc.	Fredericksburg (U.S.A.)	Dollars	3,500	13,167	153	100.00%	2,873	10,294
Piovan Canada Ltd	Mississauga - Ontario (CAN)	Canadian Dollars	0	2,442	547	100.00%	1,340	1,102
Piovan Central Europe GmbH	Brunn am Gebirge (A)	EUR	35	1,167	594	100.00%	35	1,132
Piovan GmbH	Garching (D)	EUR	102	3,046	309	100.00%	2,128	918
Piovan France sas	Chemin du Pognat (F)	EUR	1,227	2,272	403	100.00%	1,154	1,118
Piovan UK Limited	Bromsgrove (GB)	Pounds Sterling	25	920	135	100.00%	36	884
Piovan Vietnam Company Ltd	Mai Chi Tho (Vietnam)	Vnd	1,136,500	59	33	100.00%	54	5
Piovan Gulf Fze	Dubai (UAE)	Aed	1,000	255	107	100.00%	244	11
Piovan Japan Inc.	Kobe (J)	JPJ	6,000	(209)	67	100.00%	49	(258)
Piovan India Private Limited	Mumbai	INR	350	790	217	100.00%	20	770
Penta S.r.l.	Ferrara (IT)	EUR	100	14,626	3,313	90.00%	15,685	(2,522)
FDM GmbH	Konigswinter (DE)	EUR	75	7,159	257	66.67%	1,214	3,559
Piovan Asia Pacific LTD	Bangkok (TH)	THB	4,020	(156)	125	100.00%	140	(296)
Piovan South East Asia Ltd	Bangkok (TH)	THB	9,000	-	-	100.00%	-	-
Piovan Muhendslik LTD	Beikoz (TR)	TRY	10	(558)	(25)	100.00%	63	(621)
Piovan Czech Republic s.r.o.	Prague (CZ)	CZK	200	635	151	10.00%	1	63
Piovan Maroc Sarl. AU	Kenitra (Marocco)	MAD	1,000,000	108	16	100.00%	92	16
FEA Process&Technological Plants S.r.l.	Scarnafigi (CN)	Euro	20,400	279	72	51.00%	380	(238)
TOBAPNC Co. Ltd	Seoul (Corea del Sud)	KRW	500,000,000	-	-	51.00%	773	(773)
Total			-	-	-	0	**31,636**	-
			-	-	-	0	0	-
Associates:			-	-	-	0	0	0
C.M.G. S.p.A.*	Bologna (IT)	EUR	1,250	4,606	349	20.00%	266	655
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	2	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 2017*

*** Financial statements data not available.*

Management has assessed that the negative differentials between book values and equity values do not represent a lasting loss in value and are largely supported by the medium-long term forecasts prepared. These assessments do not take into account the impacts from the Covid-19 emergency, which emerged in the first few months of 2020 and cannot be determined.

With reference to the investee companies, the Company holds options to purchase non-controlling interests, and specifically the option to purchase 10% of Penta S.r.l., the option to purchase 33.33% of FDM Gmbh, the option to purchase 45% of CMG and the option to purchase 49% of Toba and Fea. These options, which can only have a value for the Parent Company, have not been valued in view of the fact that the contractual provisions triggering the right to exercise them are mainly in the Company's hands and that their occurrence is considered highly unlikely by management. On the basis of these assumptions the fair value of these options is close to zero.

It should also be noted that, with reference to the 10% stake in Penta S.r.l., 33.33% in FDM Gmbh and 49% in Toba and Fea, the respective minority interest hold a put option on their share. The exercise price of these options, based on analyses carried out by management on their valuation, was considered "out of the money" for the minority interest, therefore the fair value of the derivative is zero for the Company.

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, 2019, 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 549 thousand at December 31, 2019 compared to Euro 623 thousand at December 31, 2018. 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 2019	Deferred tax assets 2019	Taxable income 2018	Deferred tax assets 2018
Provisions for doubtful debts	263	63	343	86
Provision for product warranties	195	55	195	54
Inventory obsolescence provision	663	185	663	185
Provision for pending litigation risks	60	17	310	74
Directors' unpaid emoluments	60	14	53	13
Supplementary customer indemnity	51	9	123	16
Non-deductible maintenance			133	32
Foreign currency conversion losses	235	56	117	28
Adoption of IAS 38	184	51	246	69
Adoption of IAS 19	345	96	219	61
Other	12	3	16	4
Total	**2,068**	**549**	**2,418**	**623**

Deferred tax liabilities amounted to Euro 1,216 thousand at December 31, 2019 compared to Euro 1,187 thousand at December 31, 2018.

Deferred tax liabilities (€'000)	Taxable income 2019	Deferred tax liabilities 2019	Taxable income 2018	Deferred tax liabilities 2018
Adoption of IAS 17	3,808	1,062	4,130	1,152
Adoption of IAS 37	6	2	36	10
Adoption of IAS 19	88	24	88	24
Capital gain realized	504	121		
Other	27	7	1	-
Total	**4,433**	**1,216**	**4,255**	**1,187**

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 2018	**1,093**	**(1,251)**	**(159)**
Changes 2018			

CHANGES IN THE PERIOD €'000	Advance taxes	Deferred tax liabilities	Total
- Effect on the profit and loss account	(466)	85	(381)
- Effect on Other items of the Comprehensive Income Statement	(3)	(21)	(24)
Balance at 31 December 2018	**623**	**(1,187)**	**(564)**
Movements in 2019			
- Effect on the profit and loss account	(104)	37	(66)
- Effect on Other items of the Comprehensive Income Statement	29	(65)	(36)
Balance at 31 December 2019	**549**	**(1,216)**	**(667)**

[6] Inventories

At December 31, 2019, they amounted to Euro 9,374 thousand compared to Euro 9,946 thousand at December 31, 2018; the breakdown is shown below:

€/000	31.12.2019	31.12.2018	Change 2019
Raw materials, ancillary materials and	313	353	(40)
Semi-finished goods and work in progress	7,222	6,923	299
Provision for obsolescence of semi-finished	(329)	(329)	(0)
Total semi-finished goods and work in progress	**7,205**	**6,947**	**258**
Finished goods and goods for resale	2,403	3,247	(844)
Provision for obsolescence of finished goods and goods for resale	(334)	(334)	0
Total finished goods and goods for resale	**2,070**	**2,914**	**(843)**
Advances	99	86	13
Inventories	**9,374**	**9,946**	**(572)**

During 2019, inventories decreased by Euro 572 thousand before obsolescence provisions. The reduction, mainly related to Finished Products, is linked to a better management of stocks and shipping to customers.

A provision for obsolete or slow-moving inventories is recorded - in line with the previous year - to reflect 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 36,005 thousand at December 31, 2019 compared to Euro 33,828 thousand at December 31, 2018. This item, which represents the exposure to third parties, is broken down as follows:

€'000	31.12.2019	31.12.2018	Change 2019
Customer receivables	20,168	16,095	4,073
Receivables from subsidiaries	17,556	19,363	(1,807)
Receivables from related companies	8		
Total trade receivables	**37,733**	**35,458**	**2,266**
Provisions for doubtful debts	(1,728)	(1,630)	(98)
Total	**36,005**	**33,828**	**2,168**

Gross receivables at December 31, 2019 increased by approximately Euro 2,168 thousand on the end of 2018, despite the decrease in turnover compared to the previous year. This

increase is linked to an improvement in the fourth quarter in terms of turnover compared to the previous three quarters.

Receivables by regional breakdown are shown below:

	31.12.2019	31.12.2018
EMEA	23,996	20,822
of which Italy	12,838	7,501
NORTH AMERICA	3,191	4,270
ASIA	6,007	4,797
SOUTH AMERICA	4,539	3,939
Total	**37,733**	**33,828**

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 balance sheet date. These assessments do not take into account the impacts of the Covid-19 emergency that emerged in the first few months of 2020, which however cannot be determined.

The annual provision is included under *Other operating costs*.

Movements on the provision for impairment of receivables during the year are shown below:

	31.12.2018	Provisions	Utilisations	Reversals	31.12.2019
Provisions for doubtful debts	1,630	110	(11)	(1)	1,728
Total	**1,630**	**110**	**(11)**	**(1)**	**1,728**

Breakdown of overdue is shown below:

Receivables and bad debt	31.12.2019	31.12.2018
Receivables due to expire	21.554	19.749
Receivables overdue within 30 days	4.769	4.848
Receivables overdue between 1 and 12 months	9.471	9.493
Receivables overdue over 12 months	1.939	1.367
Total	**37.733**	**35.458**

[8] Current financial assets

Current tax assets amount to Euro 12,307 thousand at December 31, 2019 (Euro 3,899 thousand at December 31, 2018). 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	31.12.2019	31.12.2018	Changes
Securities	6,319		6,319
Cash pooling Aquatech S.r.l.	2,025		2,025
Universal Dynamics Inc.	3,418	3,354	64
Piovan Muhendslik LTD	260	260	
Piovan Japan Inc.	285	285	
Totale current financial assets	**12,307**	**3,899**	**8,408**

During the first quarter of 2019, the parent company Piovan S.p.A. invested in 5 different security type for approximately Euro 6,283 thousand of financial resources. These instruments were measured at fair value (fair value of level 1) at December 31, 2019 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 total effect of the fair value measurement in 2019 is a net gain of Euro 36 thousand. As a result of movements during the quarter, the value of securities at December 31, 2019 was Euro 6,319 thousand.
Since these assessments are based on fair values as at 31 December 2019, they do not take into account the impact that the Covid-19 emergency, which emerged in the first few months of 2020, is having on the financial markets. The Company is monitoring these trends and at present the securities in the portfolio have not undergone significant changes in fair value.

In addition, during 2019 the Company established a cash pooling with the subsidiary Aquatech S.r.l. which reports a balance of Euro 2,025 thousand at December 31, 2019.

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 2018 relates to the exchange rate effect.

[9] Tax receivables

They amounted to Euro 791 thousand at December 31, 2019 compared to Euro 839 thousand at December 31, 2018. The amount recorded is attributable to the VAT credit (Euro 304 thousand at December 31, 2019 and Euro 790 thousand at December 31, 2018) and the credit for research and development costs.

[10] Other current assets

They amounted to Euro 871 thousand at December 31, 2019 compared to Euro 1,976 thousand at December 31, 2018. A breakdown follows:

€'000	31.12.2019	31.12.2018	Changes
Employee payables	87	193	(107)
Deferred costs	138	118	20
Advances to suppliers	20	52	(32)
Receivables from parent companies	275	1,315	(1,040)
Other receivables	351	296	55
Total Other current assets	**871**	**1,975**	**(1,104)**

Receivables from parent companies includes 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 Piovan S.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, 2018, the receivable amounted to Euro 786 thousand; during 2019, Euro 510 thousand was reimbursed and the balance at December 31, 2019 was Euro 275 thousand. The balance in the previous year also included the credit relating to the tax consolidation with the parent company, which was repaid in 2019.

[11] Cash and cash equivalents

They amount to Euro 39,591 thousand at December 31, 2019 compared to Euro 11,434 thousand at December 31, 2018.

€'000	31.12.2019	31.12.2018
Current accounts and post office deposits	25,690	11,432
Cash equivalent	13,900	-
Cash	1	2
Cash and cash equivalents	**39,591**	**11,434**

For an analysis of the variations in cash and cash equivalents, reference should be made to the *Statement of Cash Flow*. The change in *Cash and cash equivalents* compared to December 31, 2018 is mainly due to investments in securities for approx. Euro 6.2 million, as further described in note [9].
Moreover, during 2019 the Company undertook two "time deposit" contracts for a value equal to Euro 13.9 million with the possibility of early release of the funds.

Current accounts and postal deposits are classified as current assets, highly liquid and convertible into cash with an exchange rate risk that is considered not significant.
At December 31, 2019 there were no restrictions on the availability of the Group's current accounts.

[12] Equity

Equity is made up as follows:

	31.12.2019	31.12.2018
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	29,958	26,025
Fiscal year result	14,398	11,671
Net Equity	**49,306**	**42,647**

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, 2018 and therefore the Company and the Group as at December 31, 2019 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, 2019.

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 2019 following the allocation of the previous year's result and the distribution of dividends amounting to Euro 7,639 thousand fully paid to the shareholders of the Company in May 2019.

Availability and use of equity reserves:

Nature/Description	Amount 31.12.2019	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	20,498,955	A, B, C	20,498,955	18,249,211
Sundry other reserves	5,000,752	A, B, C	5,000,752	
IAS/IFRS First-Time Adoption reserve	4,497,624	B	4,497,624	
Total Other reserves	**29,997,331**			
Total	**34,947,587**			

Nature/Description	Amount 31.12.2019	Possibility of utilisation	Available amount	Amount distributable
Profit for 2019	14,397,951			
Total owners’ equity year ended 31.12.2019	**49,345,538**			

Legend

A: for share capital increase

B: to cover losses

C: for distribution to owners

[13] 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). Therefore, earnings per share calculations for all periods presented have been adjusted retrospectively and presented according to the new number of shares, taking into account the average number of treasury shares.

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 ordinary shares were repurchased or issued during the years in question, nor are there any potential ordinary shares in circulation that could be converted with a dilutive effect.

Earnings per share are as follows:

	31.12.2019	31.12.2018
Profit for the period (EUR ‘000)	14,398	11,671
Weighted average of number of outstanding ordinary shares (in thousands of units)	50,929	50,929
Basic and diluted earnings per share (in Euros)	0.28	0.23

[14] Current and non-current financial liabilities

The account is broken down as follows:

€'000	31.12.2019	31.12.2018
Short-term bank loans	25,025	12,994
Current portion of medium/long-term loans	11,768	5,930
Current financial liabilities to subsidiaries	15,573	3,300
Loans for leasing falling due within 12 months	191	320
Other financial liabilities (new IFRS16)	213	-
Current financial liabilities	**52,770**	**22,544**

€'000	31.12.2019	31.12.2018
Medium/Long-term loans	20,069	10,704
Loans for leasing falling due over 12 months	402	569
Other financial liabilities (new IFRS16)	861	-
Non-current financial liabilities	**21,332**	**11,273**

Short-term bank payables refer to the use of bank lines for operating purposes.
Current financial liabilities to subsidiaries amounted to Euro 15,573 thousand compared with Euro 3,300 thousand. The increase is due to the establishment of a cash pooling with the subsidiary Penta for Euro 12,773 thousand (in 2018 a short-term interest-bearing loan of Euro 3,300 thousand) and the interest-bearing loan with the subsidiary FDM for Euro 2,800 thousand.
During 2019, the Company signed four new loan agreements with banks for a total of Euro 22,000 thousand.

At December 31, 2019 and December 31, 2018, the main details of bank loans by maturity are detailed below:

31.12.2019	Currency	Original amount (€'000)	Maturity	Interest rate	Terms	Residual debt (€'000)	Current (€'000)	Non-current (€'000)
Mediocredito II	EUR	5,000	30/06/2020	Variabile	Euribor 3m +0,75%	667	667	0
Mediocredito III	EUR	8,000	31/03/2022	Variabile	Euribor 6m+0,55%	4,000	1,600	2,400
Credem	EUR	6,000	05/04/2021	Fixed	0,48%	2,264	1,507	756
BNL II	EUR	7,500	06/06/2022	Fixed	0,50%	3,773	1,504	2,270
Credem II	EUR	7,000	03/05/2023	Fixed	0,54%	6,133	1,741	4,393
BNL III	EUR	3,000	13/06/2021	Variabile	Euribor 6m+0,62%	3,000	2,000	1,000
Credit Agricole Friuladria	EUR	5,000	05/08/2024	Variabile	Euribor 6m+0,65%	5,000	1,000	4,000
BNL IV	EUR	7,000	07/10/2023	Variabile	Euribor 6m+0,85%	7,000	1,750	5,250
Total		**48,500**				**31,837**	**11,768**	**20,069**

31.12.2018	Currency	Original amount (€'000)	Maturity	Interest rate	Terms	Residual debt (€'000)	Current (€'000)	Non-current (€'000)
Mediocredito II	EUR	5,000	30/06/2020	Variable	Euribor 3m +0,75%	2,000	1,333	667
Mediocredito III	EUR	8,000	31/03/2022	Variable	Euribor 6m+0,55%	5,600	1,600	4,000
Credem	EUR	6,000	05/04/2021	Fixed	0,48%	3,763	1,499	2,264
BNL II	EUR	7,500	06/06/2022	Fixed	0,50%	5,270	1,498	3,773
Total		**26,500**				**16,633**	**5,930**	**10,704**

In 2019, at the same time as a new floating rate loan contract was signed, an IRS contract was entered into to cover fluctuations in the interest rate of the loan. At December 31, 2019, the notional value of the instrument was Euro 7,000 thousand and the fair value was positive and equal to Euro 10 thousand.
It should be noted that at December 31, 2019 there were no secured loans.

The following tables detail the changes in current and non-current financial liabilities, representing both monetary and non-monetary movements:

€/000	31.12.2018	IFRS 16 effects - Lease on 01.01.2019	31.12.2018 restated	Net cash flow	31.12.2019
Short-term bank loans	12,994		12,994	12,031	25,025
Current portion of medium/long-term loans	5,930		5,930	5,838	11,768
Other financial payables (to subsidiaries)	3,300		3,300	12,273	15,573
Other financial payables (to leasing companies)	320	341	661	(257)	404
Current financial liabilities	**22,544**	**341**	**22,885**	**29,885**	**52,770**

€/000	31.12.2018	IFRS 16 effects - Lease on 01.01.2019	31.12.2018 restated	Net cash flow	31.12.2019
Medium/Long-term loans	10,704		10,704	9,365	20,069
Loans for leasing falling due over 12 months	569	953	1,522	(259)	1,263
Non-current financial liabilities	**11,273**	**953**	**12,226**	**9,106**	**21,332**

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

31/12/2019	Total	Total flows	Within 1 year	From 1 to 5 years	Over 5 years
Medium/long-term bank loans	20,069	20.199		20,199	
Lease financing after the next financial year	1,263	1.263		1,263	
Non-current financial liabilities	**21,332**	**21,462**	-	**21,462**	-
Current portion of medium/long-term loans	11,768	11,887	11,887		
Current bank borrowings	25,025	25,027	25,027		
Lease financing within the financial year	404	404	404		
Other	15,573	15,573	15,573		
Current financial liabilities	**52.770**	**52,892**	**52,892**	-	-

[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	31.12.2019	31.12.2018
Opening balance	**2,374**	**2,542**
Employee benefits paid	(223)	(113)
Provision	995	1,112
Transfer to pension funds and INPS treasury	(998)	(1,093)
Actuarial earnings (losses)	96	(102)
Interest cost	35	28
Closing balance	**2,280**	**2,374**

The valuation of Post-employment benefits is based on the following actuarial assumptions:

Employee benefits liabilities	31.12.2019	31.12.2018
Annual discount rate	0.77%	1.57%
Annual inflation rate	1.20%	1.50%
Annual rate of increase in employee severance indemnity	2.40%	2.63%
Mortality rate		ISTAT 2018 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)**	**31.12.2019**	**31.12.2018**
Discount rate +50bp	(113)	(121)
Discount rate -50bp	122	131
Inflation rate +50bp	74	79
Inflation rate -50bp	(71)	(78)

[16] Provisions for risks and charges

The provision for risks and charges at December 31, 2009 amounted to Euro 1,269 thousand compared to Euro 1,790 thousand at December 31, 2018. The composition and the movements of the item are shown in the following table:

€/000	31.12.2018	Provisions	Actuarial effect	Utilisations	31.12.2019
Provision for legal and tax risks	310			(250)	60
Provision for product warranties	195				195
Provision for additional client expenses	49	6	21	(48)	28
Provision for risks on investments	1,236			(250)	986
Provisions for risks and charges	**1,790**	**6**	**21**	**(548)**	**1,269**

The *Provision for legal risks* at December 31, 2019 mainly relates to a provision of Euro 60 thousand set aside in 2018 which represents the best estimate of potential charges related to the commercial activities. During 2019, the provision was partially released.

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 equity of the subsidiaries Piovan Muhendislik Ltd Sirketi, Piovan Japan Inc. and Piovan Asia Pacific LTD. During 2019 the provision was partially released.

[17] Trade payables

They amounted to Euro 25,027 thousand at December 31, 2019 compared to Euro 23,465 thousand at December 31, 2018. 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] Advances from customers

At December 31, 2019, *Advances from customers* amounted to Euro 2,003 thousand compared to Euro 2,502 thousand at December 31, 2018. This item refers to advances received by the Company from customers.

[19] Tax and social security and payables

They amount to Euro 3,211 thousand at December 31, 2019 compared to Euro 3,380 thousand at December 31, 2018. The account is broken down as follows:

€'000	31.12.2019	31.12.2018	Changes
Social security contributions	2,097	2,174	(77)
Tax withholdings for employees	1,030	1,122	(92)
Income tax liabilities (IRES and IRAP)			
Other	84	84	
Tax liabilities and social security contributions	**3,211**	**3,380**	**(169)**

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 4,490 thousand at December 31, 2019 compared to Euro 4,271 thousand at December 31, 2018. The account is broken down as follows:

€'000	31.12.2019	31.12.2018	Changes
Payables to employees	2,992	3,425	(433)
Payables to parent companies	940		940
Accrued expense and deferred income	27	11	16
Other payables	531	835	(304)
Other current liabilities	**4,490**	**4,271**	**219**

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.

NOTES TO THE STATEMENT OF PROFIT AND LOSS

[21] Revenue

They amounted to Euro 102,694 thousand in 2019 compared to Euro 106,674 thousand in 2018 (+3.7%). Revenue is shown net of discounts and rebates.

In order to provide adequate disclosure a breakdown of Revenue 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	2019	2018
Revenues from Plastics Systems	89,336	94,134
Revenues from Food Systems	28	253
Revenues from Service & Spare parts	13,330	12,288
Revenues	**102,694**	**106,674**

The breakdown of revenue by region is as follows:

€'000	2019	2018
EMEA	82,790	90,929
ASIA	7,594	5,369
NORTH AMERICA	9,000	7,394
SOUTH AMERICA	3,311	2,982
Revenues	**102,694**	**106,674**

Revenue in EMEA includes Revenue in Italy which amounted to Euro 28,611 thousand in 2019 and Euro 27,527 thousand in the previous year. The growth in Italy in 2018 was mainly determined by the significant increase in projects also related to the 4.0 systems.

[22] Other Revenue

Other Revenue amounted to Euro 2,800 thousand in 2019 compared with Euro 1,377 thousand in 2018.

This item is broken down as follows:

€'000	2019	2018	Change
Ancillary sales transport services	271	204	67
Increases in fixed assets for internal works	281	27	254
Current expenses grants	496	412	84
Contingent assets	145	167	(22)
Capital gains for disposal of tangible and intangible assets	724		724
Insurance compensation	132	17	115
Commissions		15	(15)
Other	752	535	217
Other revenues and proceeds	**2,800**	**1,377**	**1,423**

Transport ancillary services on sales mainly refers to Revenue 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, at a sale value of Euro 2,047 thousand, entirely collected.

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] Purchases of raw materials, components, goods and change in inventories

This item amounted to Euro 40,653 thousand in 2019 compared with Euro 44,599 thousand in 2018. This item is broken down as follows:

€'000	2019	2018	Change
Purchase of raw materials, components and goods	38,368	44,883	(6,515)
Purchase of consumables	1,699	1,339	360
Change in inventories of raw materials and goods	41	(27)	68
Change in inventories of finished goods and semi-finished products	545	(1,595)	2,140
Purchase of raw materials, consumables and goods and changes in inventories	**40,653**	**44,599**	**(3,946)**

This item decreased by Euro 3,945 thousand compared to 2018. This reduction, determined by lower purchases of raw materials (reduction of Euro 6,515 thousand) offset by lower inventory levels, is linked to the reduction in Revenue recorded in 2019.

[24] Service costs

Service costs amounted to Euro 19,884 thousand in 2019 compared with Euro 21,530 thousand in 2018, down Euro 7.6%. The reduction is mainly related to the costs associated with the stock exchange listing process amounting to Euro 3,568 thousand incurred in 2018. Service costs in 2018 net of this item would have amounted to Euro 17,982 thousand.

This item is broken down as follows:

€'000	2019	2018	Changes
Outsourced processing	7,556	7,469	87
Transport costs	1,380	1,270	110
Business trips and travel	1,084	1,149	(65)
Commissions	2,820	2,380	440
Fees to directors, statutory auditors and independent auditors	1,579	1,408	171
Consultancies	1,343	4,434	(3,091)
Maintenance and repairs	1,055	926	129
Marketing and advertising costs	865	466	399
Utilities	613	522	91
Insurance	267	306	(39)
Telephone and internet connections	206	163	43
Other costs for services	1,115	1,040	75
Services costs	**19,884**	**21,530**	**(1,646)**

The largest cost items, in particular from an industrial process point of view, are:

- outsourcing costs amounting to Euro 7,556 thousand in 2019 (38% 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 7,469 thousand and 34.7% 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.
- the increase in marketing and advertising expenditure is mainly due 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.
- The increase in commissions is linked to the higher commissions paid to the Brazilian subsidiary, Piovan Do Brasil. In addition, the business of commercial subsidiaries has grown in Japan, Vietnam and Morocco.

[25] Rental, leasing and similar costs

Rental, leasing and similar costs amounted to Euro 170 thousand compared with Euro 425 thousand in 2018.

This item is broken down as follows:

€'000	2019	2018	Change
Rental expenses	170	391	(221)
Leases		34	(34)
Costs for use of third-party assets	**170**	**425**	**(255)**

The decrease in this item is due to the introduction of IFRS 16 with effect from January 1, 2019.

[26] Personnel expense

Personnel expense amounted to Euro 23,837 thousand compared with Euro 24,163 thousand in 2018. A breakdown of personnel expenses and the workforce by category is provided below:

€'000	2019	2018	Changes
Wages and salaries	17,404	17,696	(292)
Social security contributions	5,432	5,362	70
Costs for defined benefit plans	995	1,099	(104)
Other personnel expenses	6	6	(0)
Personnel expenses	**23,837**	**24,163**	**(326)**

	31.12.2019		31.12.2018	
	Year end	Average	Year end	Average
Managers	10	10	10	11
Middle managers	12	13	12	12
White collar workers	182	181	175	174
Blue collar workers	196	197	197	194
Total	**400**	**401**	**394**	**391**

The number of Group employees has increased compared to December 2018. At December 31, 2019, the total number of employees was 400. The increase is due to the growth in business and proximity to customers that the Company is pursuing.

[27] Other operating costs

The item amounts to Euro 813 thousand compared to Euro 634 thousand in the previous year. This item is broken down as follows:

€'000	2019	2018	Changes
Other taxes and duties	290	331	(41)
Bad debt provision recognition	109		109
Entertainment costs	103	31	72
Other	312	272	40
Other operating costs	**813**	**634**	**179**

Other taxes and duties mainly include indirect taxes on property and local taxes.

[28] Provisions for risks

Provisions for risks and charges amounted to net income of Euro 244 thousand compared to net charges of Euro 413 thousand in 2018. The income for 2019 relates to the release of a provision for risks and charges no longer necessary.

€/000	2019	2018	Variazione
Acc.to/ (utilizzo) f.do rischi	(244)	310	(554)
Acc.to/ (utilizzo) fondo garanzia prodotti	-	95	(95)
Acc.to/ (utilizzo) fondo indennità suppletiva	-	8	(8)
Accantonamenti/(utilizzi) per rischi ed oneri	**(244)**	**413**	**(657)**

[29] Amortization, depreciation and write-downs

This item amounted to Euro 2,380 thousand compared with Euro 1,789 thousand in 2018. 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	2019	2018	Changes
Depreciation of intangible fixed assets	386	246	140
Depreciation of property, plant and equipment	1,994	1,543	451
Amortisation/depreciation and write-downs	**2,380**	**1,789**	**591**

[30] Financial income and expenses

This item amounted to Euro 1,003 thousand in 2019 compared with Euro 1,099 thousand in 2018. The item includes Euro 927 thousand dividends received from subsidiaries in 2019 compared to Euro 1,343 thousand in 2018. 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	2019	2018	Change
Interest income	220	53	167
Dividends	927	1,343	(416)
Other financial income	180	36	144
Financial income	**1,327**	**1,432**	**(105)**
Bank interest expenses	139	126	13
Other interest expenses	47	95	(48)
Other financial expenses	138	112	26
Financial charges	**324**	**333**	**(9)**
Net financial income (expense)	**1,003**	**1,099**	**(96)**

[31] Exchange gains/(losses)

The item amounted to Euro 210 thousand in 2019 compared with Euro 433 thousand in 2018. This item is broken down as follows:

€'000	2019	2018	Change
Foreign currency conversion gains	415	954	(539)
Foreign currency conversion losses	(206)	(511)	305
Foreign currency conversion gains and losses	**210**	**443**	**(233)**

Euro 65 thousand in 2019 (15% of foreign exchange gains for the year).

Unrealized foreign exchange losses included under *Foreign exchange losses* amounted to Euro 158 thousand in 2019 (76.6% of foreign exchange losses for the year). In 2019, net exchange gains amounted to Euro 210 thousand, slightly down on the previous year, mainly due to the US Dollar.

[32] Adjustment to financial assets

The item amounted to net income of Euro 250 thousand in 2019 and relates to the utilization of the provision for risks. Reference should be made to note [16] for further information.

[33] Income Taxes

This item amounted to Euro 5,066 thousand compared with Euro 4,285 thousand in 2018. This item is broken down as follows:

€'000	2019	2018	Change
Current tax liabilities	4,926	3,905	1,021
Deferred/advance taxes	141	380	(239)
Income taxes	**5,066**	**4,285**	**781**

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

	2019	2018
Earnings before taxes	**19,464**	**15,956**
Income taxes calculated using the theoretical IRES rate (24%)	**(4,671)**	**(3,829)**
Higher taxes	**(368)**	**(384)**
provision for funds	(26)	(97)
non-deductible vehicles costs	(40)	(48)
unrealized foreign exchange losses	(38)	(2)
investment write-down		(20)
non-deductible leasing cost (IAS17)	(97)	(76)
others	(167)	(141)

	2019	2018
Lower taxes	**973**	**1,088**
use of funds	169	46
contingent assets	23	6
unrealized foreign exchange profit	16	162
super-depreciation	34	27
iper-depreciation	53	28
Dividends	213	306
IRAP tax deduction	56	72
tax crediti R&D	117	90
IFRS15 Revenues effects	-	257
others	292	94
Irap	**(860)**	**(780)**
Withholding tax on dividends	**-**	**-**
Other movements	**(140)**	**(380)**
Income taxes	**(5,066)**	**(4,285)**

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 Revenue 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.
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. During 2018, non-recurring charges amounted to Euro 3.6 million for the Company's stock market

listing and personnel expense of Euro 0.8 million related to the bonus granted to the Company's employees in connection with the stock market listing.

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 2018, to which reference should be made for further information.

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**
Current financial assets	**Receivables and loans**	**12,307**	**6,319**		**5,988**
Total financial assets		**87,903**	**6,319**	**39,591**	**41,993**
Bank borrowings	Liabilities at amortised cost	20,069	-	20,069	-
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		**79,800**	**-**	**52,770**	**27,030**

31.12.2018	IFRS 9 categories	Book value	Level 1	Level 2	Level 3
Current accounts and post office deposits	Receivables and loans	11,432		11,432	
Cash	Receivables and loans	2		2	
Cash and cash equivalents		**11,434**		**11,434**	
Trade receivables	**Receivables and loans**	**33,828**			**33,828**
Current financial assets	**Receivables and loans**	**3,899**			**3,899**
Total financial assets		**49,161**		**11,434**	**37,727**
Bank borrowings	Liabilities at amortised cost	10,704		10,704	
Payables to other lenders	Liabilities at amortised cost	569		569	
Non-current financial liabilities		**11,273**		**11,273**	
Short-term bank loans	Liabilities at amortised cost	12,994		12,994	
Short-term bank loans	Liabilities at amortised cost	5,930		5,930	
Payables to other lenders	Liabilities at amortised cost	3,620		3,620	
Current financial liabilities		**22,544**		**22,544**	

31.12.2018	IFRS 9 categories	Book value	Level 1	Level 2	Level 3
Trade payables	**Liabilities at amortised cost**	**23,465**			**23,465**
Advances from customers	**Liabilities at amortised cost**	**2,502**			**2,502**
Total financial liabilities		**48,511**		**20,444**	**25,967**

Related party transactions

During 2019 and 2018 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 31.12.2019	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]	73			67			2,325	10
PIOVAN GMBH	Subsidiary	[7] [17] [21] [23]	636			6			8,147	64
PIOVAN CENTRAL EUROPE	Subsidiary	[7] [17] [21] [23]	1,510			10			6,377	162
PIOVAN UK LIMITED	Subsidiary	[7] [17] [21] [23]	708			1			1,720	119
PIOVAN DO BRASIL LTD	Subsidiary	[7] [17] [21] [23]	1,690			142			1,598	659
PIOVAN PLASTICS MACHINERY	Subsidiary	[7] [17] [21] [23]	360			42			1,967	14
PIOVAN MEXICO S.A.	Subsidiary	[7] [17] [21] [23]	2,461			57			4,021	65
PIOVAN FRANCE	Subsidiary	[7] [17] [21] [23]	2,030			187			5,030	686

Transactions at 31.12.2019	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 CZECH REPUBLIC	Subsidiary	[17] [23]								2
UNIVERSAL DYNAMICS	Subsidiary	[7] [8] [17] [21] [23]	2,855	85	3,418	56			1,668	27
TOBA PNC	Subsidiary	[7] [8] [17] [21] [23]	69						76	
PIOVAN ASIA PACIFIC	Subsidiary	[7] [17] [21] [23]	3,511			45		28	2,828	169
FDM GMBH	Subsidiary	[7] [17] [21] [23]	18			489	2.800		375	763
PIOVAN INDIA PVT LTD	Subsidiary	[7] [17] [21] [23]	157			71			366	198
PIOVAN MUHENDISLIK	Subsidiary	[7] [8] [17] [21] [23]	1,004		260	80			484	148
AQUATECH S.R.L.	Subsidiary	[7] [17] [21] [23]	19		2,025	1.155		32	275	2,537
PENTA SRL	Subsidiary	[7] [14] [17] [21] [23]	224			3	12.773		293	20
PIOVAN GULF FZE	Subsidiary	[7] [17] [20] [21] [23]	41			66			6	336
ENERGYS SRL	Subsidiary	[7] [17] [21] [23]	29			20			32	16
PROGEMA SRL	Subsidiary	[17] [23]	4			0				0
PIOVAN VIETNAM LTD	Subsidiary	[17] [23]	103			145			90	131
PIOVAN JAPAN INC.	Subsidiary	[7] [8] [17] [21] [23]	54		285	2			23	108
PIOVAN MAROC SA	Subsidiary	[7] [8] [17] [21] [23]	3			56		69		113
Total Subsidiaries			**17.557**	**85**	**5.988**	**2.700**	**15.573**	**129**	**37.700**	**6.346**
Associates										
C.M.G. SPA	Associated company	[10] [17] [23]	8			198			67	600
Parent company										
PENTAFIN S.P.A.*	Piovan S.p.A. parent company .	[10]		275				940	0	

Transactions at 31.12.2019	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]								277
Nicola Piovan	Chairman of the BoD of Piovan S.p.A. and Sole shareholder of Pentafin S.p.A.	[24]	-	35						1.206
Filippo Zuppichin*	Chief executive officer and shareholder of Piovan S.p.A.	[24]								524
BOD members (ezcept for the President)	**Directors**									**115**
TOTAL			**17.566**	**396**	**5.988**	**2.899**	**15.573**	**1.069**	**37.707**	**9.119**

*Dividends for an amount of € 53 thousand have been distributed.

Transactions at 31.12.2018	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]	1.156			56			1.827	84
PIOVAN GMBH	Subsidiary	[7] [17] [21] [23]	3.864			36			12.164	84
PIOVAN CENTRAL EUROPE	Subsidiary	[7] [17] [21] [23]	787			15			5.450	175
PIOVAN UK LIMITED	Subsidiary	[7] [17] [21] [23]	1.175			4			2.409	9
PIOVAN DO BRASIL LTD	Subsidiary	[7] [17] [21] [23]	871			265			1.465	482
PIOVAN PLASTICS MACHINERY	Subsidiary	[7] [17] [21] [23]	226			26			1.530	42
PIOVAN MEXICO S.A.	Subsidiary	[7] [17] [21] [23]	2.937			43			3.133	61
PIOVAN FRANCE	Subsidiary	[7] [17] [21] [23]	1.596			488			3.453	544
PIOVAN CZECH REPUBLIC	Subsidiary	[17] [23]	-			1			-	1
UNIVERSAL DYNAMICS	Subsidiary	[7] [8] [17] [21] [23]	2.894		3.354	30			2.400	22
PIOVAN ASIA PACIFIC	Subsidiary	[7] [17] [21] [23]	2.690			35			2.256	147
FDM GMBH	Subsidiary	[7] [17] [21] [23]	156			243			962	383
PIOVAN INDIA PVT LTD	Subsidiary	[7] [17] [21] [23]	184			113			294	122
PIOVAN MUHENDISLIK	Subsidiary	[7] [8] [17] [21] [23]	695		260	43			505	221
AQUATECH S.R.L.	Subsidiary	[7] [17] [21] [23]	40			790			203	4.159
PENTA SRL	Subsidiary	[7] [14] [17] [21] [23]	6			178	3.300		7	731
PIOVAN GULF FZE	Subsidiary	[7] [17] [20] [21] [23]	35			15		24	1	232
ENERGYS SRL	Subsidiary	[7] [17] [21] [23]	19			31			34	19
PROGEMA SRL	Subsidiary	[17] [23]	-			18			-	66
PIOVAN VIETNAM LTD	Subsidiary	[17] [23]	(0)			2			-	8
PIOVAN JAPAN INC.	Subsidiary	[7] [8] [17] [21] [23]	31		285	33			12	37
Total Subsidiaries			**19.363**		**3.899**	**2.465**	**3.300**	**24**	**38.106**	**7.630**

Transactions at 31.12.2018	Nature of transactions	Notes	Current trade receivables	Other current assets	Financial current assets	Trade payables	Non-current financial liabilities	Other current liabilities	Revenues	Expenses
Associates										
C.M.G. SPA	Associated company	[10] [17] [23]		12		143				512
Parent company										
PENTAFIN S.P.A.*	Piovan S.p.A. parent company	[10]		1.316						
Other related parties										
CARSIL S.R.L.	Company owned by Nicola Piovan's relatives	[25]								289
SPAFID S.P.A. (DELTA ERRE S.P.A.)	Trust company - registered on behalf of Nicola Piovan	[31]					-			68
Nicola Piovan	Chairman of the BoD of Piovan S.p.A. and Sole shareholder of Pentafin S.p.A.	[24]	-							1.339
Filippo Zuppichin	Chief executive officer and shareholder of Piovan S.p.A.	[24]								465
TOTAL			**19.363**	**1.328**	**3.899**	**2.608**	**3.300**	**24**	**38.106**	**10.303**

Commitments and risks

At December 31, 2019, the Company had guarantees in place for Euro 685 thousand provided to third parties in relation to commercial activities for sales orders (Euro 1,137 thousand at December 31, 2018).

At December 31, 2019, 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 10.3 million (Euro 11.4 million at December 31, 2018) and future lease payables of Euro 262 thousand (Euro 1,459 thousand at December 31, 2018).

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 2019. 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, 2019 compared to the previous year is shown below:

	2019	2018
Directors	1,658	1,258
Key managers	826	819
Statutory auditors	39	10

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 2019 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 2019
External audit of accounts	Auditor of the parent company	Parent company	140
Auditing and review	Auditor of the parent company	Parent company	63
Non-audit services	Network of the parent company's auditors	Parent company	14

Subsequent events after December 31, 2019

There are no particular significant events occurring after the end of the year, except as already explained with reference to the Coronavirus emergency, which however had no significant impact on the performance of the Group in the first two months of the year.

Santa Maria di Sala (Venice), March 19, 2020.

On behalf of the Board of Directors

The 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, 2020

The undersigned Filippo Zuppichin and Marco Mammano, respectively CEO and 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 conformity in relation to the characteristics of the company and
- the effective application

of the administrative and accounting procedures for the compilation of the separate annual financial statements for 2019.
No significant aspect emerged concerning the above.

In addition, we declare that the separate financial statements at December 31, 2019:

d) are drawn up in conformity with the applicable international accounting standards recognized by the European Union in conformity with Regulation (CE) No. 1606/2002 of the European Parliament and the Commission of 19 July 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 situation of the issuer 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	**MARCO MAMMANO**

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 SEPARATE 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 2019, and the statement of income, the statement of comprehensive income, statement of changes in equity and 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 separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, 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 Separate 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 Separate Financial Statements

The Directors are responsible for the preparation of separate 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 separate 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 Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate financial statements, including the disclosures, and whether the separate 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 separate 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 2019, 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 2019 and 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 are consistent with the financial statements of Piovan S.p.A. as at 31 December 2019 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.

DELOITTE & TOUCHE S.p.A.

Signed by
Barbara Moscardi
Partner

Treviso, Italy
27 March 2020

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 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 2020, in a single call, for approval of the Financial Statements year ended 31 December 2019 and submission of the Consolidated Financial Statements.

* * *

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 in reporting period 2019 were as follows.
Since October 2018, the Company is listed on the STAR segment of the Mercato Telematico Azionario (the Online Stock Exchange): 2019 was the first full post-listing year in which the strategic path of business development and growth continued and the organizational transformation of the company to comply with the corporate governance rules imposed by the new condition.
In this strategic path is:

- During the second quarter of 2019, the Piovan Group established a commercial subsidiary in Morocco in order to better monitor the North African area;
- In July 2019, the acquisition of 51% of ToBaPNC Co. Ltd., a leading company in South Korea in the automation of industrial processes and in particular in systems for the transport and storage of plastic powders. The transaction was achieved through a share purchase by Piovan S.p.A. with a total outlay of USD 872 thousand, and includes sales and purchase options for both parties, up to 49% of the share capital in the period between 01.01.2023 and 31.12.2024, in one or more tranches, according to certain economic and financial parameters defined in the agreements between the parties;
- Also in July 2019, the acquisition of 51% of the share capital of FEA Process & Technological Plants S.r.l., a Cuneo company specializing in the automation of transport systems and storage of viscous liquids for the food industry. The transaction was carried out through a capital increase reserved for Piovan S.p.A for a total outlay of 390 thousand euros. Again, sales and purchase options are expected for both parties between 30.04.2022 and 30.04.2024 according to certain economic and capital parameters;
- The subsidiary Penta S.r.l., in July 2019 signed a purchase agreement with a historical partner for the purchase of an additional 19.0% share of the subsidiary Progema S.r.l.. The Group now has a stake in Progema S.r.l. accounting for 81% of the entire share capital. The transaction was carried out through a purchase of shares by Penta S.r.l. with a total outlay of 185 thousand euros;
- A project to expand production and logistics capacity at the company's headquarters has been completed: the non-recurring investment incurred during the 2019 financial year was EUR 11.5 million;
- In September 2019, the relocation of the headquarters of its subsidiary Aquatech S.r.l. to the new production facility in Santa Maria di Sala (VE) and the sale of the building owned by Piovan S.p.A, used so far by the Controlled. The sale of the building resulted in the detection of a capital gain of 714 thousand euros;
- In addition, dividends of EUR 7.7 million were distributed in the year.

As for the most important events that have taken place since the end of the year, it is necessary to report the global health emergency generated by the spread of COVID19 and the consequent provisions of interruption of national and international economic activities government. In the Annual Financial Report (Outlook) the company takes into account the unpredictability of the events as of the date of its approval, emphasizing its monitoring and mitigation actions – even prudently and perspective – put in place. Explanatory notes, however, illustrate that the " the financial strength of the Company makes it possible not to consider the short-term balance of capital and financial position compromised."

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 the financial statements, to which reference should be made also with regard to transaction features and their economic effects (Note 41 to the consolidated financial statements).

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 27, 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 2019. *No* official complaints were received by the Board of Statutory Auditors in reporting period 2019.

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 accounting procedures for fees paid to them and to the companies belonging to their network for services pertaining to the 2019 reporting year, as reported on the Annual Report:

Type of service	Person who provided the service	Recipient	Fees 2019
External audit of accounts	Auditor of the parent company	Parent company	140
External audit of accounts	Auditor of the parent company	Subsidiaries	59
External audit of accounts	Network of the parent company's auditors	Subsidiaries	85
Auditing and review	Auditor of the parent company	Parent company	63
Non-audit services	Other auditors	Subsidiaries	5
Non-audit services	Network of the parent company's auditors	Parent company	14

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 19, 2020, 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, 2020, 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, 2020.

ATTENDANCE AT MEETINGS OF CORPORATE BODIES.

In 2019, the Board of Directors met five times, 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 2019 and to 2 meetings during 2020, to 1 meeting of the Related Parties Committee, , to 4 meetings of the Nomination and Remuneration Committee and has held 7 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 holds that the organisational structure, which is currently evolving in the light of the recent process of listing on the Italian Stock Exchange, the procedures, expertise and responsibilities, are sufficiently 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 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, 2020, 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 2019;

c) attending meetings with the independent auditors and the outcomes of their activities.

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.

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 OF 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, approved in March 2006 and last amended in July 2015 (hereinafter the "Code").

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 11, 2019, 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 2018, 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, 2019 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 approval by the Board of Directors on March 19, 2020 of the aforesaid Statement, and the issue, on March 27, 2020, 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 2019, 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 27, 2020

The Board of Statutory Auditors

Carmen Pezzuto - Chairman
Luca Bassan - Statutory Auditor
Patrizia Santonocito - Statutory Auditor

Versione 1.0

Annual Report at December 31, 2019 of
Piovan S.p.A.

PIOVAN S.p.A.
Via delle Industrie 16 – 30036
S. Maria di Sala VE - Italy