PiovanGroup

ANNUAL FINANCIAL REPORT

at 31 December 2018

CONTENTS

NOTICE OF CALL

Those entitled to participate and exercise the right to vote are called to the ordinary Shareholders' Meeting for 17 April 2019 at 10.30 am, in single call, at the registered office of Piovan S.p.A. ("Piovan" or the "Company") in Santa Maria di Sala (VE), to discuss and pass resolutions on the items of the following

Agenda

1. Approval of the Financial Statements of Piovan S.p.A. as at 31 December 2018; Board of Directors' Information report on the management of the Financial Year 2018; Board of Statutory Auditors' Report; report by the Auditing Firm; related and consequent resolutions. Presentation of the Consolidated Financial Statements of the Group as at 31 December 2018; Presentation of the consolidated non financial declaration drawn up pursuant to Legislative Decree no. 254/2016. Approval of the allocation of the profit for the financial year ended 31 december 2018. Related and consequent resolutions.

2. Approval of the plan for the assignment free of charge of ordinary shares of the Company called « 2019 – 2021 Performance Shares Plan » reserved to executive directors, key managers and employees or associates of the Company or the Group, and a plan for the grant of monetary incentives headed "2019-2021 Long-Term Monetary Incentive Plan", reserved to top managers and employees or associates of the Company or the Group; related and consequent resolutions.

3. Remuneration Report pursuant to Article 123-ter of the Legislative Decree no. 57/1998. Related resolutions to the remuneration policy of the Company as set forth on the first section of the Remuneration Report.

Santa Maria di Sala (Venice), 15 March 2019

For the Board of Directors

The Chairman

Nicola Piovan

REPORT ON OPERATIONS

Dear Shareholders,

We submit for your examination and approval the financial statements as at 31 December 2018 of the Parent Company Piovan S.p.A., whose Profit and loss account closed with "Total revenues and other revenues and income" of €108.1 million and a net profit for the year of €11.7 million after the allocation of current tax liabilities and deferred tax assets and liabilities for a net amount of €4.3 million.

The Board of Directors of the Parent Company Piovan S.p.A., in compliance with the accounting regulations, has also prepared the consolidated financial statements of the Piovan Group for the year 2018.

The consolidated financial statements show "Total revenues and other revenues and income" of €247.8 million and a profit for the year of €25.5 million, of which €23.9 million attributable to the shareholders of the Parent Company.

Introduction

Both financial statements have been prepared in accordance with the 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 the European Council and adopted by Legislative Decree no. 38/2005. The financial statements for the year ended 31 December 2018 represent the first IFRS financial statements of the Parent Company and a specific section of the notes to the financial statements provides information on the transition.

The parent company Piovan S.p.A. avails itself of the possibility offered by Legislative Decree 32/2007, which allows companies required to prepare consolidated financial statements to present a single report on operations for the financial statements and the consolidated financial statements; in this report on operations greater emphasis has therefore been given, where appropriate, to issues relevant to all the companies included in the consolidation area.

This report on operations does not contain the information required by Legislative Decree 254/2016, implementing Directive 2014/95/EU on the disclosure of non-financial information contained in a separate document to which reference should be made.

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

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

Phone: +39 041 5799111

Certified email address: piovan@legalmail.it

E-mail address: info@piovan.com

Web site: www.piovangroup.com

Share capital: €6,000,000 fully paid-up

Tax code: 02307730289 VAT number: 02700490275

Economic and Administrative Index (REA) of Venice no. 235320

PARENT COMPANY PIOVAN S.P.A. ADMINISTRATIVE AND CONTROL BODIES

Board of Directors

In office until the date of the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2020.

FIRST AND LAST NAME	OFFICE
Nicola Piovan	Executive Chairman
Filippo Zuppichin	Managing Director
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 date of the Shareholders' Meeting called to approve the financial statements at 31 December 2020.

NAME AND SURNAME	OFFICE
Carmen Pezzuto	Chairman
Luca Bassan	Statutory auditor
Patrizia Santonocito	Statutory auditor
Kristian Sartor	Deputy auditor
Stefania Targa	Deputy auditor

Control, Risk and Sustainability Committee

NAME AND SURNAME	
Chiara Mio	Chairman
Marco Maria Fumagalli	
Marco Milani	

Appointments and Remuneration Committee

NAME AND SURNAME	
Lucia Giancaspro	Chairman
Marco Maria Fumagalli	
Chiara Mio	

Related Parties Committee

NAME AND SURNAME	
Marco Maria Fumagalli	Chairman
Lucia Giancaspro	
Marco Milani	

Major Shareholders

Based on the results of the shareholders' register, the communications received pursuant to art. 120 of Legislative Decree n. 58/98 and other information available to the Company, the shareholders of Piovan SpA, with an interest of more than 5% at December 31, 2018, are indicated below:

MAJOR SHAREHOLDERS					
Declarant	Direct shareholder	% Stake on ordinary capital (*)	% Stake on voting capital (**)	% Stake on ordinary capital (***)	% Stake on voting capital (****)
Nicola Piovan	Pentafin S.p.A	56.015	71.463	58.952	73.850
Allianz SE	ALLIANZ IARD SA	5.023	3.259	5.286	3.368
7INDUSTRIES HOLDING BV	7INDUSTRIES HOLDING BV	8.95	5.81	9.425	6.004

(*) Total number of ordinary shares: 53.6 million, including treasury shares in Piovan S.p.A.
(**) Share capital expressed in the number of votes pursuant to Art. 120, paragraph 1 of Legislative Decree no. 58 of 24 February 1998, ("TUF"), including treasury shares in Piovan S.p.A.
(***) Total number of ordinary shares: 50,929,300, excluding treasury shares in Piovan S.p.A.
(****) Share capital expressed in the number of votes pursuant to Art. 120, paragraph 1 of Legislative Decree no. 58 of 24 February 1998, ("TUF"), excluding treasury shares in Piovan S.p.A.

Manager responsible for preparing the company's financial reports

Luca Sabadin

Independent auditing firm

In office until the date of the Shareholders' Meeting called to approve the financial statements at 31 December 2026.

Deloitte & Touche S.p.A.

PRESENTATION AND STRUCTURE OF THE GROUP

The Group's first activities date back to the early 1930s when Costante Piovan founded a small workshop in Padua specialising in precision mechanics and the production of dies for sheet metal working.

In 1964 Luigi Piovan began to diversify its reference markets and the Group entered the sector of auxiliary systems for the processing of plastic materials, introducing the first granulator to the Italian market, followed by the Convair dryer and the Convector feeder for injection presses. The Group increasingly specialised in the design and production of automation systems for the storage, transport and treatment of plastic materials and in 1969 moved its main production plant to Santa Maria di Sala (Venice).

Between 1970 and 1980 the Group began to progressively expand both its geographical distribution, with the establishment of the first foreign parent subsidiaries, in particular Piovan Germany in 1974, and its range of technologies and products, to include a complete range of machines used in the automation process for the storage, transport and processing of plastics, laying the foundations of future world leadership. In the same years the Company launched its first line of chillers and introduced on the market the first centralised system for feeding, dosing and dehumidifying granules.

In the same period the Group experienced significant production growth that from a general base began to develop specific skills in plastic applications for the packaging, automotive, consumer and construction markets, laying the foundations for future specialisation in customers' industrial processes and the consequent ability to offer innovative solutions. Moreover, anticipating future market trends, the Company developed the first plant supervision and control software, which guarantees constant monitoring of machinery operation.

In the 1990s the Group continued to pursue an interesting path of global growth and improvement in technological and quality skills, including the ISO 9001 certification and commercial and production expansion in foreign markets with the opening of new foreign subsidiaries..

In the early 90s Luigi Piovan's son, Nicola Piovan, joined the company. He has been the managing director since 2002 and sole director since 2011. The Group continued its expansion abroad and began opening production plants outside of Italy, in particular in Brazil and China. Subsequently, additional foreign subsidiaries were also opened in Mexico, Great Britain, Austria, Hungary and the Czech Republic, India, Turkey, Thailand, Indonesia and Vietnam.

The objective was to guarantee a global presence for its customers, providing a high and constant level of assistance and service "by the customers' side" for the good functioning of the complex plants sold, as well as a commercial activity in every geographical area that over time became important, thus anticipating market trends. The continuous technological evolution, the proximity to customers with a high level of service and sales together with the attention to employees and their professional and personal growth, are now in the Group's DNA.

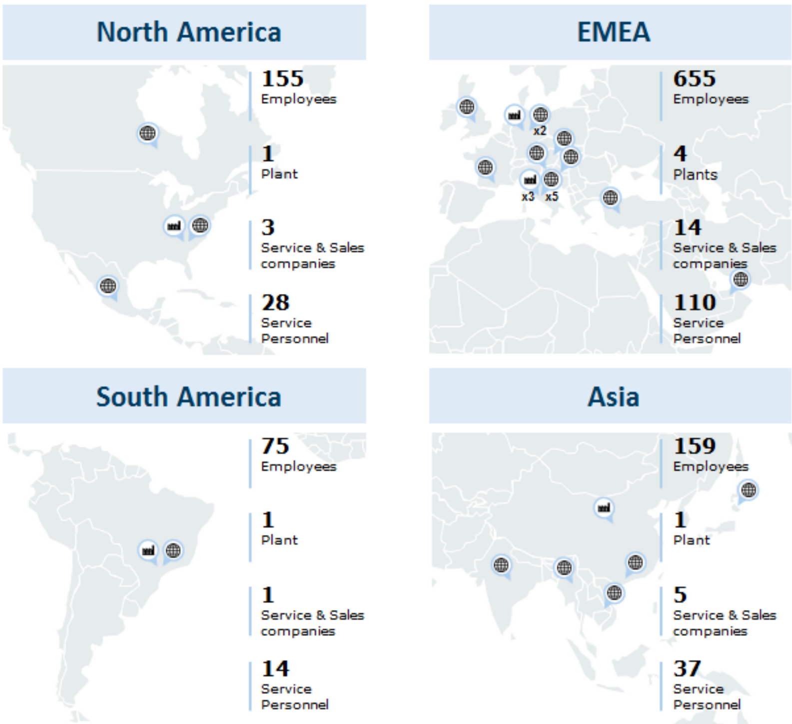
In recent years the Group has developed the first solutions for the treatment of recycled plastics to build hundreds of plants in the following years and technological leadership.

In 2007 the first version of the proprietary software "Winfactory" was launched on the market, with new annual releases up to the current version "Winfactory 4.0", which is still today one of the Group's strengths compared to its main competitors.

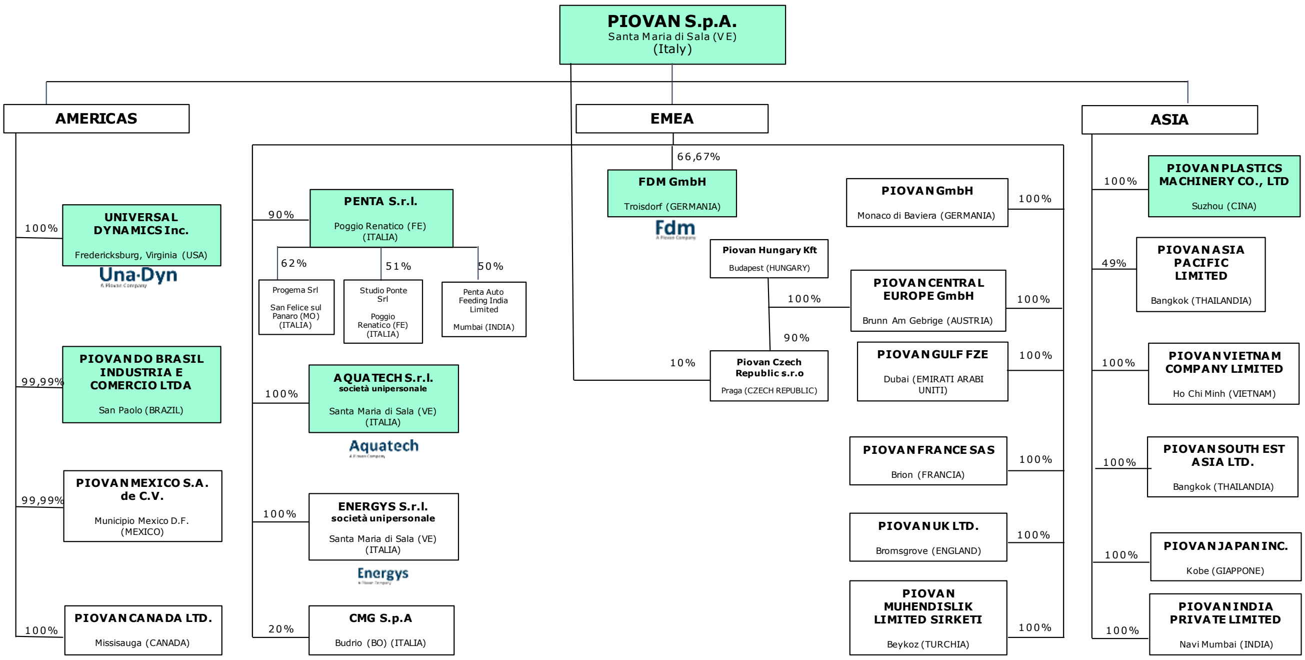
Moreover, continuous investment in high technology and energy saving solutions have made it possible to attract the world's leading groups in the packaging, construction, consumer goods, food and automotive sectors.

To date, the Group consists of a network that includes companies directly or indirectly controlled by Piovan S.p.A., with headquarters in Europe, America and Asia. The strategic, management and operational direction of the Piovan Group is directly entrusted to Piovan S.p.A., which coordinates 23 service and commercial companies together with 7 plants on 4 continents.

The widespread geographical distribution of the Piovan Group companies gives it a significant competitive advantage, allowing it to offer its customers, in the various reference markets, a uniform service quality and level as well as an extremely broad and constantly developing range of products, which represents one of the main characteristics of the Group's commercial offer, both for the automation processes for the storage, transport and treatment of plastic materials, for each end sector of use, and for the transport and treatment of food powders, the most recent area of development of the Group's range of products thanks to the acquisition of the subsidiary Penta S.r.l.



GROUP STRUCTURE AT 31 DECEMBER 2018



GENERAL TREND

At the end of 2018, the world economy continued to grow, but there were signs of cyclical deterioration in many advanced and emerging economies; world trade prospects continue to deteriorate, after the slowdown at the beginning of last year. Uncertainties in the economic environment had an impact on the international financial markets, with long-term yields falling and share prices falling. The global outlook is at risk of a negative outcome to the trade negotiations between the United States and China, the possible escalation of financial tensions in emerging countries and the way in which Brexit will take place.

In the Euro area, growth weakened; in November, industrial production declined significantly in Europe zone. Although inflation remained positive, it fell as a result of the slowdown in energy prices. The Governing Council of the ECB reaffirmed its intention to continue a significant monetary stimulus for an extended period.

In Italy, after growth had stopped in the third quarter, the available economic indicators suggested that activity could have continued to decline in the fourth quarter, as was later noted. The decline was due to the reduction in domestic demand, in particular investment and, to a lesser extent, household spending.

According to the economic survey conducted by the Bank of Italy in collaboration with Il Sole 24 Ore, in 2019 investment plans of industrial and service companies would be more limited as a result of both political and economic uncertainty and commercial tensions.

According to forecasts released by the OECD last November, in 2018 the world economy was expected to grow by 3.7%, a tenth of a percentage point more than in 2017.

In 2019, world GDP would increase by 3.5 per cent, two-tenths of a percentage point less than had been forecast in September: the reassessment reflects a slight deterioration in the outlook for the euro area, Japan and the main emerging economies, accompanied by the already expected slowdown in the United States, which is also due to the progressive disappearance of the expansive effects of the fiscal stimulus.

In the last few months of 2018, industrial production fell more than expected in Germany, France and Italy. In December, the indicator developed by the Bank of Italy, which estimates the underlying GDP trend in the area, recorded a further decrease. Qualitative information shows modest growth in the last quarter of 2018 with indicators for SMEs falling in both manufacturing and services, and business expectations for foreign sales worsened in connection with uncertain prospects for world trade. Finally, even family valuations remain cautious.

On the positive side, at its monetary policy meeting of 13 December 2018 the Governing Council of the ECB decided, in line with its announced intentions from June 2018 onwards, to end net purchases under the Eurosystem's expanded asset purchase programme.

At the same time the Council announced that the reinvestment of the entire redeemed capital of maturing securities under the financial asset purchase plan will continue for an extended period of time after the first rate increase and in any event as long as it is necessary to maintain favourable liquidity conditions and a large degree of monetary accommodation.

In order to strengthen inflation dynamics in the medium term, the ECB Council also reiterated that a significant monetary stimulus remains necessary and this support will continue to be provided by the large holdings of securities in the portfolio, the reinvestment of redeemed capital on maturing securities and the low level of interest rates, which will reasonably remain at current levels at least until the summer of 2019 and in any event for as long as necessary.

The high level of securities in the portfolio will help to maintain a strong monetary stimulus: firstly, it will continue to exert downward pressure on the forward structure of interest rates; secondly, it will provide abundant liquidity to the banking system, mitigating the risk of tensions in the interbank market. In addition, it was announced that the ECB will assess all possible measures to ensure that the banking system has the liquidity it needs for the proper functioning of the monetary policy transmission mechanism in the coming years.

In this context, the Piovan Group recorded further growth in its results in 2018, improving its performance compared to the previous year.

The Piovan Group has an organisational structure that includes both subsidiaries with production sites on different continents and numerous subsidiaries that provide technical and commercial assistance of equal quality in all areas of the world. This is an advantage both because it minimises the risks associated with the performance of individual geographical areas and because it allows growth opportunities to be seized in new areas of interest.

Significant events occurring during the year

On 5 October 2018 the Company obtained CONSOB's approval for the listing of its shares on the STAR segment of the Mercato Telematico Azionario (the Online Stock Exchange). The trading of the shares on this market started on 19 October 2018.

On 7 September 2018 Piovan S.p.A. signed a sales contract with 3B Inc. S.r.l. (formerly 3B Immobiliare S.r.l.) for the purchase of a further 25% stake in the subsidiary Penta S.r.l. The contract governed the terms and conditions of the sale and purchase and, with the completion of the closing on 7 September 2018, provided for the termination - by mutual consent of the parties - of the Put Option previously granted to 3B Inc. S.r.l. (Penta S.r.l. minority shareholder until the closing mentioned above) and the transfer of the 25% share of the same. The Group now has a stake of 90% of the share capital in Penta S.r.l.. The remaining 10% is also covered by call and put options, as illustrated in the notes to the consolidated financial statements.

The U.S. subsidiary Universal Dynamics Inc. (in short Unadyn) undertook and completed a project to expand production and improve technology with a major investment in a new production site and the disposal of the previous one. The “Grand Opening” of the new headquarters and production site in the USA took place in early October 2018 in the presence of the Virginia authorities and numerous customers.

Similarly, the Parent Company is making an investment to expand its production and logistics capacity at its registered office. The construction of the new warehouses is advancing substantially in line with the planned schedule.

Group economic performance

(€'000)	Economic performance indicators											
	2018			*% on total revenues and other income*		2017			*% on total revenues and other income*		2018 vs. 2017	*%*
	Total	**Recurring**	**Non-recurring ***	**% on Total**	***% on Recurring***	**Total**	**Recurring**	**Non-recurring ***	**% on Total**	***% on Recurring***	**Changes on recurring**	
Revenues	241,661	241,661		*97.5%*	*98.3%*	209,391	209,391		*98.2%*	*98.2%*	32,270	*15.4%*
Other revenues and income	6,182	4,249	1,933	*2.5%*	*1.7%*	3,893	3,893		*1.8%*	*1.8%*	356	*9.1%*
TOTAL REVENUES AND OTHER INCOME	**247,843**	**245,910**	**1,933**	***100.0%***	***100,0%***	**213,284**	**213,284**	**-**	***100,0 %***	***100,0%***	**32,626**	***15.3%***
EBITDA	**35,017**	**38,491**	**(3,474)**	***14.1%***	***15.7%***	**32,986**	**32,986**	**-**	***15.5%***	***15.5%***	**5,505**	***16.7%***
OPERATING PROFIT	**31,338**	**34,812**	**(3,474)**	***12.6%***	***14.2%***	**29,494**	**29,494**	**-**	***13.8%***	***13.8%***	**5,318**	***18.0%***
PROFIT BEFORE TAXES	**33,490**			***13.5%***		**29,113**			***13.6%***			
Income taxes	7,976			*3.2%*		8,885			*4.2%*			
NET PROFIT	**25,514**			***10.3%***		**20,228**			***9.5%***			
Attributable to:												
Owners of the parent	23,881			*9.6%*		19,553			*9.2%*			
Non-controlling interests	1,633			*0.7%*		675			*0.3%*			
Basic earnings per share (in Euros)	0.47					0.38						
Diluted earnings per share (in Euros)	0.47					0.38						

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

In 2018, **total revenues and other income** of the Piovan Group amounted to €247,843,000, up from €213,284,000 in 2017 (+16.2%).

In 2018 the subsidiary Unadyn in the United States realised a capital gain of €1,933,000 from the sale of the previous production site no longer used as a result of the transfer to the new headquarters in Virginia.
Excluding this non-recurring income, in 2018 the total revenues and other income of the Piovan Group amounted to €245,910,000, up from €213,284,000 in 2017 (+15.3%).
Revenues of the Piovan Group alone amounted to €241,661,000, up from €209,391,000 in 2017 (+15.4%). It should be noted that revenues, calculated at constant exchange rates (i.e. at the average 2017 exchange rate), are higher by €4,083,000, resulting in revenues at constant exchange rates of €245,744,000 and an increase of 17.4% compared to 2017.

The **gross operating margin (EBITDA)**, considering **only the recurring data**, amounts to € 38,491,000, an increase compared to € 32,986,000 in the previous financial year (+16.7%), with an increase of € 5,505,000. The value of EBITDA referred to the recurring data as a percentage of total revenues and other income was 15.7%, up from 15.5% in the previous year.
Non-recurring costs, which were excluded, amounted to €5,407,000 and related to:

a) costs incurred for the listing process of the Parent Company for €3,653,000;

b) costs relating to the closure of the old Unadyn headquarters in Woodbridge (VA) and the transfer to the new headquarters in Frederiksburg (VA), for a value of €947,000;

c) €807,000 for costs relating to a bonus paid to employees of Piovan S.p.A., Aquatech S.r.l. and Energys S.r.l. in relation to the listing of Piovan S.p.A. on the Milan Stock Exchange, entirely financed with non-repayable financial resources, prior to payment to employees, by the parent company Pentafin S.p.A., which bore the entire cost.

Total **gross operating profit (EBITDA)**, including these non-recurring items, amounted to €35,017,000, an increase on the €32,986,000 of the previous year (+6.2%).

The **operating result** considering **only the recurring data** is equal to €34,812,000, increasing compared to €29,494,000 in 2017 (+18.0%) with an increase equal to €5,318,000. Recurring EBITDA as a percentage of total revenues and other income was 14.2%, up from 13.8% in the previous year.
The total **operating result** was €31,338,000, an increase compared to €29,494,000 in the previous financial year (+6.3%).

The **profit for the year** amounted to **€25,514,000**, up from €20,228,000 in the previous year (+26.1%).

The result for 2018, under the item "Income (expenses) from the valuation of liabilities for options granted to minority shareholders", includes a gain of €2.7 million relating to the purchase of a further 25% of the share capital of the subsidiary Penta S.r.l. on 7 September 2018 for a lower price than the estimated liability recorded in the financial statements at 31 December 2017 in relation to the option granted to the minority shareholder. In addition, this item also includes a charge of €430,000 relating to the change in the fair value of the put option granted on the remaining 10% of the share capital of Penta S.r.l. owned by third parties. This value update was carried out on the basis of the existing contractual clauses and the subsidiary's Business Plan, which forecasts growing future results, in line with the Group's development strategy in the Food sector.
The result for 2017 includes, in the same item, a gain of €2.1 million deriving mainly from the valuation of the put option on 25% of Penta S.r.l., which was subsequently sold to the Piovan Group in September 2018.

Profit for the year attributable to the parent company shareholders amounted to €23,881,000 in 2018 compared with €19,553,000 in the previous year, an increase of 22.1%. The **profit for the year attributable to minority interests** amounted to €1,633,000 compared to €675,000 in the previous year.

Earnings per share were €0.47 in 2018 compared with €0.38 in the previous year and were calculated net of treasury shares held by the Company.

Revenues by market and geographical area

	2018	2017
Revenues from Plastics Systems	187,722	174,654
Revenues from Food Systems	27,799	8,999
Revenues from Service & Spare parts	26,140	25,738
Revenues	**241,661**	**209,391**

With regard to revenue trends broken down by market:

- in 2018, the Plastics Systems market recorded an increase in revenues of €13,068,000, equal to a growth of 7.5% compared to the previous year, confirming the leadership position held by the Group in this market with satisfactory growth especially in EMEA and Asia.

• in 2018, the Food Systems market reported revenues of €27,799,000, an increase of €18,800,000, tripling turnover compared with the previous year. These results are consistent with the Group's strategy of increasing its market share in the Food Area and are partially related to projects involving two major multinational customers. In fact, in 2018 the Food revenues, compared to the Group's total revenues, represented 12% compared to 4% in the previous year, even though there was significant growth also in the Plastics market in the same period.

The Food Systems market is undergoing intense development, benefiting from the same strategy previously implemented in the market for Plastic Systems through sales made possible by the integration of the Group's mechanical and production capacity with the specific know-how developed over time by Penta S.r.l. and Progema S.r.l. on the Food market. In December 2014, the majority of Penta S.r.l. was acquired, further increasing the controlling stake to 65% in 2016 and 90% in September 2018, in line with the strategy initially defined, which is producing the expected results.

- The Services and Spare Parts market recorded revenues of €26,140,000 in 2018, up slightly (2%) on the previous year.

Revenues by geographical area

	2018	2017
EMEA	156,789	126,365
ASIA	28,648	24,004
NORTH AMERICA	44,767	46,564
SOUTH AMERICA	11,458	12,459
Revenues	**241,661**	**209,391**

There was significant growth in the Asian markets. It should be noted that EMEA revenues include the portion of revenues generated in Italy, which amounted to €52,755,000 in 2018 and €37,713,000 in the previous year.

The growth in Italy in 2018 was mainly due to the significant increase in Food Systems sales, with a growth of €14,736,000, concentrated in the first half of the year. Revenues generated in Italy in 2018 accounted for 21.8% of the total, mainly due to the concentration in Italy of sales in the Food sector.

Moreover, at constant exchange rates in 2017, revenues would have been higher by 4.1 million Euros, or 1.7%. Specifically, North America would show a substantial break-even rather than a reduction of 1.4%, which therefore also derives from the adverse trend of the exchange rate with the dollar. It should also be noted that sales in the North American market were penalised in 2018 by temporary inefficiencies due to the transfer of employees and production capacity from the old site, now sold, to the new site, which has a higher production capacity and better process standards. Likewise, South America suffered a reduction in turnover resulting from the exchange rate due to the negative performance of the Brazilian currency.

EQUITY AND FINANCIAL POSITION

GROUP'S NET FINANCIAL POSITION

€'000	31.12.2018	31.12.2017
A. Cash	29	26
B. Current accounts and post office deposits	39,084	37,859
C. Liquidity (A+B)	**39,113**	**37,885**
D. Current financial receivables		
E. Current bank borrowings	(12,995)	(9,219)
F. Current portion of non-current debt	(5,994)	(6,108)
G. Other current financial liabilities	(280)	(417)
H. Current financial debt (E+F+G)	**(19,269)**	**(15,744)**
I. Net current financial debt (H+C+D)	**19,844**	**22,141**
J. Non-current bank borrowings	(10,760)	(16,699)
K. Bonds issued		(2,500)
L. Other non-current financial liabilities	(609)	(634)
M. Non-current financial debt (J+K+L)	**(11,368)**	**(19,833)**
N. Net financial debt (I+M)	**8,476**	**2,308**

The Group's net financial position at the end of 2018 was positive for €8,476,000, an improvement on the €2,308,000 at the end of 2017, with a net cash flow generation of €6,168,000 in the year.

It should also be noted that during the year dividends were distributed for €6 million, €4 million was paid in relation to the purchase of a further 25% of the subsidiary Penta S.r.l., non-recurring investments were made for the development of production capacity and technological improvement for €9.9 million and non-recurring costs were incurred for €5.4 million mainly relating to the listing on the Stock Exchange, with a net cash effect of €4.5 million. Similarly, there were non-recurring revenues from the sale of assets, mainly relating to the American plant in Woodbridge in Virginia (USA).

Net of these non-operating items, amounting to €19.2 million, cash generation in 2018 would have been €25.4 million.

The net financial position includes medium/long-term loans, mostly relating to the Parent Company, for €16.8 million, of which €6 million with repayment due within 12 months and the remaining part within 5 years. Funding is not guaranteed.

Non-current assets

(€'000)	At 31 December 2018	At 31 December 2017
Tangible assets	34,531	27,852
Intangible assets	6,007	5,741
Equity investments	270	589
Net non-current assets	**40,808**	**34,182**

Net non-current assets represented by property, plant and equipment, intangible assets and equity investments increased, net of amortisation and depreciation, by €6,626,000. In fact, over the last two years the Group has undertaken a project to expand production and improve technology at its Italian and US plants, which is expected to be completed by 2019. Specifically, the U.S. subsidiary Universal Dynamics Inc. invested in a new facility and transferred offices and production to the new facility during the second half of the year. In 2018, the previously used headquarters were sold, generating a capital gain of €1,933,000. Likewise, in Italy, at the Piovan S.p.A. headquarters in Santa Maria di Sala (VE), the investment to increase production and logistics capacity continues.

Total investments - to be considered as non-recurring - in 2018 amounted to €9.9 million. Total investments in property, plant and equipment in 2018 amounted to €12,082,000, of which €2,177,000 related to recurring investments.

Net Trade Capital and Net Working Capital

(€'000)	**At 31 December 2018**	**At 31 December 2017**
Current trade receivables	50,656	61,418
Inventories	28,049	23,030
Assets for contract work in progress	3,654	471
Trade payables	(39,937)	(34,460)
Advances from customers	(12,577)	(14,133)
Liabilities for contract work in progress	(2,703)	(8,926)
Net trade capital	**27,142**	**27,399**
Tax receivables	3,455	1,561
Other current assets	4,192	3,469
Tax liabilities and social security contributions	(6,422)	(7,419)
Other current liabilities	(12,241)	(10,988)
Net working capital	**16,126**	**14,022**

Net trade capital was substantially stable compared to the end of the previous year, confirming the Group's ability to develop turnover without a significant change in working capital requirements, despite a different mix between the various items.

Net working capital increased by €2,104,000, due mainly to higher VAT credit.

Medium/long-term liabilities

(€'000)	**At 31 December 2018**	**At 31 December 2017**
Liabilities for defined benefit plans for employees	3,887	3,905
Provision for risks and charges	2,925	1,835
Other non-current liabilities	121	167
Deferred tax liabilities	3,505	2,291
Medium/long-term liabilities	**10,438**	**8,198**

Medium/long-term liabilities increased by €2,240,000 during the year, due mainly to higher provisions for risks set aside to cover potential charges deriving from the Group's commercial activities (€1.1 million) and higher deferred taxes (€1.2 million).

Investments

In 2018 the Piovan Group made total investments of €12,600,000, of which €12.1 million related to tangible fixed assets and €0.5 million to intangible fixed assets mainly aimed at improving the Information and Communication Technology structures and patent activities. With reference to tangible fixed assets, investments were made at the Piovan S.p.A. plant in the vertical warehouse, in a new press brake and in a seaming machine, as well as non-recurring investments mainly relating to developments in production capacity and logistics in the USA and at the Group's headquarters, in addition to technological improvements for a total of €9.9 million.

The parent company Piovan S.p.A. made total investments during the year of €8,095,000, of which €7,701,000 related to tangible fixed assets and €394,000 to intangible fixed assets. The latter are focused on patent activities and information system improvements. Investments in materials mainly refer to the expansion of production and logistics capacity, as well as investments in the vertical warehouse, a new press brake and a seaming machine.

Research & Development

In 2018 the Piovan Group incurred research and development expenses amounting to 3.5% of total revenues and other recurring proceeds (€8,668,000 compared to €7,795,000 in 2017). In relation to 2018, €7.85 million relates to personnel carrying out R&D and engineering activities, fully expensed in the profit and loss account, for complex and innovative projects. The level of the commitment to investment in research and development concretely demonstrates the strong orientation to present itself as a supplier of solutions and not of simple machinery or systems that has always distinguished the Group and that, over the years, has determined a position of strong dominance on the market. The Group is in fact characterised by a constantly renewed range of products, thanks to research and development also carried out through its relationship with its customers, which is of fundamental importance in the initial phase in which customer-specific solutions are developed. The Group's competitive position is linked to continuous improvement and investments in terms of technology and processes.

Human Resources, Training and Industrial Relations

Personnel

In 2018 the Group employed an average of 1,044 people - compared to 986 in 2017 - in relation to the growth in business in the various countries where the Group operates and in the Parent Company. The breakdown of personnel by category was as follows:

	31.12.2018		31.12.2017	
	Year end	Average	Year end	Average
Managers	35	36	33	32
Middle managers	56	56	48	53
White collar workers	572	568	544	528
Blue collar workers	381	384	377	373
Total	**1,044**	**1,044**	**1,002**	**986**

The complex and constantly evolving contexts in which the Group operates require personnel with resourcefulness and initiative, motivated by the desire to constantly learn and improve. In this regard, Piovan also works assiduously in the district proximity system to adapt its organisational and management models to the "knowledge economy", in which the professional paths, which are increasingly discontinuous and transversal, feed into more "general" skills that go hand in hand with the high level of professionalism required to operate internationally, in contact with innovative technologies and in a competitive market.

The figures for the Parent Company are as follows:

	31.12.2018		31.12.2017	
	year end	average	year end	average
Managers	10	11	10	9
Middle managers	12	12	12	15
White collar workers	175	174	167	161
Blue collar workers	197	194	185	183
Total	**394**	**391**	**374**	**368**

Transactions with parent, subsidiary and associated companies

There were numerous intra-group transactions, all of which were carried out in the ordinary course of business and at normal market conditions.

Intra-group transactions are inherent in the organisational structure of the Group itself. These relationships concern both the commercial activity (there are companies controlled by Piovan S.p.A. and established in various countries that market the Group's products as agents or distributors) and the production phase (there are companies controlled by Piovan S.p.A. that, by producing certain types of systems, supplement the offer of Piovan S.p.A. or their own offer to the customer by selling or purchasing machines to or from Piovan S.p.A.), as well as participation in tax consolidation.

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

For further information, reference should be made to the comments made in detail in the Notes to the Consolidated Financial Statements at Note 40.

Transactions with Related Parties

The "Regulation containing provisions on transactions with related parties", adopted by CONSOB resolution no. 17221 of 12 March 2010 and subsequently amended by CONSOB resolution no. 17389 of 23 June 2010, implemented article 2391-bis of the Italian Civil Code.

By resolution dated 12 November 2018, the Board therefore approved the procedure for transactions with related parties pursuant to Article 2391-bis of the Italian Civil Code and the CONSOB regulation adopted by resolution no. 17221 of 12 March 2010 and its subsequent amendments and additions.

The identification of transactions with related parties is carried out in accordance with the provisions of the aforementioned CONSOB regulation.

In addition to the intra-group transactions described above, the Company also has a business relationship with other related parties, mainly involving parties who perform administrative and management functions at Piovan S.p.A., or entities controlled by such parties. The transactions carried out are mainly of a real estate (leased premises) and commercial nature and are carried out as part of ordinary operations and at normal market conditions, as well as adherence to the tax consolidation with the parent company Pentafin S.r.l.

Transactions with related parties are commented on in the consolidated financial statements at Note 40, to which reference should be made for further information.

Information by operating segments

IFRS 8 defines an operating segment as a component (i) that engages in business activity from which it may earn revenues and incur expenses, (ii) whose operating results are reviewed regularly by the entity's chief operating decision maker and (iii) for which separate financial information is available

The information analysed by the Board of Directors, which is the highest decision-making level for taking strategic decisions, allocating resources and analysing results, identifies a single operating segment.

In fact, the Group's structure identifies a strategic and unitary vision of the business and this representation is consistent with the way in which management takes its decisions, allocates resources and defines the communication strategy, which presently renders the hypothesis of the divisional thrust of the business uneconomical.

Therefore, the information required by IFRS 8 corresponds to that presented in the consolidated profit and loss account. The breakdown of consolidated turnover by geographical area and market (Plastics/Food/Services and Spare Parts) has been reported for information purposes.

Alternative performance indicators

It should be noted that some financial information in this report contains intermediate profitability indicators, including the gross operating margin (EBITDA). It should be noted, however, that this indicator is not identified as an accounting measure by IFRS, therefore the criterion for determining it may not be homogeneous with that indicated by other groups or companies.

In this report on operations, alternative performance indicators or intermediate profitability indicators are included in order to allow a better evaluation of the economic performance of the company and its equity and financial position. It should be noted, however, that this indicator is not identified as an accounting measure by IFRS, therefore the criterion for determining it may not be homogeneous with respect to that indicated by other Groups or Companies

With regard to these indicators, on 3 December 2015 CONSOB issued Communication no. 92543/15 which renders applicable the Guidelines issued on 5 October 2015 by the European Security and Markets Authority (ESMA) regarding their inclusion in the disseminated regulated information. The scope of these Guidelines, which update the previous CESR Recommendation (CESR/05-178b), is to promote the usefulness and transparency of alternative performance indicators included in regulated information or prospectuses falling within the scope of Directive 2003/71/EC, in order to improve their comparability, reliability and comprehensibility. In line with the above communications, the criteria used to construct these indicators are provided below.

Specifically, management considers EBITDA to be an important parameter for monitoring and evaluating the Group's operating performance, since it is not conditioned by the effects of the various methods for determining taxable income, by the amount and characteristics of capital employed, or by amortisation policies.

Gross Operating Margin (EBITDA)

Operating profit adjusted for the following components: (i) + taxes, (ii) - profit (loss) from investments valued using the equity method, -(iii) - income (expenses) from valuation of liabilities for options granted to minority shareholders, (iv) - Foreign currency conversion gains and losses, (v) + financial charges, (vi) - financial income, (vii) + Amortisation/depreciation and write-downs and (viii) + provisions for risks and charges. The EBITDA margin is calculated as a percentage of total revenues and other income.

Adjusted EBITDA

Adjusted EBITDA differs from gross operating profit (EBITDA) only for non-recurring items. Adjusted EBITDA margin is calculated as a percentage of total revenues and other income for recurring items only.

The Operating Result (EBIT) and Adjusted Operating Result (Adjusted EBIT)

EBIT corresponds to the operating result indicated in the financial statements while the adjusted EBIT differs from EBIT only for non-recurring items. EBIT and adjusted EBIT as a percentage are calculated as a ratio to the total Revenues and other income item.

Contribution Margin

The contribution margin is calculated as the sum of: (i) total revenues and proceeds less, (ii) purchases of raw materials, components, goods and changes in inventories, (iii) outsourced processing, (iv) transport costs and (v) commissions. The contribution margin as a percentage is calculated as a ratio to the total Revenues and other income item.

Adjusted Contribution Margin

The Adjusted Contribution Margin differs from the Contribution Margin for non-recurring items only. The Adjusted Contribution Margin as a percentage is calculated as a ratio to total Revenues and other income item for recurring items only

Net Financial Position

This is determined in accordance with CONSOB Communication of 28 July 2006 and in compliance with Recommendation ESMA/2013/319, to which reference should be made.

Research & Development expenses

Research and development costs mainly include personnel costs for R&D and engineering activities incurred by the Group, capitalisation during the year, where applicable, and costs for the development of prototypes and systems for new products incurred by the Parent Company.

Recurring Capex and Non-recurring Capex

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

Extraordinary investments are not included in the calculation of the Recurring Capex, mainly relating to the increase or 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 reported for current trade receivables, inventories and assets for contract work in progress and the negative values reported for liabilities for contract work in progress, trade payables and advances from customers.

Net working capital

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

Main production and commercial sites

The places where the Company carries out its activities are listed below:

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

The Piovan plant is located in S. Maria di Sala (VE) and is both the production site and the headquarters of the Group's offices where the Group's coordination, administration, finance, management control, marketing and information systems functions are carried out. The production site is specialised in the production of auxiliary systems in the field of plastics processing, in particular in the production of auxiliary machines that meet specific and different needs of the sector.

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 the design and construction of systems for handling powders, mainly for the food sector, is carried out. Its business is complementary to that of Piovan S.p.A. and the Group expects significant growth also thanks to the Group's foreign sales network.

FDM GmbH - Troisdorf, Germany

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

Piovan Plastics Machinery Ltd - SuZhou, China

The plant is located in SuZhou, China, and the industrial company was established in 2004 to develop and manufacture machinery primarily for the Chinese market.

Universal Dynamics Inc. - Fredericksburg, Virginia, United States

The company, acquired in October 2008, produces systems for transporting plastic powders and markets the Group's products in the American market.

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 and is the first manufacturer of auxiliary machines for these countries.

Energys srl - Venice, Italy

Energys S.r.l. operates in energy certification and the related provision of services for the Piovan Group companies and other subjects. The company, established in 2012, was then acquired by Piovan S.p.A. in 2016.

Piovan GmbH - Garching, Germany

The company operates in the distribution of Piovan products on the German market, the most important market in Europe and a window to the whole world.

Piovan Mexico S.A. - Queretaro, Mexico

The company, established in 2004, deals with the marketing of Piovan products in the Mexican market.

Piovan Central Europe GmbH - Brunn am Gebirge, Austria

The company, based near Vienna, was founded in 2005 with the aim of selling our products in the Austrian market and in particular represents our main sales channel to the markets of Eastern Europe.

Piovan UK Ltd - Bromsgrove, England

The company, established in 2005, sells our products in the UK.

Piovan France Sas - Chemin du Pognat, France

The company, leader on the French market in the sale of auxiliary machinery, was acquired in October 2008. During the first few months of 2016 Piovan S.p.a. acquired all the shares of the company.

Piovan Canada Ltd - Mississauga, Ontario, Canada

The company, founded in 1994, deals with the marketing in the Canadian market of the Group's products, in particular Piovan S.p.A. and Universal Dynamics Inc.

Piovan Asia Pacific Ltd - Bangkok, Thailand

The company is active in the marketing of Piovan products on Asian markets.

Piovan India Private Limited - Mumbai

The company's main task is to assist and promote sales to our customers in India.

Piovan Muhendislk Ltd. - Beikoz, Turkey

The company deals with the marketing of Piovan systems on the Turkish market.

Piovan Japan Inc. - Kobe - Japan

The company deals with the marketing of Piovan systems on the Japanese market.

Piovan Gulf FZE - Dubai, United Arab Emirates

The company deals with the marketing of Piovan systems on the Middle Eastern market.

Piovan Vietnam Company Ltd - Mai Chi Tho, Vietnam

The company deals with the marketing of Piovan systems on the market of South-East Asia.

Parent Company summary data and Piovan S.p.A. performance

The separate financial statements of the Parent Company, which we submit for your approval, show "Total revenues and other revenues and income" of €108.1 million and an operating profit of €11.7 million for 2018.

The separate financial statements of the parent company Piovan S.p.A. were prepared for the first time in accordance with the international accounting standards issued by the International Accounting Standards Board (IASB), approved in the European Union as required by Regulation no. 1606/2002 issued by the European Parliament and the European Council and adopted by Legislative Decree no. 38/2005.

As mentioned above, the Company decided to present a single Report on Operations for the financial statements and the consolidated financial statements; therefore, in the previous part, in reporting on the Group's performance, the main events concerning the Parent Company have already been implicitly described.

Parent Company economic performance

(€'000)	Economic performance indicators											
	2018			*% on total revenues and other income*		2017			*% on total revenues and other income*		2018 vs. 2017	*%*
	Total	Recurring	Non-recurring *	% on Total	*% on Recurring*	Total	Recurring	Non-recurring *	% on Total	*% on Recurring*	Changes on recurring	
Revenues	106,674	106,674		*98.7%*	*98.7%*	95,509	95,509		*98.5%*	*98.5%*	11,166	*11.7%*
Other revenues and income	1,377	1,377		*1.3%*	*1.3%*	1,481	1,481		*1.5%*	*1.5%*	(104)	*(7.0%)*
TOTAL REVENUES AND OTHER INCOME	**108,052**	**108,052**	**-**	***100,0%***	***100,0%***	**96,990**	**96,990**	**-**	***100,0%***	***100,0%***	**11,062**	***11.4%***
EBITDA	**16,701**	**20,979**	**(4,278)**	***15.5%***	***19.4%***	**18,484**	**18,484**	**-**	***19.1%***	***19.1%***	**2,494**	***13.5%***
OPERATING PROFIT	**14,498**	**18,777**	**(4,278)**	***13.4%***	***17.4%***	**16,780**	**16,780**	**-**	***17.3%***	***17.3%***	**1,996**	***11.9%***
PROFIT BEFORE TAXES	**15,956**			***14.8%***		**21,432**			***22.1%***			
Income taxes	4,285			*4.0%*		4,900			*5.1%*			
NET PROFIT	**11,671**			***10.8%***		**16,532**			***17.0%***			
Basic earnings per share (in Euros)	0.23					0.32						
Diluted earnings per share (in Euros)	0.23					0.32						

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

In 2018, **total revenues and other income** of the Parent Company Piovan S.p.A. amounted to €108,052,000, up from €96,990,000 in 2017 (+11.4%). Revenues do not include non-recurring revenues.

The **gross operating margin (EBITDA)** considering **only the recurring data** amounts to €20,979,000, an increase compared to €18,484,000 in the previous year (+13.5%), with an increase of €2,494,000, equal to 19.4% of the revenues, an increase compared to 19.1% of the previous year.
Non-recurring costs amount to €4,278,000 and relate to the following items:

a) costs incurred by the Parent Company for the listing process for €3,568,000,
b) €710,000 for costs relating to a bonus granted to the employees of Piovan S.p.A. in relation to the listing of the Company on the Milan Stock Exchange, entirely financed with non-repayable financial resources, prior to payment to the employees, by the parent company Pentafin S.p.A., which has entirely borne the cost. The subsidiaries Aquatech S.r.l. and Energys S.r.l. benefited from financial resources of the same nature and purpose.

The total **gross operating margin (EBITDA**), gross of non-recurring items, amounted to €16,701,000, a decrease compared to €18,484,000 in the previous year in relation to non-recurring costs linked to the listing (-9.6%).

The **operating result** considering **only the recurring data** is equal to €18,777,000, an increase compared to €16,780,000 in 2017 (+11.9%), with an increase equal to €1,996,000, and is equal to 17.4% of the revenues, slightly increasing compared to 17.3% of the previous financial year.

Total **operating** result before non-recurring items amounted to €14,498,000, down from €16,780,000 in the previous year (-13.6%).

The operating profit amounted to €11,671,000, down from €16,532,000 in the previous year. The reduction was mainly due to a) non-recurring costs relating to the listing process and b) different timing of dividend distribution by subsidiaries. Dividends received in 2018 totalled €1.3 million, compared with €6.5 million in 2017.

Basic earnings per share were €0.23 in 2018 compared with €0.32 in the previous year.

Revenues by market and geographical area

	2018	2017
Revenues from Plastics Systems	94,134	83,138
Revenues from Food Systems	253	338
Revenues from Service & Spare parts	12,288	12,034
Revenues	**106,674**	**95,509**

	2018	2017
EMEA	90,929	76,831
ASIA	5,369	6,809
NORTH AMERICA	7,394	8,428
SOUTH AMERICA	2,982	3,442
Revenues	**106,674**	**95,509**

With regard to revenue trends broken down by market:

- in 2018, the Plastics Systems market recorded an increase in revenues of €10,996,000, equal to an increase of 13.2% compared to the previous year, confirming the leadership position held by the Group in this market with satisfactory growth, especially in EMEA.
- the Food Area Systems market is marginal for Piovan S.p.A. as it is concentrated in the subsidiary Penta S.r.l.
- in 2018 the Services and Spare Parts market recorded revenues of €12,288,000, up slightly - by 2.1% - on the previous year.

Equity and Financial Position

Parent Company net financial position

€'000	31.12.2018	31.12.2017
A. Cash	2	3
B. Current accounts and post office deposits	11,432	12,380
C. Liquidity (A+B)	**11,435**	**12,383**
D. Current financial receivables	**3,899**	**3,612**
E. Current bank borrowings	(12,994)	(9,219)
F. Current portion of non-current debt	(5,930)	(5,915)
G. Other current financial liabilities	(3,620)	(5,311)
H. Current financial debt (E+F+G)	**(22,544)**	**(20,445)**
I. Net current financial debt (H+C+D)	**(7,210)**	**(4,450)**
J. Non-current bank borrowings	(10,704)	(16,633)
K. Bonds issued		(2,500)
L. Other non-current financial liabilities	(569)	(580)
M. Non-current financial debt (J+K+L)	**(11,273)**	**(19,713)**
N. Net financial debt (I+M)	**(18,483)**	**(24,163)**

* Related to intercompany loans to subsidiaries

* * €3.3 million at the end of 2018 and €4.9 million at the end of 2017 in relation to an intercompany loan from a subsidiary

The Company's net financial position at the end of 2018 showed net debt of €18,483,000, an improvement on the €24,163,000 at the end of 2017, with a net cash flow generation of €5,680,000. Specifically, during the year the debenture loan amounting to €2.5 million was repaid and portions of medium/long-term loans amounting to €5.9 million were repaid.

The net financial position of the Parent Company includes financial receivables and borrowings from subsidiaries.

Other information

Main risks and uncertainties to which the Group is exposed

The Group's operations expose it to a number of financial risks that can affect its equity and financial position, net result, and cash flows due to the impact of its financial instruments. These risks can be summarised as follows:

a) credit risk;

b) liquidity risk;

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

The overall responsibility for the creation and supervision of a Group financial risk management system lies with the Board of Directors, which heads the various organisational units that are functionally responsible for the operational management of the individual types of risk.

Within the framework of the guidelines drawn up by the management body and for each specific risk, these units define the instruments and techniques for the relevant coverage and/or transfer to third parties (insurance) or assess the risks not covered or insured.
The degree of significance of the Group's exposure to the various categories of identified financial risk is commented below.

Credit risk

The Group operates in various national markets with a large number of medium and large customers, mainly end customers in the various countries. Consequently, the Group is exposed to credit risk linked to the ability of customers to settle amounts due.
The Group applies a policy based on the attribution of ratings and purchase 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 any recovery of the same including through legal proceedings. Coordination between companies operating in the same market (e.g. Italian companies) is based on the electronic exchange of information relating to joint customers and through coordination of any block on deliveries or the initiation of legal proceedings.
The bad debt provision is recorded at the nominal value of the portion deemed uncollectible after deducting the portion of the receivable secured by bank guarantees. All guarantees are critically assessed as to their collectability.

Liquidity risk

The Group's total indebtedness, mainly relating to Piovan S.p.A., is partially at a fixed rate in order to take advantage of the opportunities currently offered by the interest rate market for medium/long-term loans. Due to the high level of available liquidity, the Group has 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 a variable rate.
The Group mainly deals with well-known and reliable customers; it is the Group's policy to subject the positions of customers who request payment extensions to procedures for the granting and constant monitoring. In addition, the Group's business is characterised by the recognition by customers of advances on orders placed, which significantly reduce the financial requirements associated with working capital.
The Group has a positive net financial position and was 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 to be limited overall.
For the information required by IFRS 7 with reference to the cash flows relating to the Group's financial liabilities by maturity, reference should be made to note [16].

Market risk linked to the exchange rate

As the Group operates in various countries around the world, it is exposed to the risk of exchange rates fluctuations. The exchange rate risk mainly arises from transactions whose reference currencies are the U.S. dollar, the Chinese renminbi, the British pound, the

Brazilian real and the Canadian dollar against the euro. Transactions between the Parent Company and its subsidiaries are generally carried out in the subsidiary's local currency, 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 the margin and net result.
The Parent Company carries out transactions (typically sales) in currencies other than its functional currency. At present, the Group does not carry out hedging policies either with reference to the economic effects of purchase and sale transactions in foreign currencies or with reference to exchange rate differentials that arise between the time of invoicing in currencies other than the reporting currency in each country and the time of collection or, to a lesser extent, of payment.
In addition, the Parent Company holds investments in subsidiaries whose financial statements are denominated in foreign currencies. Changes in shareholders' equity resulting from fluctuations in exchange rates are recorded in a shareholders' equity reserve called the "currency translation reserve". The risk deriving from the translation of shareholders' equity is not currently covered by the Group.

Market risk linked to interest rates

Interest rate risk is the risk that the value of a financial instrument, and/or the level of cash flows generated by it, will change as a result of fluctuations in market interest rates.
Exposure to interest rate risk arises from the need to finance operating activities, both in their industrial component and in the financial component of the acquisition of the same activities, as well as to use available liquidity. Changes in market interest rates can have a negative or positive impact on the Group's net results, indirectly influencing the costs and returns of financing and investment transactions.
As described above, part of the Group's loans are at a fixed rate. This allows us to take advantage of the current very low level of interest rates. The Group has not put in place hedging instruments because, given the high liquidity of the Group, it is considered that the risk of fluctuations in interest rates can be adequately managed.

Products and components price risk

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

Risks linked to the general state of the economy

The global macro-economic framework may affect the Group's economic 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.

Environmental and personnel information

The Group carries out activities without potential negative impact on the territory and the environment. However, it always tries to operate in compliance with best practices, working for the prevention of risk and the reduction and minimisation of environmental impacts. In addition, the Piovan Group pays great attention and commitment to worker safety, spreading the culture of safety within the Group and the various local organisations.

Atypical and/or unusual transactions

There were no significant atypical and/or unusual transactions for the Parent Company Piovan S.p.A. or the Piovan Group in 2018.

Information on treasury shares or shares of parent companies in portfolio

Pursuant to article 2428, paragraphs 2, 3 and 4, of the Civil Code, it is hereby acknowledged that as at 31 December 2018 the Company held 2,670,700 treasury shares, for a total value of €2,249,744, recorded in the balance sheet as a Reserve for treasury shares in portfolio, after the shareholders' meeting on 2 August 2018 resolved to cancel 6,400,000 of its treasury shares held in portfolio by the Company, while keeping the share capital unchanged. No other company in the Group holds treasury shares or parent company shares.

The Company's ordinary shareholders' meeting of 6 July 2018 resolved to authorise the purchase of treasury shares, in one or more *tranches*, for a period not exceeding eighteen months, starting from the date of the resolution's effectiveness, in compliance with current legislative and regulatory provisions. Moreover, during the year there were no transactions involving the purchase or sale of treasury shares.

Legislative Decree no. 231/2001

At its meeting of 2 August 2018, the Company's Board of Directors adopted the Organisation, management and control model envisaged by the provisions of Legislative Decree no. 231 of 8 June 2001 concerning the administrative liability of legal persons.

Piovan's Organisation, Management and Control Model essentially describes Piovan's corporate *governance* structure, the procedures for setting up the Supervisory Board and its functioning and illustrates the system of sanctions. This Model will be adapted to the application findings and to the reference regulatory framework.

On 14 September 2018 the Company's Board of Directors resolved to begin a process, to be completed by the approval of the interim financial statements as at 30 June 2019, to assess the extension of the organisation, management and control model to the Italian subsidiaries and to assess the implementation of the Company's *compliance* system to the Group's foreign subsidiaries, with particular attention to anti-money laundering and anti-corruption issues, so as to make the overall internal regulations as consistent as possible with the Group's international structure.

Piovan's Organisation, management and control model, together with the Code of Ethics, can be found on the Company's website: www.piovangroup.com

Consolidated non-financial statement

In accordance with the provisions of Article 5, paragraph 3, letter b, of Legislative Decree 254/2016, the Company has prepared a consolidated non-financial statement which constitutes a separate and distinct report. The 2018 consolidated non-financial statement, prepared in accordance with the "GRI Standards" reporting standard, is available on the Company's website: https://ir.piovangroup.com/it/bilanci-relazioni/

Report on Corporate Governance and Ownership Structure pursuant to art. 123 bis of the Finance Consolidation Law

The Company, making use of the option provided for by Article 123-bis, paragraph 3, of the Finance Consolidation Law, has disclosed the Report on Corporate Governance and the Ownership Structure separately from the Report on Operations, the document in question has therefore been made available through the Company's website: www.piovangroup.com.

Subsidiary companies incorporated and regulated by the laws of countries outside the European Union

As at 31 December 2018 the subsidiaries incorporated and governed by the laws of countries outside the European Union that are pursuant to art. 36, paragraph 2 of CONSOB Regulation no. 16191/2007 were Piovan Do Brasil LTDA, Piovan Mexico Sa, Piovan Plastics Machinery Co. Ltd, Universal Dynamics Inc. and Piovan Asia Pacific Ltd and the requirements of paragraph 1 of that Article are met in respect of them.

Disclosure of sovereign exposures

In accordance with CONSOB Communication no. DEM/11070007 of 5 August 2011 (which in turn takes up ESMA document no. 2011/266 of 28 July 2011) on information to be provided in financial reports on exposures held by listed companies in sovereign debt securities, we inform you that the Group does not hold any sovereign debt securities.

Management and coordination activities

Piovan S.p.A. is not subject to management and coordination activities pursuant to Article 2497 et seq. of the Italian Civil Code.

Piovan S.p.A. carries out management and coordination activities, pursuant to Articles 2497 et seq. of the Italian Civil Code, with respect to the companies belonging to the Group and directly and indirectly controlled by it, outlining the Group's corporate strategies, in particular in terms of the industrial objectives to be pursued, commercial and marketing policies and equity and financial results.

Specifically, management and coordination of subsidiaries is carried out by the Company, inter alia, through the approval of their industrial, financial and strategic plans, the approval of their annual budgets, the preparation of Group directives, procedures and guidelines, the preparation of general management policies, human and financial resources, and the appointment of their corporate bodies.

Off-balance sheet agreements

With regard to the information required by Article 2427, paragraph 1, no. 9, of the Civil Code, it should be noted that the Group has no agreements in place that are not shown in the Balance Sheet, with the exception of those indicated in the Notes to the Financial Statements.

Group taxation procedure and tax consolidation

The companies Piovan S.p.A., Penta S.r.l. and Aquatech S.r.l. adhere as consolidated companies to the Group taxation procedure according to the option exercised by Pentafin S.p.A. as consolidating company for the three-year period 2018-2020, pursuant to articles 117 to 129 of the Presidential Decree 917/1986. This is Penta S.r.l.'s first three years of membership, while for the other companies it is the renewal of the option already in place previously.

In preparing the financial statements of the above companies, the effects of the transfer of tax positions resulting from the tax consolidation were therefore taken into account, and in particular the consequent credit/debit ratios with the consolidating company were recorded.

Reconciliation between shareholders' equity and the result of the parent company and between the shareholders' equity and the fiscal year result pertaining to the Group as at 31 December 2018

The breakdown and changes in the shareholders' equity of the Parent Company and the consolidated financial statements of the Group as at 31 December 2018 are shown in the following table:

	Shareholders' Equity	Result
Shareholders' equity and parent company fiscal year result	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**

Business outlook

The Parent Company and the Group continue to develop a strategy of service and commercial activity that is as widespread and close to customers as possible, with particular attention to large customers in the various geographical areas of the world in order to maintain technological leadership and service in the Plastics Area. At the same time, there is a strong *focus* on continuing to increase market shares and international development in the Food Area, which is also due to technological, commercial, service and customer synergies with the Plastics Area, and improving organisational processes. The development strategy is clear and pursued strongly and consistently.

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

Significant events occurring after 31 December 2018

No significant events occurred after year end.

Allocation of the profit for the financial year

The Board of Directors proposes to the Shareholders the distribution of a dividend for a total of €7,639,395 entirely from the Parent Company's fiscal year result, equal to €0.15 for each share entitled to profits, having already excluded, therefore, the treasury shares held by the Company in accordance with the provisions of Article 2357-ter, paragraph 2, of the Italian Civil Code. For the remainder, it is proposed to carry forward the profit to the extraordinary reserve.

Dear Shareholders,

we hope you agree on the criteria we have applied in drawing up the financial statements for the year ended 31 December 2018 and we invite you to approve them.

The Chairman

Nicola Piovan

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

CONSOLIDATED STATEMENTS OF EQUITY AND FINANCIAL POSITION

(€'000)

ASSETS	Notes	31.12.2018	31.12.2017
NON-CURRENT ASSETS			
Tangible assets	**Note 1**	34,531	27,852
Intangible assets	**Note 2**	6,007	5,741
Equity investments	**Note 3**	270	589
Other non-current assets	**Note 4**	325	393
Deferred tax assets	**Note 5**	4,663	3,656
TOTAL NON-CURRENT ASSETS		**45,796**	**38,231**
CURRENT ASSETS			
Inventories	**Note 6**	28,049	23,030
Contract assets for work in progress	**Note 7**	3,654	471
Trade receivables	**Note 8**	50,656	61,418
Tax receivables	**Note 9**	3,455	1,561
Other current assets	**Note 10**	4,192	3,469
Cash and cash equivalents	**Note 11**	39,113	37,885
TOTAL CURRENT ASSETS		**129,119**	**127,834**
TOTAL ASSETS		**174,915**	**166,065**

LIABILITIES AND EQUITY		31.12.2018	31.12.2017
EQUITY			
Share capital	**Note 12**	6,000	6,000
Legal reserve	**Note 12**	1,200	1,200
Reserve for treasury shares	**Note 12**	(2,250)	(7,641)
Translation reserve	**Note 12**	(1,594)	(1,607)
Other Reserves and retained earnings	**Note 12**	25,748	14,312
Net profit (loss)	**Note 12**	23,881	19,553
Equity attributable to the Owners of the parent		52,985	31,817
Non-controlling interests	**Note 14**	3,791	4,866
TOTAL EQUITY		**56,775**	**36,683**
NON-CURRENT LIABILITIES			
Medium/long-term loans	**Note 15**	10,760	16,699
Non-current financial liabilities	**Note 15**	609	3,134
Liabilities for defined benefit plans for employees	**Note 16**	3,887	3,905
Provision for risks and charges	**Note 17**	2,925	1,835
Non-current liabilities for options granted to non-controlling investors	**Note 18**	3,185	2,755
Other non-current liabilities	**Note 19**	121	167
Deferred tax liabilities	**Note 5**	3,505	2,291
TOTAL NON-CURRENT LIABILITIES		**24,991**	**30,785**
CURRENT LIABILITIES			
Current portion of medium/long-term loans	**Note 15**	5,994	6,108
Current bank loans and borrowings	**Note 15**	12,995	9,219
Current financial liabilities	**Note 15**	280	417
Trade payables	**Note 20**	39,937	34,460
Advances from customers	**Note 21**	12,577	14,133
Contract liabilities for work in progress	**Note 7**	2,703	8,926
Current liabilities for options granted to non-controlling investors	**Note 18**	-	6,928
Tax liabilities and social security contributions	**Note 22**	6,422	7,419
Other current liabilities	**Note 23**	12,241	10,988
TOTAL CURRENT LIABILITIES		**93,148**	**98,597**
TOTAL LIABILITIES		**118,139**	**129,382**
TOTAL LIABILITIES AND EQUITY		**174,915**	**166,065**

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(€'000)

Profit and Loss	Notes	2018	2017
Revenues	**Note 24**	241,661	209,391
Other revenues and income	**Note 25**	6,182	3,893
TOTAL REVENUES AND OTHER INCOME		**247,843**	**213,284**
Costs of raw materials, components and goods and changes in inventories	**Note 26**	97,455	82,170
Services	**Note 27**	53,273	40,571
Use of third-party assets	**Note 28**	2,632	2,326
Personnel expenses	**Note 29**	57,079	52,909
Other expenses	**Note 30**	2,387	2,322
Provisions for risks and charges	**Note 31**	1,092	559
Amortisation/depreciation	**Note 32**	2,587	2,934
TOTAL COSTS		**216,505**	**183,790**
OPERATING PROFIT		**31,338**	**29,494**
Financial income	**Note 33**	325	340
Financial expenses	**Note 33**	(532)	(686)
Net exchange rate gains (losses)	**Note 34**	239	(2,135)
Gains (losses) on liabilities for options granted to non-controlling investors	**Note 35**	2,270	2,100
Profit (loss) from equity investments carried at equity	**Note 36**	(150)	-
PROFIT BEFORE TAXES		**33,490**	**29,113**
Income taxes	**Note 37**	7,976	8,885
NET PROFIT		**25,514**	**20,228**
ATTRIBUTABLE TO:			
Owners of the parent		23,881	19,553
Non-controlling interests		1,633	675
Earnings per share			
Basic and diluted earnings per share (in Euros)	**Note 13**	**0.47**	**0.38**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€'000)

Comprehensive income	2018	2017
Net profit	**25,514**	**20,228**
Items that may be subsequently reclassified to profit or loss:		
- Exchange rate differences	13	(1,968)
Items that may not be subsequently reclassified to profit or loss:		
- Actuarial gains (losses) on employee benefits net of tax effect	104	(27)
- Actuarial gains (losses) on agents' termination benefits net of tax effect	(12)	2
Total comprehensive income	**25,620**	**18,232**
attributable to:		
- Owners of the parent	23,986	17,556
- Non-controlling interests	1,633	675

CONSOLIDATED STATEMENT OF CASH FLOWS

(€'000)

	2018	2017
OPERATING ACTIVITIES		
Net profit	**25,514**	**20,228**
Adjustments for:		
Amortisation and depreciation	2,587	2,934
Provision	560	767
Change in provisions for risks and charges and employee benefits liabilities	949	174
Net (gains) losses on sale of assets and equity investments	(1,988)	39
Non-monetary changes related to liabilities for options granted to minority shareholders	(2,270)	(2,100)
Other non-monetary changes	(68)	(44)
Taxes	7,976	8,885
OPERATING CASH FLOW BEFORE CHANGES IN NET WORKING CAPITAL	**33,261**	**30,882**
Increase (decrease) of trade receivables	10,487	(18,164)
Increase (decrease) of inventories	(5,306)	(2,195)
Increase (decrease) of other current assets	(6,450)	2,121
Increase (decrease) of trade payables	5,477	6,034
Increase (decrease) in advances from customers	(1,556)	3,828
Increase (decrease) in other current liabilities	(5,716)	10,183
Increase (decrease) of non-current assets	(861)	110
Increase (decrease) of non-current liabilities	827	(105)
Taxes paid	(7,761)	(8,380)
NET CASH FLOWS FROM OPERATING ACTIVITIES (A)	**22,402**	**24,313**
INVESTING ACTIVITIES		
Investments (disinvestments) in tangible assets	(6,396)	(7,749)
Investments (disinvestments) in intangible assets	(467)	(306)
Investments (disinvestments) in financial assets	-	-
Investments (disinvestments) in Shareholdings	169	-
Business combinations net of cash acquired	-	-
NET CASH FLOWS FROM INVESTMENT ACTIVITIES (B)	**(6,694)**	**(8,055)**
FINANCING ACTIVITIES		
Issuance of bank loans	0	21,500
Repayment of bank loans	(6,053)	(11,793)
Change in current bank liabilities	3,776	1,676
Repayment of debenture loans	(162)	(524)
Increase (decrease) in other financial liabilities	(4,228)	(0)
Purchase (sale) of minority interests in subsidiaries	-	-
Dividends paid	(6,018)	(12,185)
NET CASH FLOWS FROM FINANCING ACTIVITIES (C)	**(14,548)**	**(1,326)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A ± B ± C)	**1,160**	**14,932**
EFFECT OF EXCHANGE RATE CHANGES ON BALANCE OF CASH AND CASH EQUIVALENTS	68	44
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (E)	**37,885**	**22,909**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (G=D+E+F)	**39,113**	**37,885**

STATEMENT OF CHANGES IN THE CONSOLIDATED SHAREHOLDERS' EQUITY

(€'000)

Share capital	Share capital	Legal reserve	Reserve for treasury shares	Translation reserve	Other Reserves and retained earnings	Profit for the year attributable to the owner of the parent	Equity attributable to the owner of the parent	Equity attributable to non-controlling interests	TOTAL EQUITY
Balance at 01.01.2017	**6,000**	**1,200**	**(7,641)**	**361**	**12,049**	**14,289**	**26,258**	**4,376**	**30,634**
Distribution of dividends					(12,000)		(12,000)	(185)	(12,185)
Allocation of previous year's result					14,289	(14,289)	-		-
Change in non-controlling interests							-		-
Total comprehensive income				(1,968)	(26)	19,553	17,559	675	18,234
Balance at 31.12.2017	**6,000**	**1,200**	**(7,641)**	**(1,607)**	**14,312**	**19,553**	**31,817**	**4,866**	**36,683**

Share capital	Share capital	Legal reserve	Reserve for treasury shares	Translation reserve	Other Reserves and retained earnings	Profit for the year attributable to the owner of the parent	Equity attributable to the owner of the parent	Equity attributable to non-controlling interests	TOTAL EQUITY
Balance at 01.01.2018	**6,000**	**1,200**	**(7,641)**	**(1,607)**	**14,312**	**19,553**	**31,817**	**4,866**	**36,683**
First time adoption of IFRS 9		-	-	-	(144)	-	(144)	-	(144)
Distribution of dividends		-	-	-	(6,000)	-	(6,000)	(18)	(6,018)
Allocation of previous year's result		-	-	-	19,553	(19,553)	-	-	-
Contribution from Pentafin S.p.A.		-	-	-	637	-	637	-	637
Cancellation 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 31.12.2018	**6,000**	**1,200**	**(2,250)**	**(1,594)**	**25,748**	**23,881**	**52,985**	**3,791**	**56,775**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

Piovan S.p.A. ("the Company" or "the Parent Company") is the company heading the group of the same name and has its registered office in Via dell'Industria 16, Santa Maria di Sala (VE). It is a joint-stock company whose tax code and VAT number is 02700490275, listed in the Venice Register of Companies.
The Company is the operational holding company of a group of companies active in Italy and abroad (the "Group" or "Piovan Group") in automation systems for the storage, transport and processing of plastic materials ("Plastic Systems"), automation systems for the storage and transport of food powders ("Food Systems") and technical support and sale of spare parts and services ("Service & Spare Parts"). On the Plastic Systems market, the Group is one of the world's leaders in designing and producing plant and control systems for the automation of all stages of the production cycle of plastic materials.
The plants and systems developed, produced and sold by the Group enable all various stages of the production and transformation process of plastic materials to be automated and made more efficient. The technical solutions offered by the Group include, for both the Plastic and Food Systems market: (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. Furthermore, the Group provides its customers with specific technical support from the preliminary design stage up to the installation and roll-out of the plant and machinery, ensuring ongoing support in order to guarantee optimal functioning of the products installed.
The Group has 7 production plants and 23 commercial branches covering all the main geographic markets.

On 5 October 2018 Piovan S.p.A. received CONSOB approval for the listing of its shares on the STAR segment of the Electronic Stock Exchange (Mercato Telematico Azionario). The trading of the shares on this market started on 19 October 2018.

As part of the application for admission of its ordinary shares to listing on the Mercato Telematico Azionario organised and managed by Borsa Italiana SpA, the Company prepared its first consolidated financial statements as at 31 December 2017 for inclusion in the Prospectus. These financial statements represented the first IFRS consolidated financial statements of Piovan S.p.A., in which IFRS 1 was therefore applied. The Directors in fact point out that, in previous years the Company availed itself of the faculty of exemption from the obligation to prepare consolidated financial statements, as per Art. 27, paragraph 3, of Legislative Decree no. 127/1991, in consideration of the preparation of the same, according to Italian accounting principles, by the parent company Pentafin S.p.A..

In this context, the Company did not prepare separate financial statements in accordance with international accounting standards, since it was not required to do so and had not formally opted for the adoption of such standards.

Following the assumption of the status of a listed company, Piovan S.p.A. is obliged to prepare its own separate financial statements in accordance with IAS/IFRS international accounting standards; therefore, the separate financial statements for the year 2018 represent the first separate financial statements prepared by the Company in accordance with IAS/IFRS.

CONTENT AND FORMAT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Group prepared its first consolidated financial statements as at 31 December 2017, using the international accounting standards adopted by the European Union as required by European Regulation no. 1606/2002 of 19 July 2002, implemented in Italy by the Legislative Decree 38/2005, as part of the application for admission, as described above.

The Board of Directors of Piovan S.p.A. approved these consolidated financial statements on 14 March 2019.
The IFRS consolidated financial statements as at 31 December 2018 include the statements of assets and liabilities of the Parent Company and its subsidiaries.

DECLARATION OF CONFORMITY AND PREPARATION CRITERIA

The consolidated financial statements of the Piovan Group at 31 December 2018 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with the procedure set out in Article 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002.

IFRS means all IFRS, all interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC), previously known as the Standing Interpretations Committee (SIC), endorsed by the European Union at the date of the financial statements and contained in the relevant EU Regulations published at that date.

They consist of the consolidated equity and financial position statement, the consolidated profit and loss account, the consolidated comprehensive profit and loss account, movements of consolidated shareholders' equity, the consolidated cash flow statement and these notes to the financial statements. The financial statements have been prepared on the basis of the historical cost principle, with the exception of derivative financial instruments which have been recognised at fair value as required by IFRS 9 - "Financial instruments", and on a going concern basis. With reference to this last assumption, the Group has assessed, also by virtue of its strong competitive position, high profitability and the solidity of its equity and financial structure, that there are no significant doubts in this regard pursuant to paragraphs 25 and 26 of International Accounting Standard 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 the provisions of IAS 21 "Foreign currency transactions". There may be rounding differences when items are added together as the individual items are calculated in euros.

FINANCIAL STATEMENTS

Consolidated equity and financial position statement

In the Equity and Financial Position, a distinction has been made between current and non-current assets and liabilities, as indicated in paragraphs 60 et seq. of IAS 1.
Assets and liabilities classified as current are those assets/liabilities that meet one of the following criteria:

- Assets/liabilities expected to be sold or used in the normal operating cycle, or
- Assets/liabilities held primarily for the purpose of being traded, or
- Assets/liabilities that are expected to be realised/extinguished within twelve months of the financial statements date.

In the absence of all three conditions, the assets/liabilities are classified as non-current.

Consolidated profit and loss account

The Company has chosen to present its profit and loss account using the classification by "nature of expense" as it is more representative of the transactions that took place during the year and of its business structure. This structure complies with internal management reporting procedures and is in line with international practice for the sector.

Comprehensive consolidated profit and loss account

With the adoption of the Revised IAS 1, the Company decided to present the comprehensive profit and loss account in a separate statement. The "comprehensive profit and loss account", prepared in accordance with international accounting standards, shows the revenue and cost components that are not recognised in the profit and loss account but are transferred directly to shareholders' equity.

Consolidated cash flow statement

The cash flow statement was prepared using the indirect method. The cash and cash equivalents included in the cash flow statement include the equity balance at the reporting date. Income and expenses relating to interest, dividends received and income taxes are included in the cash flows generated by operations, with the exception of interest accrued on available-for-sale securities, which is included in the cash flows generated by financial operations. Cash flows from operating activities, investing activities, changes in non-current financial positions and short-term payables as well as current financial assets are shown separately. Unless otherwise specified, foreign exchange gains and losses are classified as operating assets as they relate 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 in the items of shareholders' equity deriving from:

- allocation of the Company's profit for the period;
- amounts relating to transactions with shareholders (payment of dividends, purchase and sale of treasury shares, contributions received);

- each item of profit and loss net of any tax effects which, as required by the IFRS, is alternatively allocated directly to shareholders' equity (profits or losses from the purchase and sale of treasury shares) or has a balancing entry in a shareholders' equity reserve (share-based payments for stock option plans);
- movement of the valuation reserves of derivative instruments to hedge future cash flows, net of any tax effect;
- the effect of any changes in accounting principles.

SCOPE OF CONSOLIDATION

The Consolidated financial statements of the Piovan Group include the financial statements as at 31 December 2018 of the Parent Company and those of its Italian and foreign subsidiaries.
Subsidiaries are those entities over which the Parent has control, as defined in IFRS 10 - Consolidated financial statements. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date it gains control until the date when the reporting entity ceases to control the subsidiary and with reference to associated companies, from the date on which significant influence is acquired until the date on which it ceases to exist.
At the end of the Notes to the financial statements, item [39] Other information includes details of the Companies included in the scope of consolidation at 31 December 2018.

CONSOLIDATION CRITERIA

The main consolidation criteria adopted in preparing the consolidated financial statements are as follows:

- the assets and liabilities, revenues and costs of the consolidated companies are accounted for using the line-by-line method, eliminating the book value of the equity investments held by the Parent Company against the related shareholders' equity. Any differences are recognised in accordance with IFRS 10 "Consolidated Financial Statements" and IFRS 3 "Business Combinations"; any minority interests are recognised at the current value of the assets and liabilities acquired without recognition of goodwill;
- Group companies are deconsolidated from the moment control is lost;
- in the preparation of the consolidated financial statements, the accounts payable and receivable, costs and revenues and all transactions of a significant amount between the companies included in the scope of consolidation are eliminated, including dividends distributed within the Group. Unrealised profits and capital gains and losses arising from transactions between Group companies are also eliminated;
- the portion of shareholders' equity pertaining to minority interests is shown under a specific item of shareholders' equity; the profit and loss account shows the fiscal result for the year pertaining to minority interests;

- the translation into euro of the financial statements of consolidated foreign companies expressed in foreign currencies is carried out by adopting the average exchange rate for the period for the items in the profit and loss account, and the exchange rate in force at the closing date of the financial year for the items in the balance sheet. The difference between the translation rate used to translate the income statement items and the exchange rate used to translate the balance sheet items, as well as the translation differences resulting from the change in the exchange rate between the beginning and the end of the year, are booked to the change in shareholders' equity.

In accordance with paragraph 23 of IFRS 10 (transactions between shareholders in their capacity as shareholders), in the presence of equity interests acquired after the acquisition of control (acquisition of minority interests), any difference between the purchase cost and the corresponding portion of shareholders' equity acquired is recorded in the shareholders' equity pertaining to the Group; similarly, also the effects deriving from the sale of minority interests without loss of control are recorded in the shareholders' equity.
Differently, the disposal of shares resulting in the loss of control determines the recognition in the profit and loss account of: (i) any capital gain or loss calculated as the difference between the consideration received and the corresponding portion of the consolidated shareholders' equity sold; (ii) the effect of aligning any residual investment retained to its fair value; (iii) any values recognised in the other components of comprehensive income relating to the former subsidiary for which the reversal to the profit and loss account is envisaged.
The value of any investment maintained, in line with its fair value at the date of loss of control, represents the new book value of the investment and therefore the reference value for the subsequent valuation of the investment in accordance with the applicable basis of valuation.

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

The Company has decided not to proceed with the line-by-line consolidation of some equity investments in subsidiaries as they are considered not significant either individually or as a whole and as this accounting has not led to significant effects for the purposes of the correct representation of the equity, economic and financial situation of the Group.
The subsidiaries excluded from consolidation are:

Company	% of ownership as at 31.12.2017	% of ownership as at 31.12.2018
Studio Ponte S.r.l. (*)	51%	51%
Piovan South East Asia Ltd. (**)	100%	100%

(*) the indicated quota is representative of the % held by the subsidiary Penta S.r.l..

(**) company in liquidation

BUSINESS COMBINATIONS

Business combinations are recognised in accordance with the acquisition method, as defined by IFRS 3 Business combinations. According to this method, the consideration transferred in a business combination is measured at fair value, calculated as the sum of the fair values of the assets transferred and liabilities assumed by the Group at the acquisition date and the equity instruments issued in exchange for control of the acquired company. Ancillary transaction costs are recognised in the profit and loss account at the time they are incurred.

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

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

Goodwill is determined as the excess of the sum of the consideration transferred in the business combination, the value of the minority interest in shareholders' equity and the fair value of any investment previously held in the acquired company over the fair value of the net assets acquired and liabilities taken on at the acquisition date. If the value of the net assets acquired and liabilities at the acquisition date exceeds the sum of the consideration transferred, the value of the minority interest in shareholders’ equity and the fair value of any shareholding previously held in the acquired company, this excess is immediately recognised in the profit and loss account as income from the transaction concluded.

At the acquisition date, the minority interest in shareholders' equity was equal to the pro rata share of the value of the net assets recognised for the acquired company, excluding any goodwill attributable to them (the so-called partial goodwill method). Alternatively, the entire amount of goodwill generated by the acquisition is recognised considering also the share attributable to minority interests (the so-called full goodwill method). The choice of the method for determining goodwill (partial goodwill method or full goodwill method) is made separately for each business combination transaction. Unless otherwise specified, the partial goodwill method is applied.

If control is acquired in subsequent stages, the purchase cost is determined by adding the fair value of the equity investment previously held in the acquired company and the amount paid for the additional shareholding. The difference between the fair value of the investment previously held and its carrying amount is recognised in the profit and loss account.

SUMMARY OF ACCOUNTING PRINCIPLES APPLIED

It should be noted that the consolidated financial statements as at 31 December 2017 represented the first consolidated IFRS financial statements of Piovan S.p.A. and therefore IFRS 1 was applied. The "date of transition", meaning the starting date of the earliest period for which comparative information is presented in the first IFRS financial statements, was 1 January 2015. For the purposes of preparing the consolidated financial statements as at 31 December 2017, as part of the Application for Admission described in the previous paragraph "General Information", the Piovan Group used, in compliance with the requirements of IFRS 1, the set of IFRS standards in force for the year ended 31 December 2017.

The accounting principles and preparation criteria used to prepare the consolidated financial statements at 31 December 2018 were the same as those used to prepare the consolidated financial statements at 31 December 2017, with the exception of the following. It should be noted that, as already described in the consolidated financial statements as at 31 December 2017, the Group adopted in advance and on a voluntary basis IFRS 15 - Revenue from contracts with customers as from 1 January 2015.

The Directors pointed out that, in the 2015, 2016 and 2017 financial years, Piovan S.p.A. availed itself of the option of exemption from the obligation to prepare consolidated financial statements, as per Art. 27, paragraph 3, of Legislative Decree no. 127/1991, in consideration of the preparation of the same, according to Italian accounting principles, by the parent company Pentafin S.p.A.. In addition, as part of the Application for Admission, Piovan S.p.A. had not been required to prepare consolidated financial statements in accordance with Italian accounting standards for the financial years 2015, 2016 and 2017. The Directors therefore noted that in this circumstance it was not possible to prepare reconciliations between consolidated shareholders' equity and consolidated profit and loss, as shown respectively in the financial statements prepared in accordance with Italian principles and in the financial statements prepared in accordance with international accounting standards, which would have been necessary in the event that Piovan S.p.A. had been obliged to prepare consolidated financial statements in accordance with Italian principles and subsequent transition to international accounting standards.

In preparing the first IFRS consolidated financial statements at 31 December 2017, the Group made use of the following optional exemptions provided for by IFRS 1 on the first-time adoption of international standards:

- exemption under IFRS 1 - Appendix Exemptions for business combinations - paragraph C4(j). This exemption applies where, under the previously applied accounting standards, a company was not required to consolidate a subsidiary acquired in the past (for example, because the subsidiary was not qualified as such in accordance with the previously applied standards or because the company was not required to prepare consolidated financial statements as in the present case). The Directors, therefore, in consideration of the possibility of exemption provided for by the Italian accounting principles of Piovan S.p.A. for the preparation of the consolidated financial statements, decided to apply the aforesaid exemption as per paragraph C 4 (j). The Group then determined the goodwill deriving from the business combinations that took place before the transition date, at an amount equal to the deemed cost of goodwill at the transition date (1 January 2015) given by the difference between (i) the value of the equity investment in the parent company's financial statements, prepared in accordance with Italian accounting principles, 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 1 January 2018

- As better described in the Consolidated Financial Statements as at 31 December 2017, the Group has adopted in advance and on a voluntary basis IFRS 15 - Revenue from Contracts with Customers (published on 28 May 2014 and supplemented with further clarifications published on 12 April 2016) as from 1 January 2015. IFRS 15 - Revenue from Contracts with Customers replaced, with effect from 1 January 2018, IAS 18 - Revenue and IAS 11 - Construction Contracts, as well as the interpretations of IFRIC 13 - Customer Loyalty Programs, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenues-Barter Transactions Involving Advertising Services. The amendments to IFRS 15, Clarifications to IFRS 15 - Revenue from Contracts with Customers were endorsed by the European Union on 6 November 2017.
  The standard establishes a new revenue recognition model, which will apply to all contracts entered into with customers with the exception of those that fall within the scope of application of other IAS/IFRS principles such as leases, insurance contracts and financial instruments. The fundamental steps for the accounting of revenues according to the new model are:
  - identification of the contract with the customer;
  - identification of the performance obligations of the contract;
  - pricing;
  - the allocation of the price to the performance obligations of the contract;
  - the criteria for recognising revenue when the entity meets each performance obligation.

- On 24 July 24 2014 the IASB published the final version of IFRS 9 - Financial Instruments: recognition and measurement. The document includes the results of the IASB's project to replace IAS 39. The new standard must be applied to financial statements starting on or after 1 January 2018.
  The standard introduces new criteria for the classification and measurement of financial assets and liabilities. In particular, for financial assets, the new standard uses a single approach based on the way in which financial instruments are managed and on the characteristics of the contractual cash flows of the financial assets themselves in order to determine their basis of valuation, replacing the different rules provided for by IAS 39. For financial liabilities, on the other hand, the main change concerns the accounting treatment of changes in the fair value of a financial liability designated as a financial liability measured at fair value through the profit and loss account, when these changes are due to changes in the creditworthiness of the issuer of the liability itself. Under the new standard, these changes must be recognised in the "Other comprehensive income" statement and no longer in the profit and loss account. In addition, changes to financial liabilities defined as non-substantial are no longer allowed to spread the economic effects of the renegotiation on the residual maturity of the debt by changing the effective interest rate at that date, but it will be necessary to recognise the related effect in the profit and loss account.
  With respect to impairment, the new standard requires that the estimate of losses on receivables be made on the basis of the expected losses model (and not on the incurred

losses model used by IAS 39) using supportable information, available without unreasonable costs or efforts that include historical, current and prospective data. The standard requires that this impairment model be applied to all financial instruments, i.e. financial assets measured at amortised cost, those measured at fair value through other comprehensive income, rental contract receivables and trade receivables.

Finally, the standard introduces a new hedge accounting model in order to adapt the requirements of the current IAS 39, which have sometimes been considered too stringent and not suitable to reflect companies' risk management policies. The main changes in the document concern:

- the increase in the types of transactions eligible for hedge accounting, including the risks of non-financial assets/liabilities eligible for hedge accounting;
- the change in the method of accounting for forward contracts and options when included in a hedge accounting relationship in order to reduce the volatility of the profit and loss account;
- changes to the performance test by replacing the current modalities based on the 80-125% parameter with the principle of the "economic relationship" between the hedged item and the hedging instrument; moreover, an assessment of the retrospective effectiveness of the hedging relationship will no longer be required.

The greater flexibility of the new accounting rules is offset by additional requests for information on the Group's risk management activities.

The Directors have the following considerations regarding its application:

- With respect to the application of the new criteria for classification and measurement of the financial assets and financial liabilities, the Directors did not identify significant effects.
- With respect to the impairment model, the Group already assessed the recoverability of the larger financial assets (trade receivables) partly using a specific analysis and partly using an estimation model based on historical analysis and the historical trend of collections. On the basis of the analyses carried out by the Directors, the method previously adopted by the Group led to results similar to those obtained from the model for calculating expected credit losses as required by IFRS 9 since the valuation, albeit with different application methods in relation to the riskiness of the market in which the Company operates, considers elements such as customer risk, country risk and macroeconomic information relevant to the identification of the expected risk. Indeed, the Group applies a careful policy of advance assessment of credit risk, both by monitoring each individual customer's credit capacity beforehand, when negotiating orders of significant amounts in order to minimise the risk itself, and by constantly and carefully checking the receivable, using, wherever possible, methods of partial advance payments in instalments upon acceptance of the order, delivery of the goods, installation and, for minor amounts, longer terms. The Group has historically recorded losses on marginal receivables. The effect of the transition to IFRS 9 (equal to €144,000 net of the tax effect) was recognised in shareholders' equity at the beginning of 2018, without restating the comparative figures.

The Directors have not identified any effects in the Company's separate financial statements from the adoption of the new hedge accounting model since the Parent Company and its subsidiaries do not use hedging financial derivative assets.

In addition, the Group adopted the consequent amendments to IFRS 7 Financial Instruments: Disclosures, which were applied to disclosures in 2018 and the comparative period.

- On 20 June 2016, the IASB published its amendment to IFRS 2 "Classification and measurement of share-based payment transactions" (published on 20 June 2016), which contains clarifications in relation to accounting for the effects of vesting conditions in the presence of cash-settled share-based payments, the classification of share-based payments with net settlement characteristics and accounting for changes in the terms and conditions of a share-based payment that change its classification from cash-settled to equity-settled. The amendments were applied from 1 January 2018. The adoption of this amendment did not have any effect on the consolidated financial statements of the Company or the Group as at 31 December there were no stock option plans; however, a stock option plan is expected to be approved at the next Shareholders' Meeting.

- On 8 December 2016 the IASB published its amendment to IAS 40 "Transfers of Investment Property". The adoption of these amendments did not have any effect on the Company's financial statements or on the Group's consolidated financial statements.

- On 8 December 2016, the IASB published its interpretation "Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)". The purpose of this interpretation is to provide guidelines for transactions carried out in foreign currencies where non-monetary advances or payments on account are recognised in the financial statements (as a balancing entry to the cash received/payed), prior to the recognition of the related asset, cost or revenue. This document provides guidance on how an entity should determine the date of a transaction, and consequently, the spot exchange rate to be used when foreign currency transactions occur in which payment is made or received in advance.
  The interpretation clarifies that the transaction date is the earlier one between:
    a) the date on which the prepayment or advance payment received is recognised in the entity's financial statements; and
    b) the date on which the asset, cost or revenue (or part of it) is recognised in the financial statements (resulting in the reversal of the prepayment or down payment received).

  If there are numerous payments or collections in advance, a specific transaction date must be identified for each of them. IFRIC 22 was applied from 1 January 2018. From the analyses carried out by the Company and the Group, the adoption of this interpretation did not have a significant effect on the Company's financial statements and the Group's consolidated financial statements, as there is a substantial coincidence between the currency of non-monetary advances or payments on account and the currency of collection.

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union, not yet mandatory and not adopted in advance by the Company and the Group at 31 December 2018

IFRS 16 – Leases was published on January 13, 2016, and replaces IAS 17 – Leases and interpretations IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives e SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease starting from January 1, 2019.

This new standard introduce a new definition of *lease* and new criteria based on the right of use of an asset in order to distinguish lease contracts from service contracts, identifying as discriminants:

- Identification of the asset
- Right to replace the asset
- Right to obtain substantially all the economic benefits deriving from the use of the asset
- Right to control the use of the asset underlying the contract.

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

On the contrary, the standard does not include significant changes for lessors.

Piovan Group finalized the preliminary assessment of the potential impacts deriving from the application of IFRS 16 at the date of transition (1 January 2019). The project concerned initially the identification of the contracts falling within the standard and then the analysis of such contracts considering the requirement of IFRS 16.

Piovan Group decided to adopt the "Modified Retrospective Method" approach, recognizing the effect from the first time adoption of the standard in the equity as of January 1, 2019, under paragraphs C7-C13 of IFRS16.

In particular, the Group will recognize, regarding the operating leases:

- A financial liability, equal to the present value of the future outstanding payments at the date of transition, discounted using for each contract an appropriate discount rate as requested by the standard.
- A right of use for an amount equal to the financial liability at the date of transition, less the effect coming from an anticipate or deferred payments for each due date.

The following table represent the impacts estimated from the application of IFRS 16 at the date of transition.

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

Total Liabilities	01/01/2019
Non current financial liability	4,750
Current financial liability	1,116
Total	**5,866**

The Group decided to adopt IFRS 16, using the practical expedient included in paragraph 16:5(a) of IFRS 16 for the "*short-term lease*" for Land and building and for autovehicle. Furthermore, the Group decided to use the practical expedient included in patagraph 5(b) of IFRS 16 for that lease contracts for which the underlying asset is a "*low-value asset*" (the value of the asset is less than 5 thousand dollar).
The contracts for which such expedient has been applied are related to:

- computers, phones e tablet;
- printer and copy machine;
- Other electronic devices.

For such contracts the application of FIRS 16 will not lead to the recognition of the assets and liabilities arising from a lease contract, but the rental installment will be recognized in the profit and loss on a linear basis for the duration of each contracts.

For a better comprehension of the impacts deriving from the first time adoption of IFRS 16, the following table indicates a reconciliation of future commitment related to lease contracts as of December 31, 2018 and the impact deriving from the adoption of IFRS 16 as of January 1, 2019.

Reconciliation	
Commitment within IFRS 16	**5.866**
Commitment for installments related to contracts excluded from IFR 16 application (low value assets, short-time and non-lease components)	883
Discount effects	532
Future commitments as of December 31, 2018	**7.281**

- On 12 October 2017 the IASB published an amendment to IFRS 9 "Prepayment Features with Negative Compensation". This document specifies that early repayment instruments may comply with the Solely Payments of Principal and Interest ("SPPI") test even if the reasonable additional compensation to be paid in the event of early repayment is a negative compensation for the lender. The amendment applies from 1 January 2019, but earlier application is allowed. The Directors do not expect a significant effect in the Company's separate financial statements and in the Group's consolidated financial statements from the adoption of these amendments.

- On 7 June 2017 the IASB published its interpretation "Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)" (published on 7 June 2017). The interpretation addresses the issue of uncertainties about the tax treatment of income taxes. In particular, the Interpretation requires an entity to analyse uncertain tax treatments (individually or as a whole, depending on their characteristics) on the assumption that the tax authority will examine the tax position in question, with full knowledge of all relevant information. If the entity believes that it is not probable that the tax authority will accept the adopted tax treatment, the entity shall reflect the effect of the uncertainty in measuring its current and deferred income taxes. In addition, the document does not contain any new disclosure requirements but underlines that the entity will have to determine whether it will be necessary to provide information on the considerations made by management and relating to the uncertainty inherent in the accounting for taxes, in accordance with the provisions of IAS 1.

The new interpretation applies from 1 January 2019, but earlier application is allowed. The Directors are currently evaluating the possible effects of the introduction of this interpretation on the Group's consolidated financial statements.

IFRS accounting standards, amendments and interpretations not yet approved by the European Union

At the date of reference of these financial statements, the competent bodies of the European Union had not yet completed the endorsement process necessary for the adoption of the amendments and standards described below.

- On 18 May 2017 the IASB published IFRS 17 - Insurance Contracts, which is intended to replace IFRS 4 - Insurance Contracts.
  The directors do not expect the adoption of this standard to have an effect on the Company's financial statements and the Group's consolidated financial statements.

- On 12 October 2017 the IASB published the document "Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)". This document clarifies the need to apply IFRS 9, including impairment requirements, to other long-term interests in associates and joint ventures for which the equity method is not applied. The amendment applies from 1 January 2019, but earlier application is allowed. The directors do not expect a significant effect in the Group's consolidated financial statements from the adoption of these amendments.

- On 12 December 2017 the IASB published the document "Annual Improvements to IFRSs 2015-2017 Cycle", which incorporates the changes to certain standards as part of the annual process of improving them. The main changes concern:
  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendment clarifies that when an entity obtains control of a business that represents a joint operation, it must remeasure the previously held interest in that business. This process is not, however, envisaged in the event of joint control being obtained.

- IAS 12 Income Taxes: the amendment clarifies that all tax effects related to dividends (including payments on financial instruments classified within shareholders' equity) should be accounted for in a manner consistent with the transaction that generated those profits (profit and loss account, OCI or shareholders' equity).
- IAS 23 Borrowing costs: the amendment clarifies that in the case of loans that remain outstanding even after the qualifying asset in question is ready for use or sale, they become part of the loans used to calculate financing costs.

The amendments apply from 1 January 2019, but earlier application is permitted. The directors are currently evaluating the possible effects of the introduction of these amendments on the Group's consolidated financial statements.

- On 7 February 2018 the IASB published the document "Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)". The document clarifies how an entity should recognise a change (i.e. a curtailment or settlement) in a defined benefit contributions plan. The amendments require the entity to update its assumptions and remeasure the net liability or asset arising from the plan. The amendments clarify that after the occurrence of such an event, an entity uses updated assumptions to measure the current service cost and interest for the remainder of the reporting period following the event. The directors are currently evaluating the possible effects of the introduction of these amendments on the Company's separate financial statements and on the Group's consolidated financial statements.

- On 22 October 2018 the IASB published a document entitled "Definition of a Business (Amendments to IFRS 3)". The document provides clarifications regarding the definition of business for the purposes of the correct application of IFRS 3. Considering that this amendment will be applied to new acquisition transactions that will be concluded as from 1 January 2020, any effects, currently subject to evaluation by the Directors, will be recorded in the consolidated financial statements closed after that date.

- On 31 October 2018 the IASB published a document entitled "Definition of Material (Amendments to IAS 1 and IAS 8)". The document introduced a change in the definition of "material"' contained in IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. This amendment aims to make the definition of "material" more specific and introduces the concept of "obscured information" alongside the concepts of omitted or incorrect information already present in the two principles being amended. The amendment clarifies that information is "obscured" if it has been described in such a way as to have an effect on primary readers of financial statements similar to that which would have occurred if such information had been omitted or incorrect.
  The directors do not expect a significant effect in the Company's separate financial statements and in the Group's consolidated financial statements from the adoption of this amendment.

- On 11 September 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.

At present the IASB has suspended the application of this amendment. The directors do not expect a significant effect in the Group's consolidated financial statements from the adoption of these amendments.

- On 30 January 2014, the IASB published IFRS 14 - Regulatory Deferral Accounts, which allows only those who adopt IFRS for the first time to continue to recognise amounts relating to assets subject to regulated rates ("Rate Regulation Activities") according to the previous accounting standards adopted. Since the Group is not a first-time adopter, this principle is not applicable.

BASIS OF EVALUATION

Revenues and expenses

Revenues and expenses are shown on an accruals basis.
Revenues are recognised when the contractual obligations are met on the basis of the transaction price that the Company expects to receive following fulfilment of the obligation.

It should be noted that the Group operates at an international level in the reference markets of Systems for the Plastics Area, Systems for the Food Area and Services and Spare Parts as defined in the paragraph *"General information"*. In the reference market of Systems for the Plastic Area, the Group is one of the world leaders in the design and production of plants and control systems for the automation of all phases of the production cycle of plastic materials.

In order to provide the qualitative information required by international accounting standard IFRS 15, it should be noted that the Group's revenues can also be divided into:

- revenues from the sale of automation systems for the storage, transport and treatment of plastic materials ("Systems for the Plastic Area") and automation systems for the storage and transport of food powders ("Systems for the Food Area"): an analysis of the contracts usually stipulated with customers has shown that there are two macro-categories of contracts in which it is possible to divide revenues from the sale of plants and auxiliary equipment according to how the performance obligations contained in the contract 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 plants and systems; (ii) installation and (iii) start-up and parameterisation. In these types of contractual relationships the Group recognises revenues when the customer obtains control of the asset, which is normally identified, on the basis of the contractual conditions, at the time of shipment or delivery of the plant/product to the customer, while for the other two performance obligations, the revenue is recognised at the time the service is provided. It is specified that on average the systems/equipment belonging

to this category require an execution time, in most cases, of between three and six months and that the general conditions of sale provide for advance payments as advances recorded in the item Advances from customers.

  - contracts in which the performance obligations are met "over time": this typically involves the sale of certain plants on the reference market for Systems for the Plastic Area and those on the reference market for Systems for the Food Area with a high degree of customisation required by customers and in which the contractual conditions provide that the control of the supplied asset is transferred to the customer either at the time of testing or at the time of installation. It was deemed that the contractual performance obligation is unique and that it is fulfilled over time since the product system does not have an alternative use for the company, being very specific and customised, and since the Group is entitled to receive a fee for what was completed on the date in the event of cancellation of the order. In view of the above, the Group records the sales revenues of these plants in proportion to the progress made in meeting the performance obligation. To determine progress, an input-based method is used, i.e. the cost-to-cost method, which provides for the proportion between contract costs incurred for work performed up to the financial statements date and total estimated contract costs. Estimates are based on contract forecasting and reporting data and, where necessary, estimates of finished contract revenues and costs are revised. Any economic effects are recognised in the year in which the updates are made. Generally, the execution time required for these installations is not more than one year and advance payments are foreseen.

    Contract work relating to these plants is shown net of payments on account relating to the contract in progress. Given that the analysis is carried out on a contract by contract basis, the equity and financial position shows the following: when the costs incurred, increased by the relative margins recognised, exceed the advances received from customers, the said difference is entered as an amount due from customers under assets in the item Assets for contract work in progress, whereas when the advances received from customers exceed the costs incurred, increased by the relevant margins recognised, the said difference is entered as an amount due to customers under liabilities in the item Liabilities for contract work in progress.

- revenues from the sale of spare parts: revenues from the sale of spare parts are recognised at the time of transfer of ownership, which is normally identified with the delivery or shipment of goods.
- revenues from technical assistance services: revenues from services are recognised on completion and/or maturity.

Advertising and research costs, in accordance with IAS 38 "Intangible Assets", are fully charged to the income statement.

Interest

Revenues and expenses are recognised on an accruals basis on the basis of the interest accrued on the net value of the related financial assets and liabilities, using the effective interest rate.

Dividends

These are recognised when the Shareholders' right to receive payment arises, which normally corresponds to the shareholders' resolution to distribute dividends. The distribution of dividends is therefore recorded as a liability in the financial statements of the period in which the distribution of dividends 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 business; the liability for current taxes is recorded in the equity and financial position net of any tax advances paid.
A provision is recorded with reference to 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. Provisions represent the best estimate of the amount that is expected to become due. The evaluation is made by the administrative department, which has gained previous experience in the tax field and in some cases with the support of external tax consultants.

Advance taxes and deferred taxes reflect the temporary differences between the value attributed to an asset or liability in accordance with the criteria laid down by the IAS/IFRS international standards and the value attributed to the same for tax purposes, valued on the basis of the tax rates in force or substantially in force for future years. Advance taxes are recognised only if there is a likelihood that they will be recovered, i.e. when it is considered probable that future taxable income will be available to use the advance taxes. Deferred taxes are always recorded with the exception of certain situations that are not in line with IAS 12 "Taxes", such as the recording of goodwill or if the temporary difference derives from the initial recording (in addition to a business combination) of other assets and liabilities in a transaction that does not impact either taxable profit or operating profit. Prepaid taxes and deferred tax 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 receivables and payables on a net basis. The Company does not offset prepaid taxes against deferred taxes. Deferred taxes on reserves in suspense for tax purposes 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 recognised 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. Advance tax arising from deductible temporary differences and associated with such investments are recognised 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 utilised and are expected to reverse in the foreseeable future.

Criteria for the translation of foreign currency items

Receivables and payables originally expressed in foreign currency are translated into euro at the exchange rates of the date of execution of the operations that originated them. Exchange differences arising on the collection of receivables and the payment of payables in foreign currencies are recorded in the profit and loss account.
Revenues and income, expenses and charges relating to foreign currency transactions are recorded at the exchange rate in force on the date on which the transaction is carried out.
At year-end, assets and liabilities denominated in foreign currencies, with the exception of non-monetary non-current assets (which remain recorded at the exchange rate on the transaction date), are recorded at the spot exchange rate at the end of the financial year and the related foreign currency conversion gains and losses are allocated to the profit and loss account.
The main exchange rates (currency for 1 euro) used for the translation of financial statements in currencies other than the euro for the years ended 31 December 2018 and 31 December 2017 (comparative data) are summarised below:

Currency		Average rate		Closing rate	
		31.12.2018	31.12.2017	31.12.2018	31.12.2017
BRL	Brazilian real	4.3085	3.605	4.444	3.973
CAD	Canadian dollar	1.5294	1.465	1.5605	1.504
CSK	Czech Koruna	25.647	26.326	25.724	25.535
CNY	Renminbi	7.8081	7.629	7.8751	7.804
GBP	Pound Sterling	0.88471	0.877	0.89453	0.887
HUF	Hungarian forint	318.8897	309.193	320.98	310.33
MXN	Mexican peso	22.7054	21.329	22.4921	23.661
SGD	Singaporean dollar	1.5926	1.559	1.5591	1.602
USD	US dollar	1.181	1.13	1.145	1.199
THB	Baht	38.164	38.296	37.052	39.121
INR	Indian rupee	80.7332	73.532	79.7298	76.606
TRY	Turkish lira	5.7077	4.121	6.0588	4.546
AED	UAE dirham	4.3371	4.148	4.205	4.404
JPY	Yen	130.3959	126.711	125.85	135.01
VND	Dong	27,180.00	25,662.00	26,547.00	27,233.00

Any goodwill or recognition of adjustments to the fair value of net assets on the occasion of the acquisition of foreign subsidiaries with a functional currency different from that of the parent company, must be expressed in the functional currency of the foreign subsidiary and converted at the year-end exchange rate (according to the general rules for the conversion of financial statements with a functional currency different from those of the parent company).

Tangible assets

Property, plant and equipment are recorded at historical cost, including directly attributable ancillary costs necessary to put the asset into operation for the use for which it was purchased.

Maintenance and repair costs that are not likely to enhance and/or extend the residual life of the assets are expensed in the year in which they are incurred, otherwise they are capitalised.
Property, plant and equipment are stated net of accumulated depreciation and any impairment losses determined in accordance with the procedures described below. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset for the company, which is reviewed annually and any changes, if necessary, are made on a prospective basis.
The depreciation rates for the main classes of tangible fixed assets are as follows:

Industrial buildings:	from 3% to 5%
Plant and machinery:	from 10% 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 under finance leases, through which all risks and rewards of ownership are substantially transferred to the Group, are recognised as Group assets at their current value or, if lower, at the present value of the minimum lease payments due.
The corresponding liability to the lessor is shown in the financial statements under borrowings. The assets are depreciated in accordance with the above rates.
Leases in which the lessor retains substantially all the risks and rewards of ownership of the assets are classified as operating leases and the related costs are recognised in the profit and loss account over the term of the contract.
At the time of sale or when there are no future economic benefits expected from the use of an asset, it is eliminated from the financial statements and any loss or gain (calculated as the difference between the sale value and the book value) is recorded in the profit and loss account in the year of such elimination.

Goodwill

As described in greater detail in the section on "Business combinations", goodwill recorded under intangible assets is linked to business combination transactions and is determined as the difference between the sum of the consideration transferred in the business combination, the value of shareholders' equity attributable to minority interests and the fair value of any investment previously held in the acquired company compared with the fair value of the net assets acquired and liabilities assumed at the acquisition date. The minority interest in shareholders' equity at the date of acquisition is equal to the pro rata share of the value of the net assets recognised for the acquired company.
Goodwill is not amortised; annually it is checked whether it has been impaired, or more frequently if specific events or changed circumstances indicate the possibility that it may have been impaired, in accordance with the provisions of IAS 36 "Impairment of assets".
For the purpose of the impairment test, goodwill is allocated to each of the Group's cash generating units (or groups of cash generating units) that are expected to obtain the benefits deriving from the synergies of the business combinations. As specified above in the paragraph "Summary of accounting principles applied", for goodwill deriving from acquisitions prior to the transition date (1 January 2015), the Company availed itself 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 providing the company with future economic benefits. These are initially recognised at cost when it can be measured reliably in the same way as property, plant and equipment.
These assets are subsequently recognised net of accumulated depreciation and any impairment losses. The useful life is regularly reviewed and any necessary changes shall be made prospectively. Any intangible assets generated internally are capitalised, within the limits and under the conditions set out in IAS 38.
The average estimated useful life is between 3 and 10 years.
Earnings or losses arising from the disposal of an intangible asset are determined as the difference between the disposal value and the carrying amount of the asset and are recognised in the income statement at the time of disposal.

Impairment of non-financial assets

Assets subject to depreciation are subjected to an impairment test when there are events or circumstances indicating that the book value cannot be recovered (trigger event). In both cases, any impairment is recognised at the amount of the carrying amount that exceeds the recoverable amount. The latter is the higher of the asset's fair value less costs to sell and its value in use. If it is not possible to determine the value in use of an asset individually, the recoverable value of the cash-generating unit (CGU) to which the asset belongs must be determined. Assets are grouped at the lowest level for which there are independent cash flows and the Group then calculates the present value of the estimated future cash flows for the CGU using a discount rate that reflects current market assessments of the time value of money and the risks of the asset.
Subsequently, if an impairment loss on an asset other than goodwill ceases to exist or decreases, the carrying amount of the asset or cash-generating unit is increased to the new estimate of its recoverable amount, which, however, may not exceed the amount that would have been determined had no impairment loss been recognised.
The reversal of an impairment loss is immediately recognised in the profit and loss account.

Equity investments

Investments in associates and joint ventures are valued using the equity method, while other investments are accounted for in accordance with IFRS 9.

Financial assets

Initially, all financial assets are recorded at fair value, increased, in the case of assets other than those at fair value with changes in the profit and loss account, by ancillary charges. At the time of signing, the Group assesses whether a contract contains embedded derivatives. Embedded derivatives are separated from the host contract if the latter is not measured at fair value when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.
The Company determines the classification of its financial assets after initial recognition and, where appropriate and permitted, reviews this classification at the end of the reporting period.

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

As indicated by IFRS 9, it requires the classification of financial assets, based on the characteristics of the cash flows deriving from the instrument and the business model used by the entity:

- Amortised 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 repayment of 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 themselves, which are represented exclusively by the payment of interest and the repayment 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 and entailed:

- the elimination of the category of Held To Maturity (HTM) instruments;
- the elimination of the category of instruments available for sale (AFS);
- the 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 recognised in Other Comprehensive Income (OCI) instead of in the profit and loss account;
- the elimination of the possibility (limited exemption) of valuing unquoted equity investments at cost instead of at fair value, in the rare circumstance in which the amount of the fair value is in a significant range and the probability that the various assumptions will be met cannot be reliably verified.

In relation to the impairment of financial assets, IFRS 9 requires the application of a model based on expected losses on receivables, instead of the one based on losses on receivables already incurred required by IAS 39. The different model based on expected credit losses requires the Company and the Group to consider expected credit losses and changes in such credit losses expected at each financial statements date to reflect changes in credit risk since the initial recognition of the financial asset. In other words, it is no longer necessary for an event to occur that calls into question the recoverability of the receivable before recognising a loss on the receivable.

This rule applies to:

- Investments in debt instruments valued successively at amortised cost or FVTOCI;
- Receivables for financial leases;
- Trade receivables and assets for contract work in progress;
- loan commitments and financial guarantee agreements to which the impairment provisions of IFRS 9 apply.

In particular, IFRS 9 requires the Group to measure the provision to cover losses on a financial asset at an amount equal to the lifetime expected credit losses (ECL) if the credit risk of the financial asset has significantly increased after initial recognition, or if the financial instrument is an impaired financial asset acquired or originated. However, if the credit risk of a financial instrument has not increased significantly after initial recognition (except for an acquired or originated impaired financial asset), the Group must measure the provision to cover losses for the financial instrument at an amount equal to the expected losses on receivables resulting from a default event in the following 12 months (12-months expected credit losses). In some circumstances IFRS 9 also requires the adoption of a simplified method for measuring the provision to cover losses for trade receivables, contract assets and finance lease receivables by estimating the expected losses over the life of the receivable.

The first application of IFRS 9 entailed for the Company and the Group the measures described in the paragraph **"IFRS accounting standards, amendments and interpretations applicable to the Company and applied from 1 January 2018".**

Inventories

Inventories are recorded at the lower of purchase and/or production cost, determined using the weighted average cost method, and net realisable value. The purchase cost includes ancillary charges; the production cost includes directly attributable costs and a portion of indirect costs reasonably attributable to the products.
As far as work in progress is concerned, the valuation was made at the weighted average cost for the year, including ancillary charges attributable to the production process, taking into account the state of progress of the work carried out.
Obsolete and/or slow-moving inventories are written down in relation to their presumed possibility of use or future realisation, through the recording of a specific provision adjusting the value of the inventories.
The write-down is eliminated in subsequent years if the reasons for the write-down no longer apply.

Assets and liabilities for contract work in progress

As previously described in the section Revenues and expenses, these items arise with reference to the execution of contracts in which revenues are recognised over time. For these contracts, the Group recognises sales revenues in proportion to the progress made in meeting the performance obligation, which is measured using the cost-to-cost method. Given that the analysis is carried out on a contract by contract basis, the equity and financial position shows the following: when the costs incurred, increased by the relative margins recognised, exceed the advances received from customers, the said difference is entered as an amount due from customers under assets in the item Assets for contract work in progress, whereas when the advances received from customers exceed the costs incurred, increased by the relevant margins recognised, the said difference is entered as an amount due to customers under liabilities in the item Liabilities for contract work in progress.

Trade receivables

Receivables are initially recognised at fair value, which corresponds to their nominal value, and are subsequently valued at amortised cost and reduced in the event of impairment. In addition, they are adjusted to their estimated realisable value through the recording of a specific adjustment fund on the basis of the provisions of IFRS 9.
Receivables denominated in a currency other than the accounting currency are recorded at the exchange rate prevailing on the day of the transaction and subsequently translated at

the year-end exchange rate. The gain or loss on translation is recognised in the profit and loss account under Foreign currency conversion gains and losses.

Cash and cash equivalents

They include numerical values, i.e. those values that meet the requirements of availability at sight or very short term (original duration of up to three months), success and the absence of collection costs.

Employee benefits

This item includes the provision for employee severance indemnities (TFR) and other provisions for employee benefits in accordance with IAS 19 "Employee benefits". As a defined-benefit plan, TFR is recognised on the basis of valuations carried out at the end of each financial year by independent actuaries. The liability recorded in the balance sheet represents the present value of the obligation payable at the end of the employment relationship, which employees have accrued at the financial statements date, calculated taking into account the results obtained from the application of the projected unit credit method. As a result of Law 296/06 which amended the system of employee indemnities, the portions of employee severance indemnities accruing from 1 January 2007 now form a defined contribution plan (using the terminology provided for by IAS 19), both in the case of allocation to the treasury fund at INPS and in the case of an option for supplementary pension schemes. The provision accrued up to 31 December 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 plan assets. Actuarial gains and losses are recognised in full in the period in which they arise and in accordance with the amended IAS 19, as from 2015 these gains and losses are recognised directly in the comprehensive profit and loss account.

Provisions for risks and charges

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

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 its present value. The subsequent change due to the passage of time is recorded in the profit and loss account among the financial components.

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

Trade payables and other current liabilities

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

Financial liabilities

Financial liabilities are recorded at their initial fair value and valued at amortised cost. IFRS 9, like IAS 39, allows for the valuation of financial liabilities on the basis of the FVTPL criterion (in order to manage the effects of an accounting mismatch or in the presence of an embedded derivative not separated from the financial liability). The latter method of valuation 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 financial statements date, and are removed from the financial statements when they are extinguished when the company has transferred all the risks and charges relating to the instrument itself.

Liabilities for options granted to minority shareholders

In cases where less than 100 per cent of the shares of a subsidiary are acquired in a business combination, a put option may be granted to the seller that allows the seller to sell its remaining interest in the subsidiary to the buyer at a specified price. As already mentioned, the acquisition of control of a business is accounted for in accordance with IFRS 3 Business Combinations. For 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 recognised at a value equal to the present value of the amount that could be required to be paid to the counterparty. At the time of initial recognition, the value of the liability deriving from put options is recorded as a reduction in Group equity. Subsequent changes in the fair value of the liability are recognised in the income statement. The Group also continues to recognise minority shareholders in the fiscal year result and in shareholders' equity until the put option is exercised.

Use of estimates

The preparation of the consolidated financial statements required the Directors to apply accounting principles and methods that, in some circumstances, are based on difficult and subjective valuations or on historical experience or on assumptions that, from time to time, are considered reasonable and realistic in light of the relevant circumstances. The application of these estimates and assumptions influences the amounts reported in the financial statements, such as the equity and financial position, the profit and loss account statement and the cash flow statement, as well as the information provided. The final results of the valuations for which the above estimates and assumptions were used may differ from those reported in the financial statements due to the uncertainty that characterises the assumptions and the conditions on which the estimates are based. The items which, due to their nature, have provided for greater use by the Directors of estimates and for which a change in the conditions underlying the assumptions used may have an impact on the consolidated financial statements are:

- Liabilities for put options granted to minority shareholders; the conditions on the basis of which these liabilities exist and their valuation, depending on the contractual provisions, may be based on estimated future forecasts of economic and financial parameters, therefore the aforementioned estimates and assumptions may differ from the historical values reported in the financial statements due to the intrinsic uncertainty that characterises the assumptions and conditions on which these estimates are based;
- Impairment test on goodwill: this test makes it possible 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 vary over time. These changes, based on management analysis, may also have a significant impact on value in use but not on the amount of goodwill recorded in the financial statements.

Impairment testing of goodwill

At least once a year, the Group tests goodwill for impairment. 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. In applying this method, the Group used various assumptions, including the estimate of future increases in sales, operating costs, the growth rate of terminal values, investments, changes in working capital and the weighted average cost of capital (discount rate).
Changes in the main estimates and assumptions made in the preparation of the forecast data relating to the CGUs used for the test, as well as the other parameters of the test, could affect the value in use and the result that will actually be achieved about the realisable value of the assets recorded.

Provisions for doubtful debts

The bad debt provision reflects management's estimate of losses on the portfolio of receivables due from end customers and the sales network. The estimate of the bad debt provision is based on the Group's expected losses, determined on the basis of past experience with similar receivables, current and historical past due receivables, losses and collections, careful monitoring of credit quality and projections of economic and market conditions, and on the estimate of losses on receivables made on the basis of the expected losses model. The occurrence of an economic and financial crisis could lead to a further deterioration in the financial conditions of the Group's debtors compared to the deterioration 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's estimate of the Group's expected impairment losses, determined on the basis of past experience and historical and expected market trends. A worsening of the general economic and financial conditions could lead to a further deterioration of the market conditions compared to the worsening already taken into account in the quantification of the funds recorded in the consolidated financial statements.

Estimated fair value

IFRS 13 represents a single source of reference for the measurement at fair value and for the related information when such measurement is required or permitted by other accounting standards. Specifically, the principle brings together the definition of fair value, establishing that it is the price that would be received for the sale of an asset or that would be paid for the transfer of a liability in a regular transaction between market operators at the valuation date. IFRS 13 establishes a hierarchy that classifies the inputs of the valuation techniques adopted to measure fair value into levels. The levels envisaged, arranged in a hierarchical order, are as follows:

- level 1 input: these are quoted (unadjusted) prices in active markets for identical assets and liabilities that the entity can access at the measurement date;
- level 2 inputs: these are variables other than the quoted prices included in Level 1 that can be observed directly or indirectly for assets or liabilities;
- level 3 inputs: these are non-observable variables for assets or liabilities.

For information on the valuation techniques applied, reference should be made to the specific notes on assets and liabilities.

INFORMATION ON FINANCIAL RISK AND INSTRUMENTS

The accounting principles applied in the preparation of the consolidated financial statements in relation to financial instruments are described in the section "Basis of valuation".

The Group's operations expose it to a number of financial risks that can affect its equity and financial position, net result, and cash flows due to the impact of its financial instruments.

These risks can be summarised as follows:

a) credit risk;
b) liquidity risk;
c) market risk (currency risk, interest rate risk and other price risks).

The overall responsibility for the creation and supervision of a Group financial risk management system lies with the Board of Directors, which heads the various organisational units that are functionally responsible for the operational management of the individual types of risk.

Within the framework of the guidelines drawn up by the management body and for each specific risk, these units define the instruments and techniques for the relevant coverage and/or transfer to third parties (insurance) or assess the risks not covered or insured.

The degree of significance of the Group's exposure to the various categories of identified financial risk is commented below.

Credit risk

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

The Group applies a policy based on the attribution of ratings and purchase 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 any recovery of the same including through legal proceedings. Coordination between companies operating in the same market (e.g. Italian companies) is based on the electronic exchange of information relating to joint customers and through coordination of any block on deliveries or the initiation of legal proceedings.
The bad debt provision is recorded at the nominal value of the portion deemed uncollectible after deducting the portion of the receivable secured by bank guarantees. All guarantees are critically assessed as to their collectability.

Liquidity risk

The Group's total indebtedness, mainly relating to Piovan S.p.A., is partially at a fixed rate in order to take advantage of the opportunities currently offered by the interest rate market for medium/long-term loans. Due to the high level of available liquidity, the Group has 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 a variable rate.
The Group mainly deals with well-known and reliable customers; it is the Group's policy to subject the positions of customers who request payment extensions to procedures for the granting and constant monitoring. In addition, the Group's business is characterised by the recognition by customers of advances on orders placed, which significantly reduce the financial requirements associated with working capital.
The Group has a positive net financial position and was 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 to be limited overall.
For the information required by IFRS 7 with reference to the cash flows relating to the Group's financial liabilities by maturity, see note [16].

Market risk linked to the exchange rate

As the Group operates in various countries around the world, it is exposed to the risk of exchange rates fluctuations. The exchange rate risk mainly arises from transactions whose reference currencies are the U.S. dollar, the Chinese renminbi, the British pound, the Brazilian real and the Canadian dollar against the euro. Transactions between the Parent Company and its subsidiaries are generally carried out in the subsidiary’s local currency, 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 the margin and net result.
The Parent Company carries out transactions (typically sales) in currencies other than its functional currency. At present, the Group does not carry out hedging policies either with reference to the economic effects of purchase and sale transactions in foreign currencies or with reference to exchange rate differentials that arise between the time of invoicing in currencies other than the reporting currency in each country and the time of collection or, to a lesser extent, of payment.
In addition, the Parent Company holds investments in subsidiaries whose financial statements are denominated in foreign currencies. Changes in shareholders' equity

resulting from fluctuations in exchange rates are recorded in a shareholders' equity reserve called the "currency translation reserve". The risk deriving from the translation of shareholders' equity is not currently covered by the Group.

The following table shows the Group's exposure arising from foreign currency assets and liabilities, detailing the most material currencies for each year:

31.12.2018										
	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**
Total liabilities	78,821	15,004	5,414	3,722	4,793	3,827	2,476	1,880	2,204	**118,139**

The next table shows an analysis of revenue's sensitivity to the risk arising on the translation of foreign currency revenue into Euro, assuming a 10% increase or decrease in the average annual exchange rate.

	2018			**2017**		
Net revenues	**Current Forex in €**	**Forex +10%**	**Forex -10%**	**Current Forex in €**	**Forex +10%**	**Forex -10%**
EUR – Euro	165,125	165,125	165,125	134,572	134,572	134,572
USD – US Dollar	44,327	40,228	49,168	46,211	41,977	51,305
CNY – Renminbi	16,908	15,371	18,786	13,498	12,257	14,981
BRL - Real	6,971	6,337	7,745	6,598	5,996	7,329
GBP - Pound sterling	4,796	4,360	5,329	5,419	4,924	6,018
THB - Bath	2,035	1,850	2,261	1,830	1,663	2,032
TRY - Turkish lira	838	761	931	791	719	879
INR - Indian rupee	572	520	635	237	215	263
JPY - Japanese yen	17	15	19	177	161	197
CAD - Canadian dollar	-	-	-	34	31	38
MXN – Mexican peso	20	18	22	21,929	13	16
AED - United Arab Emirates dirham	29	26	32	32,091	7	9
VND - Vietnamese Dong	25	23	28			
TOTAL	**241,661**	**234,635**	**250,081**	**209,391**	**202,536**	**217,639**

The next table shows an analysis of earnings before tax's sensitivity to the risk arising on the translation of foreign currency pre-tax profit into Euro, assuming a 10% increase or decrease in the average annual exchange rate.

Result before taxes	2018			2017		
	Current Forex in €	Forex +10%	Forex - 10%	Current Forex in €	Forex +10%	Forex - 10%
EUR – Euro	27,437	27,437	27,437	24,603	24,603	24,603
SGD	-	-	-	-	-	-
USD – US Dollar	1,185	1,077	1,316	1,399	1,272	1,554
CNY – Renminbi	2,548	2,316	2,831	2,001	1,819	2,224
BRL – Brazilian real	129	117	144	- 547	- 498	- 608
GBP - Pound sterling	306	279	340	495	450	550
THB – Thai bath	126	115	141	77	70	85
TRY - Turkish lira	- 35	- 32	- 39	- 189	- 172	- 210
INR - Indian rupee	132	120	146	137	124	152
JPY - Japanese yen	- 112	- 102	- 124	- 111	- 101	- 124
CAD - Canadian dollar	784	713	871	448	407	497
MXN – Mexican peso	870	791	967	754	685	838
AED - United Arab Emirates dirham	- 8	- 7	- 9	- 50	- 46	- 56
VND – Dong	- 16	- 14	- 18	- 1	- 1	- 1
HUF - Hungarian forint	- 31	- 28	- 35	- 19	- 18	- 22
CSK - Czech koruna	175	159	194	118	107	131
TOTAL	**33,490**	**32,940**	**34,163**	**29,113**	**28,703**	**29,614**

Moreover, as the Company prepares its consolidated financial statements in Euros, fluctuations in the exchange rates used to translate the figures of financial statements of the foreign subsidiaries, originally expressed in a foreign currency, could affect the Group's equity and financial position.

Market risk linked to interest rates

Interest rate risk is the risk that the value of a financial instrument, and/or the level of cash flows generated by it, will change as a result of fluctuations in market interest rates.
Exposure to interest rate risk arises from the need to finance operating activities, both in their industrial component and in the financial component of the acquisition of the same activities, as well as to use available liquidity. Changes in market interest rates can have a negative or positive impact on the Group's net results, indirectly influencing the costs and returns of financing and investment transactions.
As described above, part of the Group's loans are at a fixed rate. This allows us to take advantage of the current very low level of interest rates. The Group has not put in place hedging instruments because, given the high liquidity of the Group, it is considered that the risk of fluctuations in interest rates can be adequately managed.

The next table shows an analysis of interest expenses sensitivity to the risk arising on the fluctuation of interest rate regarding variable loans, assuming an increase/decrease of 0.25% and 0.50% of the interest rate.

Interest expenses on floating rate loans	Interest expenses	+0.25%	+0.50%	-0.25%	-0.50%
31/12/2017	145	173	202	116	100
31/12/2018	32	55	78	9	-

Products and components price risk

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

Risks linked to the general state of the economy

The global macro-economic framework may affect the Group's economic 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.

NOTES TO THE CONSOLIDATED EQUITY AND FINANCIAL POSITION

[1] Property, plant and equipment

Property, plant and equipment amounted to €34,531,000 at 31 December 2018, compared with €27,852,000 at 31 December 2017. They are made up as shown in the following tables, which show their composition and changes during the year.

CHANGES DURING THE PERIOD	Land and buildings	Plants and machinery	Fixtures, fittings, tools and equipment	Other assets	Fixed assets under construction and advances	Total
Balance at 31 December 2017	**21,394**	**1,820**	**665**	**3,734**	**238**	**27,852**
including:						
- Historical cost	**25,054**	**8,737**	**4,264**	**14,541**	**238**	**52,834**
- Accumulated depreciation	**-3,660**	**-6,916**	**-3,599**	**-10,808**		**-24,983**
Movements in 2018						
- Investments	3,043	1,608	202	1,969	5,260	12,082
- Disposals (Historical Cost)	-2,748	-226	-219	-1,036		-4,229
- Disposals (Accumulated depreciation)	324	103	136	199		762
- Currency translation difference (Historical cost)	121	72				193
- Currency translation difference (accumulated depreciation)	61	-18	-5	-24		14
- Depreciation	-397	-351	-230	-1,267		-2,244
- Revaluations	73			30		102
- Reclassifications						0
Balance at 31 December 2018	**21,871**	**3,007**	**550**	**3,604**	**5,498**	**34,531**
including:						
- Historical cost	**25,543**	**10,190**	**4,247**	**15,503**	**5,498**	**60,982**
- Accumulated depreciation	**-3,672**	**-7,182**	**-3,697**	**-11,900**	**0**	**-26,452**

Starting from the 2017 financial year, the Group undertook a project of production expansion and technological improvement, relating to the Italian plant and the one in the United States. In Italy, an enlargement project is being carried out at the Parent Company's headquarters with the aim of constructing two separate buildings with a total surface area of approximately 15,000 m2 to be used as a logistical warehouse connected with the current production areas and as a new production plant for the subsidiary Aquatech. The purpose of the enlargement is to increase production efficiency and, above all, to increase production capacity in support of production growth in line with the expected development of turnover in future years. The project in Italy should be completed by 2019. In the USA, the completion of the new headquarters and the transfer from the old one took place during the second half of 2018. In 2018, these projects involved investments of €3,043,000 attributed to the Land and buildings item. The investments included in the Assets under

construction and advances item of €5,260,000 are mainly related to the progress of the expansion project in Italy, which is proceeding in line with the schedule.
In June 2018, the U.S. subsidiary Universal Dynamics Inc. executed the contract for the sale of the old production site, for a total sale price of USD 5,250,000, which has already been received in full. The sale resulted in a capital gain, net of costs to sell, of €1,933,000, recognised in the profit and loss account under the Other revenues and income item, which is considered to be non-recurring.
In 2018 the Parent Company also sold non-depreciable assets to the parent company Pentafin S.p.A. for a price of €988,000, entirely collected in June 2018. These assets, most of which were acquired recently, were sold at their book value.
As at 31 December 2018, tangible fixed assets were not encumbered by mortgages or liens.
Tangible fixed assets are adequately covered from risks deriving from loss and/or damage to assets by insurance policies taken out with leading agencies.
The Group does not have any borrowing costs directly attributable to the acquisition, production or construction of property, plant and equipment.

The breakdown of Property, plant and equipment by geographical area is as follows:

Property, plant and equipment	2018	2017
EMEA	24,220	19,386
- of which Italy	*23,119*	*18,249*
NORTH AMERICA	8,609	6,541
- of which the United States of America	*8,456*	*5,526*
ASIA	305	297
SOUTH AMERICA	1,397	1,629
Total	**34,531**	**27,852**

[2] Intangible fixed assets

At 31 December 2018, these amounted to €6,007,000, compared with €5,741,000 at 31 December 2017. Movements in these assets are shown below:

CHANGES DURING THE PERIOD	Goodwill	– Industrial patent and intellectual property rights	Concessions, licences, trademarks and similar rights	Other intangible assets	Fixed assets under construction and advances	Total
Balance at 31 December 2017	**5,279**	**261**	**68**	**123**	**10**	**5,741**
including:						
- Historical cost	**5,279**	**5,811**	**186**	**135**	**10**	**11,421**
- Accumulated depreciation	**0**	**-5,550**	**-118**	**-13**	**0**	**-5,681**
Movements in 2018						
- Investments		370	28	52	67	518
- Disposals (Historical Cost)		-15				-15
- Disposals (Accumulated depreciation)		15				15
- Currency translation difference (Historical cost)	148	-6	1	2		145
- Currency translation difference (accumulated depreciation)						0
- Depreciation		-218	-58	-67		-343
- Reclassifications		-54				-54
Balance at 31 December 2018	**5,427**	**353**	**39**	**110**	**77**	**6,007**

Intangible assets are broken down by geographical area as follows:

Intangible assets	2018	2017
EMEA	2,635	2,527
- of which Italy	*2,456*	*2,356*
NORTH AMERICA	3,271	3,122
- of which the United States of America	*3,271*	*3,121*
ASIA	32	34
SOUTH AMERICA	69	60
Total	**6,007**	**5,742**

At 31 December 2018 goodwill amounted to €5,427,000 compared with €5,279,000 at 31 December 2017. The goodwill entered mainly refers to:

- the acquisition of the US subsidiary Universal Dynamics Inc. (the so-called "Unadyn) in 2008;
- the acquisition of the 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.

Goodwill	31.12.2017	Increase	Decrease	Change in currency translation reserve	31.12.2018
UnaDyn	3,123			148	3,271
Penta and Progema	1,872				1,872
Energys	276				276
Other goodwill	8				8
Total	**5,279**			**148**	**5,427**

The Group has no goodwill whose value is tax-deductible.
It should be noted that the acquisition of the controlling interest in Universal Dynamics Inc. and Penta S.r.l. took place prior to the date of first consolidation of the Piovan Group (1 January 2015) and therefore the related goodwills were determined, making use of the exemption option provided by IFRS 1, in an amount equal to the so-called deemed cost given by the difference between i) the value of the investment in the parent company's financial statements and ii) the net book value of the assets and liabilities of the subsidiary adjusted for any adjustments required by international standards. With reference to the subsidiaries Progema and Energys, it should be noted that the acquisition of control took place in 2016 and that the Group decided to recognise the related goodwill on the basis of the percentage of ownership of the net assets of the acquired company valued at fair value (so-called partial goodwill). The value at which the investment had held before the acquisition of control was recorded was already 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 goodwill relating to Universal Dynamics Inc. depends on the different values of the USD/Euro exchange rates at the end of each period and therefore its changes represent a non-cash movement.
In September 2018 Piovan S.p.A. purchased a further 25% stake in the subsidiary Penta S.r.l. from a minority shareholder (3B Inc. S.r.l.), as better described in note 18, without any impact on the goodwill values. With reference to the investee companies, the Company holds a number of options to purchase minority shares, in particular it holds the option to purchase a 19% stake in Progema, the option to purchase 10% of Penta S.r.l. and the option to purchase 33.33% of FDM Gmbh.
These options, which can only have an active value for the Company since they are in the Company's hands, have not been valued in consideration of the fact that the contractual provisions that trigger the right to exercise are mainly in the Company's hands and that the occurrence of these is considered highly unlikely by management. On the basis of these assumptions, the fair value of these options would have a value tending towards zero.

Information on impairment tests

Goodwill is allocated to the Group's cash generating units, represented by the individual companies to which they refer, with the exception of Penta S.r.l. and Progema S.r.l., which were considered a single CGU for the purpose of testing due to the interdependence of the cash flows generated by them.
As required by IAS 36, the Group tested the recoverability of the residual value of goodwill recorded in the consolidated financial statements at all the reference dates. Specifically, goodwill is subject to impairment testing, even in the absence of loss indicators, at least once a year.
The Directors did not test the assets subject to depreciation for impairment because they did not detect the presence of events or circumstances such as to indicate the presence of losses in value. The impairment test methods carried out and the related results are illustrated below.
The recoverable value of the CGUs to which the individual goodwill was allocated was verified by determining their value in use, understood as the present value of expected cash

flows, using a rate that reflects the specific risks of the individual CGUs at the valuation date (the so-called Discounted Cash Flow method). Specifically:

- The cash flows derived from the 2019-2023 business plan were used, using an explicit 5-year projection period. The plans of the aforementioned CGUs were approved by the Board of Directors on 14 March 2019 and were specifically prepared for the purposes of the impairment test. The assumptions underlying the expected cash flows expected for each CGU take into account, on the one hand, past experience and, on the other, the specific objectives of each plan, which are consistent with current operating performance and the strategic actions implemented by the Group.

- At the end of the explicit forecast period, a "normalised" flow was calculated to be used for the calculation of the terminal value. Specifically, management used, as a driver for the preparation of the plan, the gross margin on the basis of historical performance and the best estimate of future operating costs and cash flows as well as its own expectations on the developments of the market in which the CGU operates.

- The discount rate used is the weighted average cost of capital (so-called post-tax WACC), relative to each CGU, and was calculated punctually considering 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 given by 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 sector-specific beta. Specifically, the cost of capital was determined on the basis of the market yields on medium/long-term (10 years) government bonds of the countries/markets to which the CGU refers observed during the year (2.62% for the Penta-Progema CGU and 2.91% for the Unadyn CGU), adjusted by the market risk premium of each reference country that reflects the investment risk (equal to 5.96% for both CGUs) as well as an additional risk premium (equal to 1.9% for the Penta-Progema CGU and 0.60% for the Unadyn CGU). The *beta* coefficient applied is 0.94.

- the "g" growth rate for the determination of cash flows beyond the explicit period (2024 onwards) used by management is conservative if compared with the expected inflation rate of the related CGUs' countries.

The table below provides details of the growth assumptions underlying the anticipatory plans and the discount rates used as part of the impairment procedures carried out for higher value goodwill:

31.12.2018			
CGU	Goodwill	pre-tax discount rate	Post-tax WACC
Universal Dynamics	3,271	11.11%	8.70%
Penta and Progema	1,872	12.99%	9.63%

The impairment test carried out showed that the values in use determined, based on discounted cash flows, exceed the book value for all the CGUs tested.
For the Penta-Progema CGU, the assumptions described above determine a recoverable value at 31 December 2018, relating to 100% of the CGU, of €49.9 million. The carrying

amount of the net invested capital of the CGU is €1.6 million so the excess of the recoverable value over the carrying amount of the net invested capital is €47.9 million.
For the Unadyn CGU, the assumptions described above determine a recoverable value at 31 December 2018, relating to 100% of the CGU, of €39.6 million. The carrying amount of the net invested capital of the CGU is €11.5 million, so the excess of the recoverable value over the carrying amount of the net invested capital is €28.1 million.
In order to support their evaluations, the Directors carried out a sensitivity analysis to determine the results that could emerge as the relevant hypotheses change. It should be noted that, in view of the significance of the surpluses described above, any change, reasonably possible, in the relevant assumptions mentioned above used to determine the recoverable value (changes in the growth rate of +/- 1%, or changes in the discount rate of +/-2.5%), would not lead to different results with respect to the sustainability of the goodwills. In fact, the recoverable value which is determined with a change in g-rate of -1% and an increase in discounted rate of +2.5%, support the book value of the net invested capital as at 31 December 2018.
On the basis of these analyses, the Directors consider it reasonable that, even in the presence of any changes in the key assumptions described above, there can be no decrease in the recoverable value of the CGUs below the book value. Therefore, no elements emerged that would require write-downs of the goodwill recorded at 31 December 2018.

[3] Equity investments

At 31 December 2018, equity investments amounted to €270,000, compared with €589,000 at 31 December 2017.
Details of equity investments movements are as follows:

Company	Registered office	% Share	Book value at 31.12.2017	Increase/(decrease) in value	Book value at 31.12.2018
CMG S.p.A.	Budrio (BO)	20%	266		266
Piovan South Est Asia	Bangkok (Thailand)	100%	238	-238	0
Studio Ponte S.r.l.	Poggio Renatico (FE)	51%	5	-5	0
Penta Auto Feeding India Ltd	Navi Mumbai (India)	50%	67	-67	0
Other			14	-10	4
Total			**589**	**-320**	**270**

The investments in associated companies and joint ventures indicated in the above table were valued using the equity method and a similar valuation method was used with reference to investments in subsidiaries for which, as indicated in the paragraph "Consolidation criteria", the Directors decided not to proceed with full consolidation as they are not considered significant either individually or as a whole. This approach did not have a significant impact on the correct representation of the Group's equity, economic and financial position.

With reference to the associated company CMG, it should be noted that this interest was acquired in 2015 through the transfer of a business unit that was the subject of an appraisal and consequent capital increase in the associated company. The initial book value is equal to the cost incurred for the acquisition, corresponding to the current value of the assets transferred on that date. With reference to this company, no data is available for the year 2018 and the evaluation made on the basis of the results of the previous year did not lead to the recognition of any change in the value of the investment, taking into account the fact that it distributed dividends, recorded in the consolidated income statement for 2018 for €60,000. It should be noted that the Company holds the option to purchase 45% of CMG. This option can only have an asset value for the Company, as they are held by the Company and have not been valued in consideration of the fact that the contractual provisions giving the right to exercise, mainly under the control of the Company, are considered unlikely by management. On the basis of these assumptions, the fair value of these options would have a value tending towards zero.

With reference to the investee company Penta Auto Feeding India Ltd. it should be noted that the value of the investment has been written off and a risk provision of €70,000 has been set up as the investee company's shareholders' equity at the valuation date was negative for this amount.

[4] Other non-current assets

At 31 December 2018 these amounted to €325,000, compared with €393,000 at 31 December 2017. They consist mainly of guarantee deposits paid by Group companies, for various reasons, with reference to utilities and property rental contracts in which Group companies have their headquarters.

[5] Advance taxes and deferred tax liabilities

At 31 December 2018 the Advance taxes item amounted to €4,663,000, compared with €3,656,000 at 31 December 2017. The Group has recognised advance or deferred on temporary differences between the book value and the tax values.
Specifically, deferred tax assets and liabilities derive from the allocation of taxes on future costs or benefits with respect to the year in question, mainly due to the effect of increasing tax changes generated by the failure to deduct, in the various years, losses on receivables, write-downs of equity investments, directors' fees not yet paid, and other deductible amortisation and depreciation in subsequent years and provisions for risks.
Taxation is calculated on the basis of the rates in force at the time when the temporary differences will flow to the various countries in which the Group operates. The composition of advance taxes is as follows:

Increase	Taxable income 2018	Deferred tax assets 2018	Taxable income 2017	Deferred tax assets 2017
Consolidation adjustments of intercompany inventories	4,678	1,206	4,558	1,272
Stock write-down fund	1,819	488	1,298	339
Foreign currency conversion losses	119	29	908	218
Provisions for doubtful debts	954	244	744	175
Subcontractors installation fund	874	244	655	183
Provisions for risks	1,772	521	467	130
Product warranty provision	521	144	309	78
Additional client expenses	877	223	86	17
Leasing IAS 17	288	80		
Assets/liabilities for contract work in progress - Trade receivables	2,306	643	1,519	471
Other	3,447	840	3,048	773
Total	**17,656**	**4,663**	**13,591**	**3,656**

The Advance taxes item does not include assets arising from the valuation of tax losses.

At 31 December 2018 the Deferred tax liabilities item amounted to €3,505,000, compared with €2,291,000 at 31 December 2017. Details of deferred tax liabilities are as follows:

Decrease	Taxable income 2018	Deferred tax liabilities 2018	Taxable income 2017	Deferred tax liabilities 2017
Taxes paid not pertaining to the period	1	0	1	0
Leasing IAS 17	4,310	1,202	6,170	1,721
Assets/liabilities for contract work in progress - Trade receivables	4,936	1,377	1,804	559
Other differences	6,168	925	50	10
Total	**15,415**	**3,505**	**8,025**	**2,291**

The change is mainly due to the amount of undistributed profits of subsidiaries, which would generate a tax effect of €285,000, and the effects of the US tax reform on investments made by the subsidiary Unadyn.
The movement in advance and deferred taxes are presented in the next table:

	31.12.2017	First time adoption of IFRS 9	1.01.2018 restated	Effect on profit and loss account	Other items of the statement of comprehensive income	31.12.2018
Advance taxes	3,656	56	3,712	890	61	4,663
Deferred tax liabilities	-2,291		-2,291	-1,214		-3,505
Total	**1,365**	**56**	**1,421**	**-324**	**61**	**1,158**

[6] Inventories

At 31 December 2018 these amounted to €28,049,000, compared with €23,030,000 at 31 December 2017:

Inventories	31.12.2018	31.12.2017
Raw materials	4,366	4,883
Semi-finished products	13,562	9,013
Finished goods	12,239	10,522
Advances	611	1,155
Obsolescence provision	(2,729)	(2,543)
Inventories	**28,049**	**23,030**

At 31 December 2018, the balance of inventories increased by €5,205,000, gross of bad debt provision. The increase, mainly relating to the Semi-finished and Finished products categories, is linked to the normal performance of the business, the dynamics of which led to an increase in the level of inventories at the end of the year with a view to deliveries being made in the first few months of 2019.
In regards to obsolete or slow-moving inventories, an allowance was recognised for inventory write-downs to cover the difference between the cost and estimated realisable value of obsolete raw materials, semi-finished products and finished goods. Recognition in the profit and loss account is classified under the *Purchases of raw materials, components, goods and changes in inventories* item*.*

[7] Assets and liabilities for contract work in progress

At 31 December 2018 the *Assets for contract work in progress* item amounted to €3,654,000, compared with €471,000 at 31 December 2017.
The Liabilities for contract work in progress item amounted to €2,703,000 at 31 December 2018, compared with €8,926,000 at 31 December 2017. Specifically, this refers to work in progress on orders relating to the subsidiary Penta S.r.l..
The following table shows the amount due from customers, net of the related payments on account (included in *the Assets for contract work in progress* item), and the amount due to customers, net of the relevant stage of completion of the respective contracts (included in *Liabilities for contract work in progress*):

Assets for contract work in progress	31.12.2018	31.12.2017
Valuation of contracts in progress (costs incurred added to profits recognised)	13,762	735
Advances received	(10,108)	(264)
Amounts due from customers	**3,654**	**471**

Liabilities for contract work in progress	31.12.2018	31.12.2017
Valuation of contracts in progress (costs incurred added to profits recognised)	1,210	5,440
Advances received	(3,913)	(14,366)
Amounts due to customers	**(2,703)**	**(8,926)**

The increase in *Assets for contract work in progress* compared to 31 December 2017 is due, on the one hand, to the higher number of contracts in progress and, on the other hand, to the fact that the progress of individual contracts is greater than the value of advances from customers provided for in the contract.

The significant reduction in *Liabilities for contract work in progress* compared to 31 December 2017 is due both to a different trend in the invoicing of advances to customers and to the state of progress of individual contracts, as well as to the timing of receipt of payment of advances by customers.

Revenues from contract work amounted to €37,620,000 in 2018 and relate entirely to the subsidiary Penta S.r.l..

The table below represents the movements of Contract assets and liabilities for work in progress.

	31.12.2017	Decrease	Increase	31.12.2018
Assets for contract work in progress	471	(98)	3,281	3,654
Liabilities for contract work in progress	(8,926)	8,413	(2,189)	(2,703)

[8] Trade receivables

At 31 December 2018, these amounted to €50,656,000, compared with €61,418,000 at 31 December 2017. This item, which represents the exposure to third parties, can be broken down as follows:

Trade receivables	31.12.2018	31.12.2017
Gross trade receivables	54,136	64,324
Provisions for doubtful debts	(3,480)	(2,906)
Trade receivables	**50,656**	**61,418**

Receivables	31.12.2018	31.12.2017
EMEA	28,612	39,182
of which Italy	9,188	19,165
NORTH AMERICA	9,629	11,010
ASIA	9,155	8,494
SOUTH AMERICA	3,260	2,732
Receivables	**50,656**	**61,418**

The value of receivables at 31 December 2018, gross of the provision, improved compared to the end of 2017. The reduction in gross receivables in absolute terms amounts to €10,188,000 (-15.8%) despite a 15.4% increase in turnover and is due to the different timing of projects. The higher value of inventories at the end of 2018 derives, as mentioned, from a greater quantity of orders in progress, finalised and therefore invoiced in 2019.

The bad debt provision comprises management estimates on credit losses on receivables. The estimate of the bad debt provision is based on the Group's expected losses, determined on the basis of past experience with similar receivables, current and historical past due amounts, losses and collections, careful monitoring of credit quality and projections of economic and market conditions, as well as expected losses based on IFRS 9. The annual provision is included in the *Other operating costs* item.

The breakdown of receivables by maturity bracket and movements in the bad debt provision are shown below:

Receivables and Fund	31.12.2018		31.12.2017	
	Receivables	*Provision*	*Receivables*	*Provision*
Receivables due to expire	32,901	(162)	43,288	
Receivables overdue within 30 days	7,588	(38)	11,464	
Receivables overdue between 1 and 12 months	10,446	(1,054)	7,017	(835)
Receivables overdue over 12 months	3,201	(2,226)	2,555	(2,071)
Total	**54,136**	**(3,480)**	**64,324**	**(2,906)**

Provisions for doubtful debts	
31.12.2017	**2,906**
First time adoption of IFRS 9	200
01.01.2018 restated	**3,106**
Provision	602
Utilisation	-238
Foreign currency translation differences	10
31.12.2018	**3,480**

[9] Tax credits

At 31 December 2018, these amounted to €3,455,000, compared with €1,561,000 at 31 December 2017.

The increase in this item mainly refers to the VAT credit of the subsidiary Penta S.r.l. for €1,643,000 and of the parent company Piovan S.p.A. for approximately €790,000, for which adequate recovery actions are underway.

Tax receivables	31.12.2018	31.12.2017
VAT receivables	2,776	859
Other tax credits	679	702
Tax receivables	**3,455**	**1,561**

[10] Other current assets

At 31 December 2018, these amounted to €4,192,000, compared with €3,469,000 at 31 December 2017. The item can be broken down as follows:

Other current assets	31.12.2018	31.12.2017
Advances to suppliers	1,197	1,425
Receivables from parent companies	1,493	786
Accruals and deferrals	769	551
Other receivables	733	708
Other current assets	**4,192**	**3,469**

The *Receivables from parent companies* item includes receivables from the parent company Pentafin S.p.A. relating to IRES refund requests presented by the tax consolidating company on behalf of Piovan S.p.A. with reference to the failure to deduct IRAP from taxable income for the years 2007-2011 (Legislative Decree 201 of 2011) and 2005-2007 (Legislative Decree 85 of 2008) for an amount of €786,000.
This item also includes the receivable from the parent company Pentafin S.p.A. relating to the tax consolidation for Piovan S.p.A. and Aquatech S.r.l..

[11] Cash and cash equivalents

At 31 December 2018, these amounted to €39,113,000, compared with €37,885,000 at 31 December 2017.

Cash and cash equivalents	31.12.2018	31.12.2017
Current accounts and post office deposits	39,084	37,859
Cash	29	26
Cash and cash equivalents	**39,113**	**37,885**

Reference should be made to the *Cash flow statement* for details of changes in the Group's cash and cash equivalents. The cash flow generated by operations was mainly absorbed by the repayment of the €2,500,000 bond issue outstanding at 31 December 2017, the payment of €6 million in dividends, the purchase of a further 25% stake in the subsidiary Penta S.r.l. and the substantial net investments made, some of which were non-recurring.
Current accounts and post office deposits are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant currency risk.
At 31 December 2018 there were no restrictions on the availability of the Group's current accounts.

[12] Shareholders' equity attributable to the Group

Shareholders' equity is made up as follows:

Group Shareholders' equity	31.12.2018	31.12.2017
Share capital	6,000	6,000
Legal reserve	1,200	1,200
Reserve for treasury shares	-2,250	-7,641
Currency translation reserve	-1,594	-1,607
Other Reserves and retained earnings	25,748	14,312
Result of the period	23,881	19,553
Group Shareholders' equity	**52,985**	**31,817**

The ***share capital***, fully subscribed and paid up, was composed as at 31 December 2018 of 53,600,000 ordinary shares compared to 600,000 ordinary shares as at 31 December 2017.

The change with respect to 31 December 2017 is due to the following resolutions:

- on 29 June 2018, the extraordinary shareholders' meeting approved the elimination of the nominal value of the shares as well as an increase in the number of shares of the Company in the ratio of 100 new shares with no nominal value for each 1 old share. The resolution passed by the Shareholders' Meeting did not entail any change in the size of the share capital.
- on 2 August 2018, the shareholders' meeting of Piovan S.p.A. resolved to cancel 6,400,000 treasury shares held in portfolio, while keeping the share capital unchanged.

Therefore, as at 31 December 2018, the Company's share capital approved, subscribed and paid up amounted to €6,000,000, divided into 53,600,000 ordinary shares with no nominal value.

As at 31 December 2018 the Company and the Group held, directly through Piovan S.p.A., 2,670,700 treasury shares equal to 4.98% of the share capital of Piovan S.p.A., whose value was equal to €2,250,000 as at 31 December 2018.

The purchase of the original number of treasury shares was by resolution of the shareholders' meeting of 25 October 2012 for €4,012,000 and by resolution of the shareholders' meeting of 14 October 2013 for €4,140,000. During 2016, part of treasury shares of the Parent Company were sold to Filippo Zuppichin for a price higher than the carrying value. At the beginning of 2018 the number of treasury shares was 9,070,700, for a total value of €7,641,000. During the second half of the year 6,400,000 treasury shares of the Parent Company were cancelled and in 2018 they were partially cancelled.

The Company's Shareholders' Meeting held in 6 July 2018 resolved to authorize the purchase of treasury shares, in one or more tranches, for a period not exceeding eighteen months, starting from the effective date of the resolution, in compliance with legislative legislation and current regulations.

The ***Currency translation reserve*** includes the currency translation reserve differences deriving from the translation of the opening shareholders' equity of foreign operations included in the consolidation scope and the translation of their profit or loss recorded at the average rates of the year at closing rates.

The ***Other reserves and retained earnings*** item mainly includes other income-related and equity-related reserves of the Parent Company, in addition to retained earnings from prior years and the effects of adjustments due to adopting IFRS. The movements in the item during 2018 were due to the allocation of the previous year's fiscal year result and to the distribution of dividends amounting to €6,000,000 fully paid in June 2018 to the Parent's shareholders.

[13] Earnings per share

On 29 June 2018 the Shareholders' meeting approved an increase in the number of shares of the Company in the ratio of 100 (one hundred) new shares with no nominal value for each 1 old share. 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 used to calculate earnings per share is 50,929,300, corresponding to existing shares (53,600,000) less the number of treasury shares held (2,670,700). Therefore, the calculations of earnings per share for all periods presented were adjusted retrospectively and presented on the basis of the new number of shares, taking into account the average number of treasury shares.

For all the periods presented, earnings per share were calculated by dividing the net profit pertaining 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 mentioned resolution and the reduction relating to treasury shares in portfolio. The Group did not repurchase or issue ordinary shares in the financial years in question, nor were there potential ordinary shares that could be converted with dilutive effects.

The earnings per share are as follows:

Earnings per share	31.12.2018	31.12.2017
Profit for the period attributable to Parent Company shareholders (in thousands of Euros)	23,881	19,553
Weighted average of number of outstanding ordinary shares (in thousands of units)	50,929	50,929
Basic and diluted earnings per share (in Euros)	**0.47**	**0.38**

[14] Minority interest shareholders' equity

At 31 December 2018 minority interest shareholders' equity amounted to €3,791,000, compared with €4,866,000 at 31 December 2017. This mainly includes non-controlling interests in the subsidiaries Penta S.r.l., Progema S.r.l. and FDM GmbH. The change in the scope of consolidation is due to the purchase during the year of 25% of the shareholders' equity of Penta S.r.l., which Piovan S.p.A. acquired on 7 September 2018 from 3B Inc. S.r.l. (formerly 3B Immobiliare S.r.l.). The agreement governed the terms and conditions of the sale and provided, with effect from the closing on 7 September 2018, for the termination by mutual consent of the parties of the option previously granted to 3B Inc. S.r.l. and the consequent transfer of the shares subject of the same (equal to 25%).

Shareholders' equity attributable to minority interests					
31.12.2017	Profit for the period	Other items of the statement of comprehensive income	Dividends distributed	Changes in scope of consolidation	31.12.2018
4,866	1,633		-18	-2,691	3,791

[15] Current and non-current financial liabilities

This item is broken down as follows:

Current financial liabilities	31.12.2018	31.12.2017
Short-term bank loans	12,995	9,219
Current portion of medium/long-term loans	5,994	6,108
Loans for leases	280	412
Other borrowings	0	5
Current financial liabilities	**19,269**	**15,744**

Non-current financial liabilities	31.12.2018	31.12.2017
Medium/long-term bank loans	10,760	16,699
Debenture loan	0	2,500
Loans for leases	609	634
Total non-current liabilities	**11,369**	**19,833**

31.12.2018	Currency	Original amount	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
Other	EUR					120	65	56
Total		**26,500**				**16,753**	**5,994**	**10,760**

31.12.2017	Currency	Original amount	Maturity	Interest rate	Terms	Residual debt	Current	Non-current
Mediocredito II	EUR	5,000	30/06/2020	Variable	Euribor 3m +0,75%	3,333	1,333	2,000
Mediocredito III	EUR	8,000	31/03/2022	Variable	Euribor 6m+0.55%	7,200	1,600	5,600
Credem	EUR	6,000	05/04/2021	Fixed	0.48%	5,256	1,493	3,763
BNL II	EUR	7,500	06/06/2022	Fixed	0.50%	6,758	1,489	5,270
Other	EUR					258	193	66
Total		**26,500**				**22,805**	**6,108**	**16,699**

Short-term bank borrowings refer to the utilisation of lines of credit for operations.
At 31 December 2017 the Debenture loan item comprised the liability of €2,500,000 represented by 2,500 bonds with a nominal amount of €1,000 each, at an annual fixed rate of 5.83% and expiring on 31 December 2030. The debenture loan was fully repaid in advance in June 2018.
As at 31 December 2018 there were no secured loans.

The following tables show changes in current and non-current financial liabilities (including cash and non-cash movements):

	31.12.2017	Net cash flows	Change in consolidation scope	Change in currency translation reserve	31.12.2018
Short-term bank loans	9,219	3,776			12,995
Current portion of medium/long-term loans	6,108	-114			5,994
Loans for leases	412	-132			280
Other borrowings	5	-5			0
Current financial liabilities	**15,744**	**3,525**	**0**	**0**	**19,269**

	31.12.2017	Net cash flows	Change in consolidation scope	Change in currency translation reserve	31.12.2018
Medium/long-term bank loans	16,699	-5,939			10,760
Debenture loan	2,500	-2,500			0
Loans for leases	634	-25			609
Total non-current liabilities	**19,833**	**-8,464**	**0**	**0**	**11,369**

As required by IFRS 7, the table below shows the cash flows of the Group's financial liabilities by maturity:

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	0				
Lease financing after the next financial year	609	627		627	
Non-current financial liabilities	**11,368**	**11,850**	**0**	**11,850**	**0**
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**	**0**	**0**

[16] Liabilities for employees' benefits

This item mainly includes (€3,888,000 at 31 December 2018 and €3,885,000 at 31 December 2017) liabilities for Employee severance indemnities recorded in the Italian companies of the Group. These liabilities qualify as defined benefit plans pursuant to IAS 19 and therefore underwent an actuarial calculation.
The remaining part of the balance (€25,000 as at 31 December 2018 and €20,000 as at 31 December 2017) consists of employee benefits recognised by foreign branches individually and in insignificant amounts.

Liabilities for employee benefits	31.12.2018	31.12.2017
Opening balance	**3,885**	**4,084**
Change in consolidation scope		1
Other changes	(34)	(8)
Employee benefits paid	(256)	(496)
Currency translation difference		-
Provision	1,218	1,140
Transfer to pension funds and INPS treasury	(1,016)	(1,019)
Actuarial earnings (losses)	(105)	27
Interest cost	169	156
Closing balance	**3,862**	**3,885**

Liabilities for employee benefits	31.12.2018	31.12.2017
Annual discount rate	1.57%	1.30%
Annual inflation rate	1.50%	1.50%
Annual rate of increase in employee severance indemnity	2.63%	2.63%
Mortality rate	ISTAT 2018 Tables	ISTAT 2016 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 bond was derived from the Iboxx Corporate AA index with a similar duration 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 into account the effect of any changes in the main assumptions used in the valuations. The assumptions used in the sensitivity analysis are summarised below together with the corresponding changes in the present value of the obligation:

Liabilities for employee benefits	31.12.2018	31.12.2017
Discount rate +50bp	(194)	(200)
Discount rate -50bp	211	218
Inflation rate +50bp	138	141
Inflation rate -50bp	(134)	(137)

[17] Provisions for risks and charges

At 31 December 2018, provisions for risks and charges amounted to €2,925,000, compared with €1,835,000 at 31 December 2017. The following table provides a breakdown and changes of this item:

Provisions for risks and charges	31.12.2017	Provisions	Utilisation	Translation differences	Actuarial effect	Other movements	31.12.2018
Provision for legal and tax risks	1,096	880		-37			1,939
Product warranty provision	608	156	-22	6			748
Provision for additional client expenses	87	56	-28		-6		109
Pension provision	21	14					35
Provision for risks on investments		70					70
Other provisions for risks	23						23
Provisions for risks and charges	**1,835**	**1,176**	**-50**	**-31**	**-6**	**0**	**2,925**

The *Provision for legal and tax risks* item at 31 December 2018 mainly comprises:

- a provision of €467,000 of the subsidiary Penta S.r.l., recognised in previous years, for the estimated potential future charges linked to a legal dispute in progress and in relation to which the subsidiary has assessed the risk of losing the case as probable;
- a provision of €130,000 of the subsidiary Piovan France Sas set aside in 2017 to cover the estimated potential future charges associated with the reorganisation of the sales network in the French market;
- a provision for the subsidiary Piovan Do Brasil of €596,000 set aside to cover a contingent liability that could arise from a more restrictive interpretation of the relevant tax regulations for the calculation of taxes. The subsidiary employed tax consultants of proven competence to analyse the case in point and quantify the amounts set aside;
- a provision set aside in 2018 by Universal Dynamics for an amount of $295,000 (€258,000) against a potential liability linked to local taxation of individual internal states;
- a provision set aside in 2018 for an amount of €390,000, which represents the best estimate of potential charges connected with commercial activities with reference to Piovan S.p.A. and Penta S.r.l.;
- a provision of €97,000, set aside in 2018 by the subsidiary Unadyn, relating to a legal dispute in progress and in respect of which the subsidiary has assessed the risk of losing the case.

The *Provision for product warranties* was accrued to cover estimated charges for work carried out under warranty to be incurred after each reporting date, calculated on the basis of historical costs and expected costs related to machinery and plants sold that are still under the initial warranty.

The *Provision for agents' termination benefits* is the estimated liability deriving from the application of ruling legislation and contractual clauses on the termination of agency relationships.

The *Provision for risks on investments* includes the provision for the negative shareholders' equity of the subsidiary Penta Auto Feeding India Ltd. for € 70 thousand.

[18] Current and non-current liabilities for options granted to minority shareholders

These items refer to put options liabilities and commitments issued to the Penta S.r.l. minority shareholders. Piovan acquired control of Penta S.r.l. at the end of December 2014 by acquiring 51% of its quota capital. The purchase price of 51% of the subsidiary was €2,400,000. Furthermore, under this acquisition agreement, Piovan S.p.A.:

- assumed the commitment to acquire (hereinafter the "Commitment") - with the seller also assuming the commitment to sell - an additional 14% interest in the investee company. The acquisition of this second closing occurred in 2016 for a purchase price of €9,000,000;
- granted the seller a put option on Penta S.r.l.'s quotas for up to 35% of its equity (hereinafter the "Put Option") which gave the seller the unconditional right to sell to Piovan S.p.A. such portion at a price defined with a formula also based on the average equity and financial indicators extracted from Penta S.r.l.'s financial statements prepared in accordance with Italian GAAP. This option can be exercised after the approval of the financial statements of Penta S.r.l. at 31 December 2016 and within thirty days of the approval of the financial statements at 31 December 2018.

After analysing the acquisition agreement, the Directors established that control of Penta S.r.l. was acquired when the Group purchased the 51% investment in the investee company. At the date of transition to IFRS, the Commitment and the Put Option were recognised as liabilities, with balancing entries under Group shareholders' equity, as they refer to non-controlling interests that would only be assumed after the acquisition of control upon the purchase of the 51% investment in Penta S.r.l. (thus qualifying as a transaction with shareholders in their capacity as shareholders: the description of the accounting policies for transactions with shareholders is provided in the "Basis of consolidation" paragraph in the Consolidated financial statements as at 31 December 2017). The carrying amount of the Put Option at the date of transition was equal to the estimated present value of the exercise price of such option as defined contractually.

A new director was appointed to Penta S.r.l.'s board of directors in April 2015 and acquired a 10% minority interest in the company from the seller of the investee. Piovan S.p.A. simultaneously granted its new quota-holder a put option (or "Put Option 2") related to such portion of Penta S.r.l.'s quota. The Put option 2 can be exercised from 1 January 2020 to 31 December 2022. The exercise price is defined by a formula based on equity and financial indicators found in Penta S.r.l. financial statements prepared in accordance with Italian accounting principles and available at the date on which the option is exercised (2020-2022).

With reference to the Put Option relating to 25%, it should be noted that, as already described above, on 7 September 2018 Piovan S.p.A. signed a sales contract with 3B Inc. S.r.l. (formerly 3B Immobiliare S.r.l.) for the purchase of 25.0% of Penta S.r.l.. The agreement governed the terms and conditions of the sale and provided, with effect from the closing on 7 September 2018, for the termination by mutual consent of the parties of the option previously granted to 3B Inc. S.r.l.. (minority shareholder of Penta S.r.l. until the closing date) in addition to the simultaneous transfer of the shares subject of the same.

The purchase price of 25% was set at €4,228,000, therefore the difference between the related liability for the put option (€6,928,000 at the closing date) and the price was recognised as income under the item *Income (charges) from the valuation of liabilities for options granted to minority shareholders* for €2.7 million.

At 31 December 2018 the liability relating to the Put Option 2 for the remaining 10% interest in Penta S.r.l. remained. In order to determine the value of this liability as at 31 December

2018, the Parent Company estimated the equity and financial data on the basis of the formula defined in the contract and mentioned above. The value has been discounted.

It should be remembered that the conditions on the basis of which these liabilities exist, as well as their valuation based on contractual provisions, are based on estimated future forecasts of economic and financial parameters; therefore, the aforesaid estimates and assumptions may differ from the historical values reported in the financial statements due to the intrinsic uncertainty that characterises the assumptions and the conditions on which these estimates are based.

Therefore, the book value of the liabilities for put options described above represents the best estimate, at each reference date, of their present value; changes in fair value are reflected in the profit and loss account under the item *Income (charges) from the valuation of liabilities for options granted to minority shareholders.*

	31.12.2017	Increases	Decreases	Purchase	Charges (Income) from valuation	31.12.2018
Put Option	6,928		**(6,928)**			-
Put Option 2	2,755				430	3,185
Total Put Options	**9,683**	**-**	**(6,928)**	**-**	**430**	**3,185**
Total current and non-current put options	**9,683**	**-**	**(6,928)**	**-**	**430**	**3,185**
including						
non-current	2,755					3,185
current	6,928					-

With reference to the subsidiary FDM, the minority shareholder of the latter holds a put option on its shareholding (33.33%). This option has not been valued because its exercise by the third party is subject to actions that the Parent Company must implement and therefore under the control of the latter.

[19] Other non-current liabilities

At 31 December 2018, these amounted to €121,000, compared to €167,000 at 31 December 2017, and consisted of tax payables of the subsidiary Piovan Do Brasil.

[20] Trade payables

At 31 December 2018 these amounted to €39,937,000, compared to €34,460,000 at 31 December 2017. Trade payables arise as a result of the different payment terms negotiated with suppliers, which differ from country to country in which the Group operates. The increase is consistent with the increase in turnover and does not include any significant overdue items.

[21] Advances from customers

At 31 December 2018, *Advances from customers* amounted to €12,577,000 compared with €14,133,000 at 31 December 2017. This item refers to advances received from the Group relating to contracts in which performance obligations are met at a point in time.

[22] Tax and social security payables

At 31 December 2018 these amounted to €6,422,000, compared with €7,419,000 at 31 December 2017. This item is broken down as follows:

	31.12.2018	31.12.2017
Social security contributions	3,042	2,497
VAT payables	1,400	2,328
Payables for withholding taxes on employees	1,471	1,212
Income tax payables (IRES and IRAP)	327	699
Other	182	683
Tax liabilities and social security contributions	**6,422**	**7,419**

[23] Other current liabilities

At 31 December 2018 these amounted to €12,241,000, compared with €10,988,000 at 31 December 2017. This item is broken down as follows:

	31.12.2018	31.12.2017
Payables to employees	5,951	4,357
Payables to parent companies	669	
Accrued expenses and deferred income	3,923	4,026
Other payables	1,699	2,605
Other current liabilities	**12,241**	**10,988**

Payables to employees refer to wages and salaries and accrued holidays and leave. Payables to parent companies mainly refer to Penta S.r.l. and derive from the tax consolidation contract with the parent company Pentafin S.p.A.

[24] Revenues

Revenues totalled €241,661,000 in 2018 compared with €209,391,000 in 2017, an increase of 15.4%. Revenue is shown net of discounts and allowances.
In order to provide adequate disclosure on the nature and characteristics of revenue, it is broken down below by market and by geographical area. Such break-downs are regularly monitored by Group management.
Revenues is broken down by market as follows:

	2018	2017
Revenues from Plastics Systems	187,722	174,654
Revenues from Food Systems	27,799	8,999
Revenues from Service & Spare parts	26,140	25,738
Revenues	**241,661**	**209,391**

Part of the revenues of the reference market for Systems for the Plastics and Food Area derive from contracts with customers for which it was determined that the fulfilment of the performance obligations, as well as the recognition of the related revenues, takes place over time, as described in the paragraph "Basis of valuation" of these financial statements. This category of revenues amounted to €37.6 million in 2018, compared with €11.4 million at 31 December 2017. These revenues relate to the subsidiary Penta S.r.l.. The increase is mainly due to the stage of completion of some important projects which were awarded to Penta S.r.l.. in the previous year with recurring customers.

A breakdown of revenues by geographical area is as follows:

	2018	2017
EMEA	156,789	126,365
ASIA	28,648	24,004
NORTH AMERICA	44,767	46,564
SOUTH AMERICA	11,458	12,459
Revenues	**241,661**	**209,391**

EMEA revenues include the portion of revenues generated in Italy, which amounted to €52,755,000 in 2018 and €37,713,000 the previous year. The growth in Italy in 2018 is mainly due to the significant increase in sales in the Food Systems market.

[25] Other revenues and income

Other revenues amount to €6,182,000, up €2,289,000 on the previous year, of which €1,933,000 is non-recurring as it relates to the capital gain on the sale of the old US premises by Unadyn.

The item may be broken down as follows:

	2018	2017
Ancillary transport services on sales	2,475	2,068
Capital gain on the sale of an American subsidiary property	1,933	
Machinery leases	144	242
Grants related to income	417	240
Contingent assets	234	231
Capital gains for disposal of tangible and intangible assets	55	193
Recharges to suppliers	33	189
Insurance compensation	175	153
Commissions	80	96
Sale of scrap materials	111	46
Other	525	435
Other revenues and proceeds	**6,182**	**3,892**
of which non-recurring	**1,933**	**-**
Other revenues and income excluding non-recurring items	**4,249**	**3,892**

The *Ancillary transport services on sales* item mainly refers to revenue from ancillary transport services related to sales transactions with customers.
The *Machinery leasing* item, which decreased compared to previous years, refers to income from the hire of own-produced goods, generally for demonstration purposes or for the time elapsing until delivery of the system ordered by the customer.
Grants related to income for 2018 were mainly contributions for research and development by Piovan S.p.A.
Contingent assets mainly refers to differences arising on estimated costs related to prior years.
The item *Capital gain on the sale of an American subsidiary property* relates to the net capital gain of €1,933,000 on the sale by the subsidiary Unadyn of the building used as a production plant, located at 13600-10 Dabney Road, Woodbridge, Virginia, for a total sale price of USD 5,250,000. This amount has already been paid in full by the buyer to the seller. For more information, please refer to note [1].
The *Other* item mainly includes recharges and penalties applied to customers.

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

This item totalled €97,455,000 in 2018 compared to €82,170,000 in the previous period. The item may be broken down as follows:

	2018	2017
Purchase of raw materials, components and goods	99,689	79,408
Purchase of consumables	3,367	3,784
Change in inventories of raw materials and goods	562	(1,523)
Change in inventories of finished goods and semi-finished products	(6,163)	502
Purchase of raw materials, consumables and goods and changes in inventories	**97,455**	**82,170**

The change is mainly due to the higher purchase of raw materials (+€20,282,000), which varies in relation to both the increase in revenues and the trend in inventories.
Specifically, the increase in purchases of raw materials, components and goods is due to both the high increase in sales and the greater weight of sales in the Food area compared to total Group sales, which are characterised by a higher cost of purchase materials and installation and assembly costs, offset by a lower percentage of both direct labour costs and fixed costs. The increase in *Change in finished goods and semi-finished products* item is directly linked to the production of ordered products or systems and their subsequent sale.

[27] Costs for services

Costs for services amounted to €53,273,000 in 2018 compared with €40,571,000 in 2017, an increase of €12,702,000, of which €3,653,000 for non-recurring consultancy costs related to the stock exchange listing process and €5,141,000 for outsourced processing (including installations).

The item may be broken down as follows:

	2018	2017
Outsourced processing	21,323	16,182
Transport costs	6,832	5,200
Business trips and travel	4,498	4,185
Commissions	3,541	3,719
Fees to directors, statutory auditors and independent auditors	1,757	1,929
Consultancies	6,388	1,771
Maintenance and repairs	1,563	1,635
Marketing and advertising costs	1,588	1,316
Utilities	1,215	1,264
Insurance	964	826
Telephone and internet connections	523	546
Other costs for services	3,080	1,998
Services	**53,273**	**40,571**
of which non-recurring	3,653	-
Costs for services excluding non-recurring services	**49,620**	**40,571**

The trend of the item is generally attributable to all the companies of the Group, among these, however, the most significant amounts refer to the parent company Piovan S.p.A., Universal Dynamics Inc. and Penta S.r.l..

The most significant cost items, including from an industrial process point of view, are as follows:

- outsourced processing costs of €21,323,000 as at 31 December 2018 (43% of total *Costs for services excluding non-recurring* services) resulting from the production methods of the Group, which concentrates high value-added and core processing and activities within the Group. At 31 December 2017 this item amounted to €16,182,000 and 39.9% of total *Costs for services*. The growth of outsourced processing is essentially attributable to the higher weight of Food Systems productions which are characterised by more outsourcing production on the Group's engineering and production instructions and less direct production work;
- transport costs for purchases and sales; the increase is connected to business performance;
- business trips and travel costs, which refer to both sales scouting and customer relations activities and travelling to customer production sites for installation or start-up activities and customer assistance.

[28] Leasing and renting expenses

Leasing and renting expenses amounted to €2,632,000 compared with €2,326,000 in 2017. The item may be broken down as follows:

	2018	2017
Rental expenses	1,700	1,528
Leases	377	314
Hires	556	484
Use of third party assets	**2,632**	**2,326**

The increase in the item, concentrated in the rentals and hiring item, is mainly due to higher costs for the larger size of the network and for the availability of means of transport.

[29] Personnel costs

Personnel costs amounted to €57,079,000 compared with €52,909,000 in 2017. A breakdown of personnel costs and the workforce by employee category is as follows:

	2018	2017
Wages and salaries	43,245	39,866
Social security contributions	11,816	10,976
Costs for defined benefit plans	1,321	1,168
Other personnel expenses	697	898
Personnel expenses	**57,079**	**52,909**

	31.12.2018		31.12.2017	
	year end	average	year end	average
Managers	35	36	33	32
Middle managers	56	56	48	53
White collar workers	572	568	544	528
Blue collar workers	381	384	377	373
Total	**1,044**	**1,044**	**1,002**	**986**

The number of Group employees increased compared to December 2017. As at 31 December 2017 the total number of employees was 1,002. Such an increase is essential for the development of the Group and to ensure proximity to customers.
In addition, in 2018 the Group recorded charges of €807,000 for the bonus granted to Piovan S.p.A., Aquatech S.r.l. and Energys S.r.l. employees in relation to the listing of Piovan S.p.A. on the Milan Stock Exchange, entirely financed with non-repayable financial funding, which took place before payment to employees, by the parent company Pentafin S.p.A., which fully bore the cost.
Non-repayable financial funding was recognised as a Capital contribution to increase shareholders' equity.

[30] Other operating costs

The balance of this item amounts to €2,387,000 compared with €2,322,000 in the previous period. The item may be broken down as follows:

	2018	2017
Other taxes and duties	1,065	1,104
Bad debt provision recognition	602	729
Entertainment costs	331	226
Other	390	263
Other expenses	**2,387**	**2,322**

The *Other taxes and duties* item mainly includes indirect taxes on property or other local taxes for operational management in the various countries, particularly in Brazil and China.

[31] Provisions for risks and charges

Provisions for FY 2018 amounted to €1,092,000, compared with €559,000 in the previous period.
In 2018 the provision was mainly related to legal and tax risks, as described in greater detail in note [17].

	2018	2017
Provision for legal and tax risks	880	461
Provision for product warranty	156	83
Provision for additional client expenses	56	15
Provisions for risks and charges	**1,092**	**559**

[32] Amortisation/depreciation and write-downs

This item totalled €2,587,000 compared to €2,934,000 in 2017. The item may be broken down as follows:

	2018	2017
Depreciation of intangible fixed assets	343	332
Depreciation of property, plant and equipment	2,244	2,602
Amortisation/depreciation and write-downs	**2,587**	**2,934**

[33] Financial income and charges

This item totalled a negative €207,000 in 2018 compared with a negative €346,000 in 2017. This item includes €68,000 in interest expenses paid on the debenture loan described in note [15], which was fully repaid by the Parent Company in June 2018.

	2018	2017
Interest income	161	235
Income on financial assets	60	60
Other financial income	104	45
Financial income	**325**	**340**
Bank interest expenses	135	225
Other interest expenses	114	193
Other financial expenses	283	268
Financial expense	**532**	**686**
Net financial income (charges)	**(207)**	**(346)**

[34] Foreign currency conversion gains and losses

This item totalled €239,000 in 2018 compared with a negative €2,135,000 in 2017. The item may be broken down as follows:

	2018	2017
Foreign currency conversion gains	4,320	2,622
Foreign currency conversion losses	(4,081)	(4,758)
Foreign currency conversion gains and losses	**239**	**(2,135)**

Unrealised foreign currency conversion gains included under *Foreign currency conversion gains* amounted to €2,440,000 at 31 December 2018 (56% of the foreign currency conversion gains for the period) and €1,874,000 at 31 December 2017 (71.4% of the foreign currency conversion gains for the period), respectively.
Unrealised foreign currency conversion losses included in the item *Foreign currency conversion losses* amounted to €1,455,000 at 31 December 2018 (36% of the foreign currency conversion losses for the period), and to €3,164,000 at 31 December 2017 (66% of the foreign currency conversion losses for the year), respectively. At 31 December 2018 there was a net foreign currency conversion gain of €239,000, a significant improvement over the previous period, which was significantly affected by the strong exchange rate fluctuation and in particular by: (i) the loss on the loan disbursed in March 2017 by the Parent Company to the subsidiary Universal Dynamics Inc. for an initial value of $ 4,400,000 and (ii) the exchange rate difference on payments made by foreign subsidiaries to the parent company due to the exchange rate differences between the euro and the local currency between the date of invoicing and payment.

[35] Income (charges) from valuation of liabilities for options granted to minority shareholders

The item shows net income in 2018 of €2,270,000 compared to net income of €2,100,000 in 2017. Specifically, 2018 includes, on the one hand, the income of €2.7 million from the purchase of a further 25% of Penta S.r.l. on 7 September 2018 for a lower price than the liability for the related option granted to the minority shareholder, estimated and recognised in the financial statements at 31 December 2017. The item also includes the cost for the valuation and discounting of the put option granted to the minority shareholder in relation to the remaining 10% of the share capital of Penta. For more information, please refer to note [18]

[36] Profit (loss) from investments valued at equity

The item amounts to a net loss of €150,000 at 31 December 2018 and relates to investments accounted for using the equity method. Reference should be made to note [3] for more details.

[37] Taxes

This item totalled €7,976,000 in 2018 compared with €8,885,000 in 2017. Taxes for the period were determined considering the best estimate of the average annual effective tax rate expected for the full year. Reference should be made to note [5] for information about movements in advance and deferred taxes and their composition.

	2018	2017
Current tax liabilities	8,014	7,972
Deferred/advance taxes	(38)	875
Taxes from previous years	-	37
Income taxes	**7,976**	**8,885**

Taxes can be reconciled as follows with the pre-tax result in the profit and loss account:

	2018	2017
Result before taxes	33,490	29,113
Income taxes calculated using the theoretical IRES rate (24%)	(8,038)	(6,987)
Irap	(1,021)	(912)
Effect of different taxation on companies operating abroad	(365)	(643)
Effect on income (charges) from valuation of liabilities for options granted to minority shareholders	545	504
Withholding tax on dividends	-	(381)
Other movements	903	(468)
Income taxes	**(7,976)**	**(8,885)**

Reference should be made to note [5] for information about movements in advance and deferred taxes and their composition.
The tax rate used for the reconciliation for the year was 24%, corresponding to the IRES rate applicable in Italy, the jurisdiction in which the taxable income is mainly achieved.

[38] Segment information

Under IFRS 8, an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. Based on internal reports and operating activities that generate revenues and costs, the results of which are periodically reviewed at the highest operating decision-making level in order to make decisions on the allocation of resources and the assessment of results, no operating segments other than the Group as a whole have been identified.
Information about products sold and services rendered and geographical areas is provided in note [24].

[39] Non-recurring items

CONSOB Communication no. DEM/6064293 of 28 July 2006 requires information on significant events and transactions whose occurrence is non-recurring or on transactions or events that are not repeated frequently in the normal course of business.
Non-recurring income refers to non-repeatable income.
In 2018 the only non-recurring income with an impact on the operating result related to the capital gain of €1,933,000 from the sale of the old production site no longer used in the United States following the transfer and expansion of production capacity at the new plant in Fredericksburg, Virginia (United States).

Non-recurring charges mainly refer to costs relating to the Company's listing on the Stock Exchange, costs relating to the transfer and/or increase of long-term production capacity and, if applicable, ancillary charges on acquisitions made during the year.
During 2018, non-recurring charges mainly refer for €3.7 million to the listing process of the company, personnel costs for €0.8 million relating to the bonus granted to employees of Piovan S.p.A., Aquatech S.r.l. and Energys S.r.l. in relation to the listing of Piovan S.p.A. on the Milan Stock Exchange, entirely financed with non-repayable financial funding, which took place before payment to employees, by the parent company Pentafin S.p.A., which bore the complete cost of the bonusand for €0.9 million for the transfer of the subsidiary Universal Dynamics Inc. to the new plant in the United States.
No non-recurring income or charges were recorded in 2017.

Non-recurring items	2018	2017
Capital gains on the sale of real estate	1,933	
Listing Expenses	(3,653)	
Relocation Costs	(947)	
Personnel costs	(807)	
Total	**(3,474)**	

[40] OTHER INFORMATION

Classes of financial instruments and fair value hierarchy

With regard to the allocation of financial assets and liabilities required by IFRS 7, it should be noted that there were no transfers between the fair value levels indicated in IFRS 13 compared to those indicated in the consolidated financial statements at 31 December 2017, to which reference should be made for further information.

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**
Total financial assets		**89,770**		**39,113**	**50,656**
Bank borrowings	Liabilities at amortised cost	10,760		10,760	
Payables to other lenders	Liabilities at amortised cost	609		609	
Non-current financial liabilities		**11,368**		**11,368**	-
Short-term bank loans	Liabilities at amortised cost	12,995		12,995	
Short-term bank loans	Liabilities at amortised cost	5,994		5,994	
Payables to other lenders	Liabilities at amortised cost	280		280	
Current financial liabilities		**19,269**		**19,269**	-
Trade payables	Liabilities at amortised cost	**39,937**			**39,937**
Advances from customers	Liabilities at amortised cost	**12,577**			**12,577**
Liabilities for commitments and put options	Liabilities at fair value	**3,185**			**3,185**
Total financial liabilities		**86,336**		**30,637**	**55,699**

Transactions with related parties

The Group carried out commercial transactions with some related parties in 2017 and 2018. In compliance with the provisions of IAS 24, Related Parties are considered to be the following entities: (a) companies that directly or indirectly, through one or more intermediate companies, control or are controlled by or are under common control with the company that prepares the financial statements; (b) associated companies; (c) natural persons who directly or indirectly have a voting power in the company that prepares the financial statements that gives them a dominant influence over the company and their close family members; (d) executives with strategic responsibilities, i.e. those who have the power and responsibility for planning, management and control of the company that prepares the financial statements, including directors, officers and their close relatives; (e) companies in which any natural person described under (c) or (d) has, directly or indirectly, significant voting power, or over which such person is able to exercise significant influence. Case e) includes companies owned by the directors or major shareholders of the company drawing up the financial statements as well as companies having a manager with strategic responsibilities in common with the company drawing up the financial statements.

On 12 November 2018, the Board of Directors approved, subject to the favourable opinion of the Committee for Transactions with Related Parties, the procedure for transactions with related parties ("RPT Procedure") in implementation of article 2391-bis of the Italian Civil Code and the regulations adopted by CONSOB with resolution 17221 of 12 March 2010. The RPT procedure governs the approval and execution of transactions with related parties carried out by the company, either directly or through subsidiaries, in order to ensure the transparency and substantive and procedural correctness of such transactions. The RPT procedure is available on the Company's website (piovangroup.com) in the procedures and regulations section, to which reference should be made for every detail.

It should be noted that in the reference period:

- no transactions of greater importance as defined in the RPT Procedure pursuant to the aforementioned CONSOB regulations were concluded,
- there were no individual transactions with related parties that had a significant impact on the balance sheet or results of the Company and/or the Group.

All transactions are regulated at market conditions for goods and services of equal quality. With reference to the balance sheet balances as at 31 December 2017, reference should be made to the Consolidated financial statements as at 31 December 2017, while with reference to the figures as at 31 December 2018, there were no significant transactions or balances except for the tax consolidation payable to Pentafin S.p.A. described in note [23] and the IRES (corporate income tax) reimbursement receivable on IRAP also from Pentafin S.p.A. described in note [10].

Transactions at 2018	Nature of transactions	Notes	Current trade receivables	Other current assets	Trade payables	Non-current financial liabilities	Other current liabilities	Revenues	Expenses
Pentafin S.p.A.*	Piovan S.p.A. parent company	[10] [23]	-	1,402			671		
CMG S.p.A.	Associated company	[21] [27]	-	12	504				1,410
Studio Ponte S.r.l.	Associated company	[20] [27]			97				438
Penta Auto Feeding India Ltd.	Subsidiary	[8] [24]	167					115	
Nicola Piovan	Chairman of the BoD of Piovan S.p.A. and Sole shareholder of Pentafin S.p.A.	[27]	-						1,339

Transactions at 2018	Nature of transactions	Notes	Current trade receivables	Other current assets	Trade payables	Non-current financial liabilities	Other current liabilities	Revenues	Expenses
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	[28]	-						289
Spafid S.p.a. (Delta Erre S.p.A.)	Trust company - registered on behalf of Nicola Piovan	[33]				-			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., as explained in note [2]

Commitments and risks

At 31 December 2018, the Group had outstanding guarantees given to third parties, as indicated below:

At 31 December 2018, the Group had
- €2.916,000 for guarantees provided to third parties in connection with advances received on contract work in progress;
- €1,137,000 for guarantees given in favour of third parties by the Parent Company Piovan S.p.A. for the commercial activity
- Payables for future rentals of €7,281,000.

As at 31 December 2018, the parent company Piovan S.p.A. has given sureties in favour of credit institutions on behalf of subsidiaries and subject to the control of the parent company for a total of €11.4 million.

Contingent liabilities
We are not aware of the existence of any further disputes or proceedings that could have significant repercussions on the economic and financial situation of the Group.

Reporting on disbursements from the Public Administration

The Group has not received subsidies, contributions, paid offices and / or had economic advantages of any kind from the public administrations and / or from the subjects controlled by them even indirectly during 2018. We point out that this disclosure obligation is described in article 1, paragraphs 125 and following, of law 124/2017 on the subject of transparency of public.

Remuneration paid to Directors, Statutory Auditors and Independent Auditors

The table below shows the compensation paid to Directors, Statutory Auditors and Key Managers for the year ended 31 December 2018 compared to the previous year:

	2018	2017
Directors	1,258	1,546
Key managers	819	812
Statutory auditors	10	44

Information pursuant to Article 149-duodecies of the CONSOB Issuers' Regulations

The following table, prepared in accordance with Article 149-duodecies of the CONSOB Issuers' Regulations, highlights

- the fees for the 2018 financial year for audit services
- for those other than the audit, provided by the same audit firm in office
- and by companies belonging to its network.

Type of service	Person who provided the service	Recipient	Fees 2018
External audit of accounts	Auditor of the parent company	Parent company	163
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	165
Auditing and review	Other auditors	Subsidiaries	82
Non-audit services	Other auditors	Subsidiaries	39
Non-audit services	Network of the parent company's auditors	Parent company	385

Services other than the external audit of accounts essentially refer to services provided for the listing on the Stock Exchange.

Significant events occurring after 31 December 2018

No significant events occurred after year end.

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

The following table shows the investee companies directly and indirectly controlled by the Parent Company as well as all the legally-required disclosures necessary to prepare consolidated financial statements:

Company name	Registered office	Country	Currency	Share capital at 31/12/2018	% of shareholding 31/12/2018	Shares held Shareholder-Partner	Consolidation method
Parent Company:							
Piovan S.p.A.	Santa Maria di Sala	Italy	EUR	6,000,000			
Investments in subsidiaries:							
Piovan India Private Limited	Mumbai	India	INR	350,000	100.00%	Piovan S.p.A.	Full
Piovan Plastics Machinery Ltd	Suzhou (CN)	China	CNY	5,088,441	100.00%	Piovan S.p.A.	Full
Piovan Do Brasil LTDA	Osasco (BRA)	Brazil	BRL	11,947,356	99.99%	Piovan S.p.A.	Full
Piovan Mexico S. A.	Queretaro (MX)	Mexico	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 Limited	Bromsgrove (GB)	United Kingdom	GBP	25,000	100.00%	Piovan S.p.A.	Full
Piovan Czech Republic s.r.o.	Prague (CZ)	Czech Republic	CZK	200,000	100.00%	- Piovan Central Europe GmbH (90%)	Full

Company name	Registered office	Country	Currency	Share capital at 31/12/2018	% of shareholding 31/12/2018	Shares held Shareholder-Partner	Consolidation method
						- Piovan S.p.A. (10%)	
Piovan France sas	Chemin du Pognat (F)	France	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)	Germany	EUR	102,258	100.00%	Piovan S.p.A.	Full
Piovan Canada Ltd	Mississauga - Ontario (CAN)	Canada	CAD	10	100.00%	Piovan S.p.A.	Full
Piovan Asia Pacific Limited	Bangkok (TH)	Thailand	THB	4,020,000	100.00%(*)	Piovan S.p.A.	Full
FDM GmbH	Troisdorf (DE)	Germany	EUR	75,000	66.67%	Piovan S.p.A.	Full
Piovan Muhendslik Ltd	Beikoz (TR)	Turkey	TRY	10,000	100.00%	Piovan S.p.A.	Full
Penta S.r.l.	Ferrara (IT)	Italy	EUR	100,000	90.00%	Piovan S.p.A.	Full
Energys S.r.l.	Venice (IT)	Italy	EUR	10,000	100.00%	Piovan S.p.A.	Full
Piovan Japan Inc.	Kobe (J)	Japan	JPY	6,000,000	100.00%	Piovan S.p.A.	Full
Piovan Gulf FZE	Dubai (UAE)	United Arab Emirates	AED	1,000,000	100.00%	Piovan S.p.A.	Full
Aquatech S.r.l.	Venice (IT)	Italy	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)	Italy	EUR	25,000	62.00%	Penta S.r.l.	Full
Piovan Hungary Kft	Budapest	Hungary	HUF	3,000,000	100.00%	Piovan Central Europe GmbH	Full
Studio Ponte S.r.l.	Poggio Renatico (FE)	Italy	EUR	10,000	51.00%	Penta S.r.l.	Equity method
Penta Auto Feeding India Ltd	Navi Mumbai (India)	India	INR	10,750,000	50.00%	Penta S.r.l.	Equity method
Piovan South East Asia Ltd (in liquidation)	Bangkok (Thailand)	Thailand	THB	9,000,000	100.00%	Piovan S.p.A.	Equity method
Investments in associated companies:							
CMG S.p.A.	Budrio (BO)	Italy	EUR	1,250,000	20%	Piovan S.p.A.	Equity method

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

Santa Maria di Sala (Venice), 14 March 2019

For the Board of Directors

The Chairman
Nicola Piovan

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 154-BIS OF LEGISLATIVE DECREE NO. 58 OF 24.02.1998

Santa Maria di Sala, 14 March 2019

The undersigned Filippo Zuppichin as Chief Executive Officer and Luca Sabadin as Manager responsible for preparing the company financial reports of Piovan S.p.A., hereby certify, also taking into account the provisions of Article 154-bis, paragraphs 2, 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

- the adequacy in relation to the characteristics of the business, and
- the effective implementation

of the administrative and accounting procedures for the preparation of the consolidated financial statements during the year 2018.

We also certify that the consolidated financial statements:
a) correspond to the results of the accounting books and records;
b) have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union, as well as the provisions issued in implementation of art. 9 of Legislative Decree no. 38/2005, and, to the best of their knowledge, provide a true and fair view of the Issuer's financial position, results of operations and cash flows;
c) provide a true and fair view of the Issuer's 2018 equity, economic and financial position;
d) the report on operations includes a reliable analysis of the trend and result of operations and of the situation of the Issuer, together with a description of the main risks and uncertainties to which it is exposed.

The Chief Executive Officer	The Manager in charge of drawing up the financial statements corporate accounting documents
Filippo Zuppichin	Luca Sabadin

REPORT OF THE AUDITING FIRM TO 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 2018, 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 2018, 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 allocated to the CGU Penta-Progema and Unadyn	
Description of the key audit matter	The consolidated financial statements include goodwill totaling Euro 5,427 thousand which, for Euro 1,872 thousand, pertains to the cash generating unit (CGU) represented by the Group entity Penta S.r.l. and its subsidiary Progema S.r.l. and, for Euro 3,271 thousand, to the CGU represented by the US subsidiary Universal Dynamics Inc. Such goodwill is not amortized while, as requested by IAS 36 – *Impairment of assets*, is tested for impairment at least once a year, comparing the recoverable amount of the aforementioned CGUs – i.e. value in use determined using the Discounted Cash Flow (DCF) method – and the carrying amount of the fixed assets relating to these CGUs, which include both the relevant goodwill and other tangible and intangible assets. The valuation process carried out by Company's Management is based on assumptions concerning, among others, the CGUs' expected cashflows deriving from business plans prepared for the period 2019-2023, the definition of an appropriate discount rate (WACC) and growth rate (g-rate) for the calculation of the terminal value beyond the business plan period. Such assumptions are influenced by future expectations and market conditions. Considering the amount of goodwill included in the consolidated financial statements, the level of subjectivity associated with estimates used to determine the CGUs' cashflows and key assumptions of the impairment model, we considered the impairment test as a key audit matter in our audit of the consolidated financial statements. Note [2] to the consolidated financial statements provides disclosures on goodwill included in such financials, on the structure of the impairment test, including a sensitivity analysis showing the effects on the test results of changes in key assumptions.
Audit procedures performed	We have preliminarily examined the methodology used by Management in determining the value in use of identified CGUs, through analysis of methods and assumptions used in developing the impariment test. As part of our audit we have carried out, among others, 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 reasonableness of main assumptions adopted in cash flows projections; • analysis of previous year actual results with respect to forecast figures in order to evaluate the nature of deviations and the reliability of the process adopted for the preparation of business plans used in the impairment test; • evaluation of the reasonableness 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 CGUs' value in use; • verification of the accuracy in the determination of the CGUs' carrying amount;

- analysis of the sensitivity analysis prepared by Management both in terms of mathematical accuracy and relevance with respect to key assumptions.

Furthermore, we have examined the appropriateness of disclosures provided by the Company on the impairment test and its compliance with IAS 36 requirements.

Liabilities for options granted to non-controlling investors	
Description of the key audit matter	The consolidated financial statements include liabilities for options granted to minority shareholders of a controlled entity for an amount equal to Euro 3,185 thousand. In particular, the liability relates to a put option ("Put Option") granted to a minority investor of the subsidiary Penta S.r.l. ("Penta") on a 10% quota. Such Put Option can be exercised from 1 January 2020 to 31 December 2022. The strike price is to be based on parameters extracted from Penta's financial statements which will be available when the option is exercised. The valuation process carried out by Company's Management is based on different assumptions concerning, among others, the date of exercise, during the contractual period, as well as Penta's financial parameters during such period. These assumptions are influenced by the expectations of the holder of the Put Option and by marketplace conditions, elements which are not under the control of the Company. Given the amount of the caption "Liabilities for options granted to non-controlling investors" included in the financial statements and the level of subjectivity associated with estimates used to determine variables on which the liability is based, we considered valuation of the liability to be a key audit matter in our audit of the consolidated financial statements. Note [18] to the consolidated financial statements includes disclosures on this caption.
Audit procedures performed	We have preliminarily examined the methodology used by Management in determining the "Liabilities for options granted to non-controlling investors", through analysis of methods and assumptions used in preparing the estimates. As part of our audit we have carried out, among others, the following procedures: • identification and understanding of relevant controls implemented by the Company on the estimates process; • analysis of reasonableness of main assumptions adopted in determining forecast data on which the estimate is based; • analysis of the actual results with respect to forecast figures in order to evaluate the nature of deviations and the reliability of the process adopted to estimate Penta's financial results used to determine the liability value; • assessment of the reasonableness of the discount rate; • verification of the clerical accuracy of the model used to determine the value.

Deloitte.

Moreover, we have examined the adequacy of the disclosures provided by the Company on this matter and its compliance with provisions included in IAS/IFRS .

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

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

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

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

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Piovan S.p.A. has appointed us on 14 September 2018 as auditors of the Company for the years from 31 December 2018 to 31 December 2026.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Piovan S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Piovan Group as at 31 December 2018, 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 2018 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 2018 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
March 26, 2019

This report has been translated into the English language solely for the convenience of international readers.

SEPARATE FINANCIAL STATEMENT

At 31 December 2018

Separate Financial Statements

SEPARATE STATEMENTS OF EQUITY AND FINANCIAL POSITION

(EUR ‘000)

ASSETS	Notes	31/12/2018	31/12/2017	31/12/2016
NON-CURRENT ASSETS				
Tangible assets	**Note 1**	22,175,065	17,783,665	15,874,470
Intangible assets	**Note 2**	327,327	179,232	207,355
Equity investments	**Note 3**	30,367,639	26,374,499	26,657,322
Other non-current assets	**Note 4**	16,489	16,476	16,595
Deferred tax assets	**Note 5**	622,502	1,093,107	995,062
TOTAL NON-CURRENT ASSETS		**53,509,023**	**45,446,979**	**43,750,805**
CURRENT ASSETS				
Inventories	**Note 6**	9,946,388	8,371,001	7,502,300
Trade receivables	**Note 7**	33,827,956	39,474,509	28,984,829
Current financial assets	**Note 8**	3,898,702	3,611,868	260,000
Tax receivables	**Note 9**	839,153	181,195	273,629
Other current assets	**Note 10**	1,975,827	1,697,111	1,507,302
Cash and cash equivalents	**Note 11**	11,434,511	12,382,980	4,797,221
TOTAL CURRENT ASSETS		**61,922,537**	**65,718,663**	**43,325,281**
TOTAL ASSETS		**115,431,560**	**111,165,643**	**87,076,086**

LIABILITIES AND EQUITY		31/12/2018	31/12/2017	31/12/2016
EQUITY				
Share capital	**Note 12**	6,000,000	6,000,000	6,000,000
Legal reserve	**Note 12**	1,200,000	1,200,000	1,200,000
Reserve for treasury shares	**Note 12**	(2,249,744)	(7,640,976)	(7,640,976)
Other Reserves and retained earnings	**Note 12**	**26,025,168**	**20,277,360**	**24,411,163**
Net profit (loss)	**Note 12**	11,671,417	16,532,072	7,876,088
TOTAL EQUITY		**42,646,840**	**36,368,456**	**31,846,275**
NON-CURRENT LIABILITIES				
Medium/Long-term loans	**Note 14**	10,703,577	16,633,112	6,833,333
Non-current financial liabilities	**Note 14**	569,237	3,080,837	3,475,895
Liabilities for defined benefit plans for employees	**Note 15**	2,373,920	2,542,057	2,874,100
Provision for risks and charges	**Note 16**	**1,790,036**	1,313,634	1,308,577
Other non-current liabilities			0	-
Deferred tax liabilities	**Note 5**	1,187,004	1,251,498	1,368,710
TOTAL NON-CURRENT LIABILITIES		**16,623,774**	**24,821,138**	**15,860,615**
CURRENT LIABILITIES				
Current portion of medium/long-term loans	**Note 14**	5,929,534	5,914,901	4,333,333
Current bank loans and borrowings	**Note 14**	12,994,326	9,218,283	7,541,106
Current financial liabilities	**Note 14**	3,619,828	5,311,369	3,888,523
Trade payables	**Note 17**	23,464,847	19,524,778	16,563,488
Advances from customers	**Note 18**	2,501,664	3,106,489	1,356,578
Tax liabilities and social security contributions	**Note 19**	3,380,037	2,935,651	2,381,351
Other current liabilities	**Note 20**	4,270,709	3,964,577	3,304,816
TOTAL CURRENT LIABILITIES		**56,160,946**	**49,976,049**	**39,369,195**
TOTAL LIABILITIES		**72,784,720**	**74,797,187**	**55,229,811**
TOTAL LIABILITIES AND EQUITY		**115,431,560**	**111,165,643**	**87,076,086**

STATEMENT OF PROFIT AND LOSS

(EUR '000)

PROFIT AND LOSS	Notes	31/12/2018	31/12/2017
Revenues	**Note 21**	106,674,271	95,508,768
Other revenues and income	**Note 22**	1,377,323	1,480,953
TOTAL REVENUES AND OTHER INCOME		**108,051,593**	**96,989,721**
Costs of raw materials, components and goods and changes in inventories	**Note 23**	44,598,927	39,622,082
Services	**Note 24**	21,529,874	15,969,567
Use of third-party assets	**Note 25**	424,890	432,698
Personnel expenses	**Note 26**	24,163,438	21,829,753
Other expenses	**Note 27**	633,788	651,137
Provisions for risks and charges	**Note 28**	413,194	86,437
Amortisation/depreciation	**Note 29**	1,789,115	**1,617,588**
TOTAL COSTS		**93,553,226**	**80,209,261**
OPERATING PROFIT		**14,498,368**	**16,780,460**
Financial income	**Note 30**	1,431,937	6,533,398
Financial charges	**Note 31**	(332,315)	(443,749)
Net exchange rate gains (losses)	**Note 32**	443,134	(1,419,266)
Value adjustments on financial assets	**Note 33**	(85,000)	(19,061)
PROFIT BEFORE TAXES		**15,956,124**	**21,431,782**
Income taxes	**Note 34**	4,284,707	4,899,710
NET PROFIT		**11,671,417**	**16,532,072**

STATEMENT OF COMPREHENSIVE INCOME

(EUR '000)

COMPREHENSIVE INCOME		31/12/2018	31/12/2017
Net profit		**11,671,417**	**16,532,072**
Items that may be subsequently reclassified to profit or loss::			
- Exchange rate differences			
Items that may not be subsequently reclassified to profit or loss:			
- Actuarial gains (losses) on employee benefits net of tax effect		69,549	(11,006)
- Actuarial gains (losses) on agents' termination benefits net of tax effect		(2,184)	1,117
Total comprehensive income		**11,738,782**	**16,522,183**

EARNINGS PER SHARE			
Basic earnings per share (in Euros)	**Note 13**	**0.23**	**0.32**

STATEMENT OF CASH FLOWS

(EUR ‘000)

	31/12/2017	31/12/2018
OPERATING ACTIVITIES		
Net profit	**16,532,072**	**11,671,417**
Adjustments for:		
Amortisation and depreciation	1,636,648	1,874,115
Provisions	132,452	399,676
Change in provisions for risks and charges and employee benefits liabilities	(256,877)	(122,532)
(Gains) losses on the measurement of fixed assets and equity investments	20,762	38,149
- Loss (or gain) on unrealised foreign exchange differences	1,216,097	771,863
Dividends	(6,459,452)	(1,342,819)
Other non-monetary changes		
Taxes	4,899,710	4,284,707
Operating cash flow before changes in working capital	**17,721,413**	**17,574,575**
Increase/(decrease) of trade receivables	(11,918,229)	4,888,209
Increase/(decrease) of inventories	(868,702)	(1,575,387)
Increase/(decrease) of other current assets	(97,375)	(936,674)
Increase/(decrease) of trade payables	2,961,290	3,940,069
Increase/(decrease) in advances from customers	1,749,911	(604,824)
Increase/(decrease) in other current liabilities	429,183	538,023
Increase/(decrease) of non-current assets	(97,926)	470,592
Increase/(decrease) of non-current liabilities	(117,212)	(64,495)
Dividends received	6,459,452	1,342,819
Income taxes paid	(4,114,832)	(4,072,212)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	**12,106,974**	**21,500,694**
INVESTING ACTIVITIES		
Investments/(disinvestments) in tangible assets	(3,346,514)	(5,638,387)
Investments/(disinvestments) in Intangible assets	(172,907)	(394,019)
Investments/(disinvestments) in Financial assets	(3,351,868)	(286,834)
Disinvestments (Investments) in Equity Investments	263,762	(3,993,140)
NET CASH FLOW FROM INVESTMENT ACTIVITIES (B)	**(6,607,527)**	**(10,312,380)**
FINANCING ACTIVITIES		
Issuance of bank loans	21,500,000	
Repayment of bank loans	(10,118,653)	(5,914,902)
Change in current bank liabilities	1,677,177	3,776,044
Debenture loans		(2,500,000)
Increase/(decrease) in other financial liabilities	1,027,789	(2,037,495)
Employees’ bonus		539,571
Dividends paid	(12,000,000)	(6,000,000)
NET CASH FLOWS FROM FINANCING ACTIVITIES (C)	**2,086,312**	**(12,136,782)**
NET CHANGE IN CASH AND CASH EQUIVALENTS (A ± B ± C)	**7,585,759**	**(948,469)**
EFFECT OF EXCHANGE RATE CHANGES ON BALANCE OF CASH AND CASH EQUIVALENTS		
CASH AND CASH EQUIVALENTS AT OPENING OF PERIOD (E)	**4,797,221**	**12,382,980**
CASH AND CASH EQUIVALENTS AT CLOSE OF PERIOD (G=D+E+F)	**12,382,980**	**11,434,511**
INTEREST PAID DURING PERIOD	**(462,810)**	**(417,315)**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**7,585,758**	**(948,469)**

STATEMENT OF CHANGES IN NET EQUITY

(EUR '000)

	Share capital	Legal reserve	Reserve for treasury shares	Other Reserves and retained earnings	Profit for the year	TOTAL EQUITY
Balance at 01.01.2017	**6,000,000**	**1,200,000**	**(7,640,976)**	**24,010,318**	**8,276,933**	**31,846,275**
Distribution of dividends				(12,000,000)		(12,000,000)
Allocation of previous period operating profit				8,276,933	(8,276,933)	
Capital increases						
Other movements						
Total comprehensive net income				(9,889)	16,532,072	16,522,182
Balance at 31.12.2017	**6,000,000**	**1,200,000**	**(7,640,976)**	**20,277,362**	**16,532,072**	**36,368,456**
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)**	**26,025,168**	**11,671,417**	**42,646,840**

EXPLANATORY NOTES TO THE SEPARATE FINANCIAL STATEMENTS

GENERAL INFORMATION

Piovan S.p.A. is the parent company of the Piovan Group, one of the world leaders in the design and production of plants and control systems for the automation of all stages of plastics manufacturing cycles. Specifically, the Group manufactures automation systems for the storage, transport and treatment of plastic materials ("Plastics Systems") and provides technical assistance and markets spare parts and services ("Services and Spare Parts").

The plants and systems developed, produced and sold by the Group enable all various stages of the production and transformation process of plastic materials to be automated and more efficient. The technical solutions offered by the Group include, for the "Plastics Systems" market: (i) the design of machinery and engineering solutions; (ii) the production of plants and systems; and (iii) installation at the customer's production facilities. Furthermore, the Group provides its customers with specific technical support from the preliminary design stage up to the installation and roll-out of the plant and machinery, ensuring ongoing support in order to guarantee optimal functioning of the products installed.

On 5 October 2018 Piovan S.p.A. received Consob approval for the listing of its shares on the STAR segment of the Electronic Stock Exchange (Mercato Telematico Azionario). The trading of the shares on this market started on 19 October 2018.

As part of the application for admission of its ordinary shares to listing on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A., the Company has prepared its first consolidated financial statements year ended 31 December 2017 for inclusion in the Prospectus. These financial statements are first-time consolidated financial statements of the Piovan Group and were prepared in accordance with IAS/IFRS. The Directors in fact point out that, in previous years the Company availed itself of the faculty of exemption from the obligation to prepare consolidated financial statements, as per Art. 27, paragraph 3, of Legislative Decree no. 127/1991, in consideration of the preparation of the same, according to Italian accounting principles, by the parent company Pentafin S.p.A..

In this context, the Company did not prepare its financial statements in accordance with international accounting standards, since it was not required to do so and had not formally opted for these new standards.

Following the assumption of the status of listed company, Piovan S.p.A. is obliged to prepare its separate financial statements in accordance with IAS/IFRS international accounting standards. Therefore, these separate financial statements are the first-time financial statements prepared by the Company in accordance with IAS/IFRS.

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 registered with the Venice Registry of Companies.

The Piovan S.p.A. production facility is also located at Santa Maria di Sala (VE) and is both a production site and the headquarters of the Group, where the Group's coordination, administration, finance, management control, marketing and information systems functions are conducted. The production site is specialised in the production of auxiliary systems in the field of plastics processing, in particular in the production of auxiliary machines that meet specific and different needs of the sector. The Company has opted, starting from the financial statements year ended 31 December 2018, to prepare the financial statements using the international accounting standards, adopted by the European Union as provided under European Regulation 1606/2002 of 19 July 2002, transposed and implemented in Italy by the Decree-Law 38/2005.

The Company has adopted the IFRS standards approved by the European Union, with transition date of January 1, 2017, therefore these separate financial statements include the corresponding comparative data for previous years, in accordance with the provisions of said standards.

The separate financial statements year ended 31 December 2018 were approved by the Board of Directors of Piovan S.p.A. on 14 March 2019.

The separate financial statements have been prepared in accordance with the most recent accounting records.

DECLARATION OF CONFORMITY AND BASIS OF PREPARATION

The Company's separate financial statements year ended 31 December 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission, in accordance with the procedure provided under Article 6 of Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002.

IFRS means all IFRS, all interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC), previously known as the Standing Interpretations Committee (SIC), endorsed by the European Union at the date of the financial statements and contained in the relevant EU Regulations published at that date.

It consists of the statements of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and these explanatory notes. The financial statements have been prepared on the basis of the historical cost principle, with the exception of derivative financial instruments which have been recognised at *fair* value, as required by IFRS 9 - "Financial Instruments", and on a going concern basis.

With reference to this last assumption, despite the difficult economic and financial context, the Company has assessed, also by virtue of its strong competitive position, of the high profitability and the solidity of its equity and financial structure, that no significant uncertainties exist with regard thereto, as being a going concern, in accordance with paragraphs 25 and 26 of IAS 1.

These financial statements have been prepared stating amounts in Euro, which is the "functional" and "reporting" currency of the Company, in accordance with IAS 21, unless stated otherwise.

FINANCIAL STATEMENTS

Equity and financial position

In the Equity and financial position, a distinction has been made between current and non-current assets and liabilities, as set out in paragraphs 60 *et seq.* of IAS 1.
Assets and liabilities classified as current are those assets/liabilities that meet one of the following criteria:

- Assets/liabilities expected to be sold or used in the normal operating cycle, or
- Assets/liabilities held primarily for the purpose of being traded, or
- Assets/liabilities that are expected to be realised/extinguished within twelve months of the financial statements date.

In the absence of all three conditions, the assets/liabilities are classified as non-current.

Profit and Loss Account

The Company has chosen to present its profit and loss account using the classification by "nature of expense" as it is more representative of the transactions that took place during the year and of its business structure. This structure complies with internal management reporting procedures and is in line with international practice for the sector.

Statement of comprehensive income

With the adoption of the Revised IAS 1, 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 components that are not recognised in the profit and loss account but are transferred directly to the net equity.

Cash flow statement

The cash flow statement was prepared using the indirect method. The cash and cash equivalents included in the cash flow statement include the asset balances at the reporting date. Income and expenses relating to interest, dividends received and income taxes are included in the cash flows generated by operations, with the exception of interest accrued on available-for-sale securities, which is included in the cash flows generated by financial operations. Cash flows from operating activities, investing activities, changes in non-current financial positions and short-term payables as well as current financial assets are shown separately. Unless otherwise specified, foreign exchange gains and losses are classified as operating assets as they relate to the translation into euro of trade receivables and payables.

Statement of changes in net equity

The statement of changes in net equity illustrates the changes in the equity items deriving from:

- allocation of the Company's profit for the period;
- amounts relating to transactions with shareholders (purchase and sale of treasury shares);
- each item of profit and loss net of any tax effects which, as required by the IFRS, is alternatively allocated directly to net equity (profits or losses from the purchase and sale of treasury shares) or has a balancing entry in a net equity reserve (share-based payments for stock option plans);
- movement of the valuation reserves of derivative instruments to hedge future cash flows, net of any tax effect;
- the effect of any changes in accounting principles.

BUSINESS COMBINATIONS

Business combinations are recognised in accordance with the acquisition method, as defined by IFRS 3 Business combinations. According to this method, the consideration transferred in a business combination is measured at fair value (calculated as the sum of the fair values 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 acquired company. Ancillary transaction costs are recognised in the profit and loss account at the time they are incurred.

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

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

Goodwill is determined as the excess of the sum of the consideration transferred in the business combination, of the value of the minority interest in shareholders' equity and the fair value of any investment previously held in the acquired company over the fair value of the net assets acquired and liabilities assumed at the acquisition date. If the value of the net assets acquired and liabilities assumed at the acquisition date exceeds the sum of the consideration transferred, the value of the minority interest in shareholders' equity and the fair value of any investment previously held in the acquired company, this excess is immediately recognised in the profit and loss account as income from the transaction concluded.

At the acquisition date, minority interests in owners' equity were calculated on a pro-rata basis of the value of the net assets recognised for the acquired company, excluding any goodwill attributable to them (the so-called partial goodwill method). Alternatively, the entire amount of goodwill generated by the acquisition is recognised considering also the share attributable to minority interests (the so-called full goodwill method). The choice of methods for determining goodwill (partial goodwill method or full goodwill method) is

made separately for each business combination operation. Unless otherwise specified, the partial goodwill method is applied.
Whenever control is acquired at subsequent stages, the purchase cost is determined by adding the fair value of the equity investment previously held in the acquired company to the amount paid for the additional equity interest. The difference between the fair value of the investment previously held and its carrying amount is recognised in the profit and loss account.

SUMMARY OF ADOPTED ACCOUNTING STANDARDS

The separate financial statements for the reporting period 2018 represent the first-time separate financial statements, prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) approved by the European Commission and in force at the closing date of the reporting period, therefore IFRS 1 applies; the "*date of transition*" , understood as the starting date of the earliest period for which comparative information is presented in the first-time IFRS financial statements, is 1 January 2017.

Preparation of the separate financial statements in accordance with IAS/IFRS requires management to make estimates and assumptions that have an impact on the amounts reported in the financial statements and in the relevant notes; the actual results may differ from estimates made. Reference should be made to the section "Use of estimates" for a description of the areas of the financial statements most subject to the use of estimates.

In preparing the separate financial statements tear ended 31 December 2018, the same accounting standards and basis of preparation were adopted as in preparing the consolidated financial statements, with the exception of what explained below. The Piovan Group has prepared its first-time IAS/IFRS consolidated financial statements year ended 31 December 2017. Therefore, during the transition of its separate financial statements to the international accounting standards, the Company adopted the provisions of paragraph D17 of IFRS 1, which states that if a parent company adopts, for the first time, the international accounting standards in its separate financial statements at a date subsequent to that used for the preparation of the consolidated financial statements, it must value its assets and liabilities at the same values in both financial statements, with the exception of consolidation adjustments.

IFRS accounting standards, amendments and interpretations applicable to the Company and adopted from 1 January 2018

- As better described in the Consolidated Financial Statements, the Group has adopted early and on a voluntary basis IFRS 15 - Revenue from Contracts with Customers (issued on 28 May 2014 and supplemented with further guidance issued on 12 April 2016) as from 1 January 2015 and, therefore, Piovan S.p.A., during the transition to IAS/IFRS in the separate financial statements, has aligned itself with the procedures adopted in the consolidated financial statements. The Company has therefore restated the comparative data for the purposes of presenting the opening statement of financial position as at 1 January 2017 and for the purposes of preparing the comparatives for year ended 31 December 2017.

IFRS 15 - Revenue from Contracts with Customers replaced, with effect from 1 January 2018, IAS 18 - Revenue and IAS 11 - Construction Contracts, as well as the interpretations of IFRIC 13 - Customer Loyalty Programs, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenues-Barter Transactions Involving Advertising Services. The amendments to IFRS 15, Clarifications to IFRS 15 - Revenue from Contracts with Customers were endorsed by the European Union on 6 November 2017.

The standard establishes a new revenue recognition model, which will apply to all contracts entered into with customers with the exception of those that fall within the scope of application of other IAS/IFRS principles such as leases, insurance contracts and financial instruments. The fundamental steps for the accounting of revenues according to the new model are:

- identification of the contract with the customer;
- identification of the performance obligations of the contract;
- pricing;
- the allocation of the price to the performance obligations of the contract;
- the criteria for recognising revenue when the entity meets each performance obligation.

- On 24 July 24 2014 the IASB published the final version of IFRS 9 - Financial Instruments: recognition and measurement. The document includes the results of the IASB's project to replace IAS 39. The new standard must be applied to financial statements starting on or after 1 January 2018. The Company adopted this standard on FTA as from 1 January 2017.

  The standard introduces new criteria for the classification and measurement of financial assets and liabilities. In particular, for financial assets, the new standard uses a single approach based on the way in which financial instruments are managed and on the characteristics of the contractual cash flows of the financial assets themselves in order to determine their valuation criteria, replacing the different rules provided for by IAS 39. For financial liabilities, on the other hand, the main change concerns the accounting treatment of changes in the fair value of a financial liability designated as a financial liability measured at fair value through the profit and loss account, where these changes are due to changes in the creditworthiness of the issuer of the liability itself. Under the new standard, these changes must be recognised in the "Other comprehensive income" statement and no longer in the profit and loss account. In addition, changes to financial liabilities defined as non-substantial are no longer allowed to spread the economic effects of the renegotiation on the residual maturity of the debt by changing the effective interest rate at that date, but it will be necessary to recognise the related effect in the profit and loss account.

  As for impairment, the new standard requires that the estimate of losses on receivables be made on the basis of the expected losses model (and not on the incurred losses model used by IAS 39) using supportable information, available without unreasonable costs or efforts that include historical, current and prospective data. The standard requires that this impairment model be applied to all financial instruments, i.e. financial assets measured at amortised cost, those measured at fair value through other comprehensive income, rental contract receivables and trade receivables.

Finally, the standard introduces a new hedge accounting model in order to adapt the requirements of the current IAS 39, which have sometimes been considered too stringent and not suitable to reflect companies' risk management policies. The main changes in the document concern:

- the increase in the types of transactions eligible for hedge accounting, including the risks of non-financial assets/liabilities eligible for hedge accounting;
- the change in the method of accounting for forward contracts and options when included in a hedge accounting relationship in order to reduce the volatility of the profit and loss account;
- changes to the performance test by replacing the current modalities based on the 80-125% parameter with the principle of the "economic relationship" between the hedged item and the hedging instrument; moreover, an assessment of the retrospective effectiveness of the hedging relationship will no longer be required.

The greater flexibility of the new reporting rules is offset by additional requests for disclosure on the Company's risk management activities.

The Directors have the following considerations regarding its application:

- With respect to the application of the new criteria for classification and measurement of the financial assets and financial liabilities, the Directors did not identify significant effects.
- With respect to the impairment model, the Group already assessed the recoverability of the larger financial assets (trade receivables) partly using a specific analysis and partly using an estimation model based on historical analysis and the historical trend of collections. On the basis of the analyses carried out by the Directors, the method previously adopted by the Group led to results similar to those obtained from the model for calculating expected credit losses as required by IFRS 9 since the valuation, albeit with different application methods in relation to the riskiness of the market in which the Company operates, considers elements such as customer risk, country risk and macroeconomic information relevant to the identification of the expected risk. Indeed, the Group applies a careful policy of advance assessment of credit risk, both by monitoring each individual customer's credit capacity beforehand, when negotiating orders of significant amounts in order to minimise the risk itself, and by constantly and carefully checking the receivable, using, wherever possible, methods of partial advance payments in instalments upon acceptance of the order, delivery of the goods, installation and, for minor amounts, beyond. The Company and the Group have historically recorded marginal losses on receivables. As result of such analysis, the directors recognised an increase of provision for doubtful debts of EUR 102 thousand. The effect of the transition to IFRS 9 (corresponding to EUR 73 thousand, net of the tax effect) was recognised in equity at the beginning of 2017 in the FTA reserve.

The Directors have not identified any effects in the Company's separate financial statements from the adoption of the new hedge accounting model since the Parent Company and its subsidiaries do not use hedging derivative financial instruments.

In addition, the Group adopted the consequent amendments to IFRS 7 Financial Instruments: Disclosures, which were applied to disclosures in 2018 and the comparative period.

- On 8 December 2016, the IASB published its interpretation "Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)". The purpose of this interpretation is to provide guidelines for transactions carried out in foreign currencies where non-monetary advances or payments on account are recognised in the financial statements (as a balancing entry to the cash received/payed), prior to the recognition of the related asset, cost or revenue. This document provides guidance on how an entity should determine the date of a transaction, and consequently, the spot exchange rate to be used when foreign currency transactions occur in which payment is made or received in advance.
  The interpretation clarifies that the transaction date is the earlier one between:
  a) the date on which the prepayment or advance payment received is recognised in the entity's financial statements; and
  b) the date on which the asset, cost or revenue (or part of it) is recognised in the financial statements (resulting in the reversal of the prepayment or down payment received).
  If there are numerous payments or collections in advance, a specific transaction date must be identified for each of them. IFRIC 22 was applied from 1 January 2018. From the analyses carried out by the Company and the Group, the adoption of this interpretation did not have a significant effect on the Company's financial statements and the Group's consolidated financial statements, as there is a substantial coincidence between the currency of non-monetary advances or payments on account and the currency of collection.

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union, not yet mandatory and not adopted in advance by the Company and the Group at 31 December 2018

IFRS 16 – Leases was published on January 13, 2016, and replaces IAS 17 – Leases and interpretations IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives e SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease starting from January 1, 2019.

This new standard introduce a new definition of *lease* and new criteria based on the right of use of an asset in order to distinguish lease contracts from service contracts, identifying as discriminants:

- Identification of the asset
- Right to replace the asset
- Right to obtain substantially all the economic benefits deriving from the use of the asset
- Right to control the use of the asset underlying the contract.

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

On the contrary, the standard does not include significant changes for lessors.

Piovan S.p.A. finalized the preliminary assessment of the potential impacts deriving from the application of IFRS 16 at the date of transition (1 January 2019). The project concerned initially the identification of the contracts falling within the standard and then the analysis of such contracts considering the requirement of IFRS 16.

Piovan S.p.A. decided to adopt the "Modified Retrospective Method" approach, recognizing the effect from the first time adoption of the standard in the equity as of January 1, 2019, under paragraphs C7-C13 of IFRS16.

In particular, the Group will recognize, regarding the operating leases:

- A financial liability, equal to the present value of the future outstanding payments at the date of transition, discounted using for each contract an appropriate discount rate as requested by the standard.
- A right of use for an amount equal to the financial liability at the date of transition, less the effect coming from an anticipate or deferred payments for each due date.

The following table represent the impacts estimated from the application of IFRS 16 at the date of transition.

Total Assets	01/01/2019
Land and buildings	1,210
Machinery	
Industrial and commercial equipment	
Other tangible assets	84
Total	**1,294**

Total Liabilities	01/01/2019
Non current financial liability	953
Current financial liability	341
Total	**1,294**

The Company decided to adopt IFRS 16, using the practical expedient included in paragraph 16:5(a) of IFRS 16 for the "*short-term lease*" for Land and building and for autovehicle. Furthermore, the Group decided to use the practical expedient included in patagraph 5(b) of IFRS 16 for that lease contracts for which the underlying asset is a "*low-value asset*" (the value of the asset is less than 5 thousand dollar).
The contracts for which such expedient has been applied are related to:

- computers, phones e tablet;
- printer and copy machine;
- Other electronic devices.

For such contracts the application of FIRS 16 will not lead to the recognition of the assets and liabilities arising from a lease contract, but the rental installment will be recognized in the profit and loss on a linear basis for the duration of each contracts.

For a better comprehension of the impacts deriving from the first time adoption of IFRS 16, the following table indicates a reconciliation of future commitment related to lease contracts as of December 31, 2018 and the impact deriving from the adoption of IFRS 16 as of January 1, 2019.

Reconciliation	
Commitment within IFRS 16	**1,294**
Commitment for installments related to contracts excluded from IFR 16 application (low value assets and short-time leases)	56
Discount effects	109
Future commitments as of December 31, 2018	**1,459**

- On 12 October 2017 the IASB published an amendment to IFRS 9 "Prepayment Features with Negative Compensation”. This document specifies that early repayment instruments may comply with the Solely Payments of Principal and Interest ("SPPI") test even if the reasonable additional compensation to be paid in the event of early repayment is a negative compensation for the lender. The amendment applies from 1 January 2019, but earlier application is allowed. The Directors do not expect a significant effect in the Company’s separate financial statements and in the Group’s consolidated financial statements from the adoption of these amendments.

- On 7 June 2017 the IASB published its interpretation "Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)" (published on 7 June 2017). The interpretation addresses the issue of uncertainties about the tax treatment of income taxes. In particular, the Interpretation requires an entity to analyse uncertain tax treatments (individually or as a whole, depending on their characteristics) on the assumption that the tax authority will examine the tax position in question, with full knowledge of all relevant information. If the entity believes that it is not probable that the tax authority will accept the adopted tax treatment, the entity shall reflect the effect of the uncertainty in measuring its current and deferred income taxes. In addition, the document does not contain any new disclosure requirements but underlines that the entity will have to determine whether it will be necessary to provide information on the considerations made by management and relating to the uncertainty inherent in the accounting for taxes, in accordance with the provisions of IAS 1.
  The new interpretation applies from 1 January 2019, but earlier application is allowed. The Directors are currently evaluating the possible effects of the introduction of this interpretation on the Group’s consolidated financial statements.

IFRS accounting standards, amendments and interpretations not yet approved by the European Union

At the date of reference of these financial statements, the competent bodies of the European Union had not yet completed the endorsement process necessary for the adoption of the amendments and standards described below.

- On 18 May 2017 the IASB published IFRS 17 - Insurance Contracts, which is intended to replace IFRS 4 - Insurance Contracts.
  The directors do not expect the adoption of this standard to have an impact on the Company's and the Group's consolidated financial statements.

- On 12 October 2017 the IASB published the document "Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)". This document clarifies the need to apply IFRS 9, including impairment requirements, to other long-term interests in associates and joint ventures for which the equity method is not applied. The amendment applies from 1 January 2019, but earlier application is allowed. The directors do not expect a significant effect in the Group's consolidated financial statements from the adoption of these amendments.

- On 12 December 2017 the IASB published the document "Annual Improvements to IFRSs 2015-2017 Cycle", which incorporates the changes to certain standards as part of the annual process of improving them. The main changes concern:
  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendment clarifies that when an entity obtains control of a business that represents a joint operation, it must remeasure the previously held interest in that business. This process is not, however, envisaged in the event of joint control being obtained.
  - IAS 12 Income Taxes: the amendment clarifies that all tax effects related to dividends (including payments on financial instruments classified within shareholders' equity) should be accounted for in a manner consistent with the transaction that generated those profits (profit and loss account, OCI or shareholders' equity).
  - IAS 23 Borrowing costs: the amendment clarifies that in the case of loans that remain outstanding even after the qualifying asset in question is ready for use or sale, they become part of the loans used to calculate financing costs.

The amendments apply from 1 January 2019, but earlier application is permitted. The directors are currently evaluating the possible effects of the introduction of these amendments on the Group's consolidated financial statements.

- On 7 February 2018 the IASB published the document "Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)". The document clarifies how an entity should recognise a change (i.e. a curtailment or settlement) in a defined benefit contributions plan. The amendments require the entity to update its assumptions and remeasure the net liability or asset arising from the plan. The amendments clarify that after the occurrence of such an event, an entity uses updated assumptions to measure the current service cost and interest for the remainder of the reporting period following the event. The directors are currently evaluating the possible effects of the introduction of these amendments on the Company's separate financial statements and on the Group's consolidated financial statements.

- On 22 October 2018 the IASB published a document entitled "Definition of a Business (Amendments to IFRS 3)". The document provides clarifications regarding the definition of business for the purposes of the correct application of IFRS 3. Considering that this amendment will be applied to new acquisition transactions that will be concluded as from 1 January 2020, any effects, currently subject to evaluation by the Directors, will be recorded in the consolidated financial statements closed after that date.

- On 31 October 2018 the IASB published a document entitled "Definition of Material (Amendments to IAS 1 and IAS 8)". The document introduced a change in the definition of "material"' contained in IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. This amendment aims to make the definition of "material" more specific and introduces the concept of "obscured information" alongside the concepts of omitted or incorrect information already present in the two principles being amended. The amendment clarifies that information is "obscured" if it has been described in such a way as to have an effect on primary readers of financial statements similar to that which would have occurred if such information had been omitted or incorrect.
The directors do not expect a significant effect in the Company's separate financial statements and in the Group's consolidated financial statements from the adoption of this amendment.

- On 11 September 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.
At present the IASB has suspended the application of this amendment. The directors do not expect a significant effect in the Group's consolidated financial statements from the adoption of these amendments.

- On 30 January 2014, the IASB published IFRS 14 - Regulatory Deferral Accounts, which allows only those who adopt IFRS for the first time to continue to recognise amounts relating to assets subject to regulated rates ("Rate Regulation Activities") according to the previous accounting standards adopted. Since the Group is not a first-time adopter, this principle is not applicable. With reference to the separate financial statements of the Company, which is a first-time adopter, directors do not expect a significant effect in the separate financial statements of the Company.

BASIS OF EVALUATION

Revenues and expenses

Revenues and expenses are shown on an accruals basis.
Revenue as required by the new IFRS 15 must be recognised when the contractual obligations are satisfied, on the basis of the transaction price that the Company expects to receive following performance of the obligation. The contractual obligations may be performed "over time", if the conditions of IFRS 15 are satisfied or "at point in time".

Piovan S.p.A. operates at an international level in the reference markets for "Plastics Systems" and "Services and Spare Parts" as defined in the section *"General Information"*. In the reference market of Plastic Systems, the Group is one of the world leaders in the design and production of plants and control systems for the automation of all phases of the production cycle of plastic materials.

As previously explained above, it should be noted that the Company, during transition to IAS/IFRS accounting standards, aligned itself with procedures in the consolidated financial statements. The Company has therefore restated the comparative data for the purposes of presenting the opening statement of financial position as at 1 January 2017 and for the purposes of preparing the comparatives for year ended 31 December 2017.

On the basis of the analyses conducted by the Company and fo providing the qualitative information required by the international accounting standard IFRS 15, it should be noted that the Company's revenue may also be broken down into:

- revenue from the sale of automation systems for the storage, transport and treatment of plastic materials ("Plastics Systems"). An analysis of the contracts usually executed with customers shows that the *performance obligations* are satisfied *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 plants and systems; (ii) installation and (iii) start-up and parameterisation. In these types of contractual relationships, the Company recognises revenues when the customer obtains control of the asset, which is normally identified, based on the contractual terms and conditions, at the time of shipment or delivery of the plant/product to the customer, while for the other two performance obligations, revenue is recognised at the time the service is provided. On average systems/equipment belonging to this category require an lead execution time of between three and six months and that the general business terms provide for advance part payments as advances reported under the item Advances from customers.
- revenues from the sale of spare parts: revenues from the sale of spare parts are recognised at the time of transfer of ownership, which is normally identified with the delivery or shipment of goods.
- revenues from technical assistance services: revenues from services are recognised on completion and/or maturity.

Advertising and research costs, in accordance with IAS 38 "Intangible Assets", are fully charged to the income statement.

Interest

Revenues and expenses are recognised on an accruals basis on the basis of the interest accrued on the net value of the related financial assets and liabilities, using the effective interest rate.

Dividends

These are recognised when the right of the Owners to receive payment arises, normally corresponding to the shareholders' resolution authorising dividend distribution. The distribution of dividends is therefore recorded as a liability in the financial statements of the period in which the distribution of dividends 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 business; the liability for current taxes is recorded in the equity and financial position net of any tax advances paid.
A provision is recorded with reference to 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. Provisions represent the best estimate of the amount that is expected to become due. The evaluation is made by the administrative department, which has gained previous experience in the tax field and in some cases with the support of external tax consultants.
Advance taxes and deferred taxes reflect the temporary differences between the value attributed to an asset or liability in accordance with the criteria laid down by the IAS/IFRS international standards and the value attributed to the same for tax purposes, valued on the basis of the tax rates in force or substantially in force for future years. Advance taxes are recognised only if there is a likelihood that they will be recovered, i.e. when it is considered probable that future taxable income will be available to use the advance taxes. Deferred taxes are always recorded with the exception of certain situations that are not in line with IAS 12 "Taxes", such as the recording of goodwill or if the temporary difference derives from the initial recording (in addition to a business combination) of other assets and liabilities in a transaction that does not impact either taxable profit or operating profit. Advance taxes and deferred tax 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 receivables and payables on a net basis. The Company does not offset advance taxes against deferred taxes. Deferred taxes on reserves in suspense for tax purposes 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 recognised 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 likely that the temporary difference will not reverse in the foreseeable future. Advance tax arising from deductible temporary differences and associated with such investments are recognised 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 utilised and are expected to reverse in the foreseeable future.

Translation criteria of foreign currency items

Receivables and payables originally expressed in foreign currency are translated into euro at the exchange rates of the date of execution of the operations that originated them. Exchange differences arising on the collection of receivables and the payment of payables in foreign currencies are recorded in the profit and loss account.
Revenues and income, expenses and charges relating to foreign currency transactions are recorded at the exchange rate in force on the date on which the transaction is carried out.
At year-end, assets and liabilities denominated in foreign currencies, with the exception of non-monetary non-current assets (which remain recorded at the exchange rate on the transaction date), are recorded at the spot exchange rate at the end of the financial year and the related foreign currency conversion gains and losses are allocated to the profit and loss account.

Tangible assets

Property, plant and equipment are recorded at historical cost, including directly attributable ancillary costs necessary to put the asset into operation for the use for which it was purchased.
Maintenance and repair costs that are not likely to enhance and/or extend the residual life of the assets are expensed in the year in which they are incurred, otherwise they are capitalised.
Property, plant and equipment are stated net of accumulated depreciation and any impairment losses determined in accordance with the procedures described below. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset for the company, which is reviewed annually and any changes, if necessary, are made on a prospective basis.
The depreciation rates for the main classes of tangible fixed assets are as follows:

Industrial buildings:	from 3% to 5%
Plant and machinery:	from 10% to 15.5%
Fixtures, fittings, tools and equipment:	from 12% to 20%

Land has an indefinite useful life and is therefore not subject to depreciation.
Assets held under finance leases, through which all risks and rewards of ownership are substantially transferred to the Group, are recognised as Group assets at their current value or, if lower, at the present value of the minimum lease payments due.
The corresponding liability to the lessor is shown in the financial statements under borrowings. The assets are depreciated in accordance with the above rates.
Leases in which the lessor retains substantially all the risks and rewards of ownership of the assets are classified as operating leases and the related costs are recognised in the profit and loss account over the term of the contract.
At the time of sale or when there are no future economic benefits expected from the use of an asset, it is eliminated from the financial statements and any loss or gain (calculated as the difference between the sale value and the book value) is recorded in the profit and loss account in the year of such elimination.

Intangible assets

These are identifiable non-monetary assets, without physical substance, subject to the control of the company, capable of providing the company with future economic benefits. These are initially recognised at cost when it can be measured reliably in the same way as property, plant and equipment.
These assets are subsequently recognised net of accumulated depreciation and any impairment losses. The useful life is regularly reviewed and any necessary changes shall be made prospectively. Any intangible assets generated internally are capitalised, within the limits and under the conditions set out in IAS 38.
The average estimated useful life is between 3 and 10 years.
Earnings or losses arising from the disposal of an intangible asset are determined as the difference between the disposal value and the carrying amount of the asset and are recognised in the income statement at the time of disposal.

Impairment of non-financial assets

Assets subject to depreciation are subjected to an impairment test when there are events or circumstances indicating that the book value cannot be recovered (trigger event). Assets not subject to amortisation, such as goodwill, are tested for impairment at least once a year, or more frequently in the presence of trigger events. In both cases, any impairment is recognised at the amount of the carrying amount that exceeds the recoverable amount. The latter is the higher of the asset's fair value less costs to sell and its value in use. If it is not possible to determine the value in use of an asset individually, the recoverable value of the cash-generating unit (CGU) to which the asset belongs must be determined. Assets are grouped at the lowest level for which there are independent cash flows and the Group then calculates the present value of the estimated future cash flows for the CGU using a discount rate that reflects current market assessments of the time value of money and the risks of the asset.
Subsequently, if an impairment loss on an asset other than goodwill ceases to exist or decreases, the carrying amount of the asset or cash-generating unit is increased to the new estimate of its recoverable amount, which, however, may not exceed the amount that would have been determined had no impairment loss been recognised.
The reversal of an impairment loss is immediately recognised in the profit and loss account.

Equity investments

Investments in subsidiaries and associates are recorded under Non-current assets on the basis of the purchase cost rule, adjusted for impairment, in accordance with the provisions of IAS 36.
The carrying value of Equity investments is adjusted for impairment by means of write-downs, the effect of which is recognised in the Profit and Loss Account. Whenever the write-down exceeds the value of the Equity investment, this excess is recognised in the provisions for risks and charges. Whenever such losses cease to exist or are reduced, the book value is restored to bring it into line with the new realisable value, which may exceed the original cost. The reversal of the impairment loss is recognised in the Profit and Loss Account.

"Equity investments in other companies" are valued at purchase or subscription cost, written down if necessary for permanent losses in value, the effect of which is recognised in the profit and loss account.

Financial assets

Initially, all financial assets are recorded at fair value, increased, in the case of assets other than those at fair value with changes in the profit and loss account, by ancillary charges. At the time of signing, the Group assesses whether a contract contains embedded derivatives. Embedded derivatives are separated from the host contract if the latter is not measured at fair value when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.
The Company determines the classification of its financial assets after initial recognition and, where appropriate and permitted, reviews this classification at the end of the reporting period.
All purchases and sales of financial assets are recorded on the trade date, or on the date on which the Company undertakes to purchase the asset.
As indicated by IFRS 9, it requires the classification of financial assets, based on the characteristics of the cash flows deriving from the instrument and the business model used by the entity:

- Amortised 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 repayment of 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 themselves, which are represented exclusively by the payment of interest and the repayment 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 and entailed:

- the elimination of the category of Held To Maturity (HTM) instruments;
- the elimination of the category of instruments available for sale (AFS);
- the 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 recognised in Other Comprehensive Income (OCI) instead of in the profit and loss account;
- the elimination of the possibility (limited exemption) of valuing unquoted equity investments at cost instead of at fair value, in the rare circumstance in which the amount of the fair value is in a significant range and the probability that the various assumptions will be met cannot be reliably verified.

In relation to the impairment of financial assets, IFRS 9 requires the application of a model based on expected losses on receivables, instead of the one based on losses on receivables already incurred required by IAS 39. The different model based on expected credit losses requires the Company and the Group to consider expected credit losses and changes in such credit losses expected at each financial statements date to reflect changes in credit risk since the initial recognition of the financial asset. In other words, it is no longer necessary for an

event to occur that calls into question the recoverability of the receivable before recognising a loss on the receivable.
This rule applies to:

- Investments in debt instruments valued successively at amortised cost or FVTOCI;
- Receivables for financial leases;
- Trade receivables and assets for contract work in progress;
- loan commitments and financial guarantee agreements to which the impairment provisions of IFRS 9 apply.

In particular, IFRS 9 requires the Group to measure the provision to cover losses on a financial asset at an amount equal to the lifetime expected credit losses (ECL) if the credit risk of the financial asset has significantly increased after initial recognition, or if the financial instrument is an impaired financial asset acquired or originated. However, if the credit risk of a financial instrument has not increased significantly after initial recognition (except for an acquired or originated impaired financial asset), the Group must measure the provision to cover losses for the financial instrument at an amount equal to the expected losses on receivables resulting from a default event in the following 12 months (12-months expected credit losses). In some circumstances IFRS 9 also requires the adoption of a simplified method for measuring the provision to cover losses for trade receivables, contract assets and finance lease receivables by estimating the expected losses over the life of the receivable.

The first application of IFRS 9 entailed for the Company and the Group the measures described in the paragraph **"IFRS accounting standards, amendments and interpretations applicable to the Company and applied from 1 January 2018".**

Inventories

Inventories are recorded at the lower of purchase and/or production cost, determined using the weighted average cost method, and net realisable value. The purchase cost includes ancillary charges; the production cost includes directly attributable costs and a portion of indirect costs reasonably attributable to the products.
As far as work in progress is concerned, the valuation was made at the weighted average cost for the year, including ancillary charges attributable to the production process, taking into account the state of progress of the work carried out.
Obsolete and/or slow-moving inventories are written down in relation to their presumed possibility of use or future realisation, through the recording of a specific provision adjusting the value of the inventories.
The write-down is eliminated in subsequent years if the reasons for the write-down no longer apply.

Assets and liabilities for contract work in progress

These items arise with reference to the execution of contracts in which revenues are recognised over time. For these contracts, the Group recognises sales revenues in proportion to the progress made in meeting the performance obligation, which is measured using the cost-to-cost method. On the basis of the analyses conducted by the Company with reference to the recognition of performance obligations, it emerged that, year ended 31 December 2018, the Company did not have to recognise assets and liabilities for contract work in progress, as there were no contracts in progress whose revenues are required to be recognised over time.

Trade receivables

Receivables are initially recognised at fair value, which corresponds to their nominal value, and are subsequently valued at amortised cost and reduced in the event of impairment. In addition, they are adjusted to their estimated realisable value through the recording of a specific adjustment fund on the basis of the provisions of IFRS 9.
Receivables denominated in a currency other than the accounting currency are recorded at the exchange rate prevailing on the day of the transaction and subsequently translated at the year-end exchange rate. The gain or loss on translation is recognised in the profit and loss account under Foreign currency conversion gains and losses.

Cash and cash equivalents

They include numerical values, i.e. those values that meet the requirements of availability at sight or very short term (original duration of up to three months), success and the absence of collection costs.

Employee benefits

This item includes the provision for employee severance indemnities (TFR) and other provisions for employee benefits in accordance with IAS 19 "Employee benefits". As a defined-benefit plan, TFR is recognised on the basis of valuations carried out at the end of each financial year by independent actuaries. The liability recorded in the balance sheet represents the present value of the obligation payable at the end of the employment relationship, which employees have accrued at the financial statements date, calculated taking into account the results obtained from the application of the projected unit credit method. As a result of Law 296/06 which amended the system of employee indemnities, the portions of employee severance indemnities accruing from 1 January 2007 now form a defined contribution plan (using the terminology provided for by IAS 19), both in the case of allocation to the treasury fund at INPS and in the case of an option for supplementary pension schemes. The provision accrued up to 31 December 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 plan assets. Actuarial gains and losses are recognised in full in the period in which they arise and in accordance with the amended IAS 19, as from 2015 these gains and losses are recognised directly in the comprehensive profit and loss account.

Provisions for risks and charges

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", provisions are recognised when there is an obligation (legal or constructive) arising from a past event, it is probable that resources will be required to settle the obligation and a reliable estimate can be made of the amount arising from the settlement of the obligation. Changes in estimates between one year and the next are charged to the profit and loss account.

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 its present value. The subsequent change due to the passage of time is recorded in the profit and loss account among the financial components.
For possible but not probable risks, no provision is made but an adequate description is provided in the Notes to the Financial Statements.

Trade payables and other current liabilities

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

Financial liabilities

Financial liabilities are recorded at their initial fair value and valued at amortised cost. IFRS 9, like IAS 39, allows for the valuation of financial liabilities on the basis of the FVTPL criterion (in order to manage the effects of an accounting mismatch or in the presence of an embedded derivative not separated from the financial liability). The latter method of valuation 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 financial statements date, and are removed from the financial statements when they are extinguished when the company has transferred all the risks and charges relating to the instrument itself.

Use of estimates

The preparation of the separate financial statements required the directors to adopt accounting standards and methods that, in some circumstances, are based on difficult and subjective measurements or on historical experience or on assumptions that, from time to time, are considered reasonable and realistic, depending on the relevant circumstances. The application of these estimates and assumptions influences the amounts reported in the financial statements, such as the equity and financial position, the profit and loss account statement and the cash flow statement, as well as the information provided. The final results of the valuations for which the above estimates and assumptions were used may differ from those reported in the financial statements due to the uncertainty that characterises the assumptions and the conditions on which the estimates are based.

Provisions for doubtful debts

The bad debt provision reflects management's estimate of losses on the portfolio of receivables due from end customers and the sales network. The estimate of the provision for bad debts is based on the Company's expected losses, determined on the basis of past experience with similar receivables, current and historical past due amounts, losses and collections, careful monitoring of credit quality and projections of economic and market conditions. The extension and possible worsening of the current economic and financial crisis could lead to a further deterioration in the financial conditions of the Company's debtors compared to worsening 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's estimate of impairment expected by the Company, determined on the basis of past experience and historical and expected market trends. A worsening of the general economic and financial conditions could lead to a further deterioration of the market conditions compared to the worsening already taken into account in the quantification of the funds recorded in the consolidated financial statements.

Estimated fair value

IFRS 13 represents a single source of reference for the measurement at fair value and for the related information when such measurement is required or permitted by other accounting standards. Specifically, the principle brings together the definition of fair value, establishing that it is the price that would be received for the sale of an asset or that would be paid for the transfer of a liability in a regular transaction between market operators at the valuation date. IFRS 13 establishes a hierarchy that classifies the inputs of the measurement techniques adopted for measuring fair value into levels. The levels envisaged, arranged in a hierarchical order, are as follows:

- level 1 input: these are quoted (unadjusted) prices in active markets for identical assets and liabilities that the entity can access at the measurement date;
- level 2 inputs: these are variables other than the quoted prices included in Level 1 that can be observed directly or indirectly for assets or liabilities;
- level 3 inputs: these are non-observable variables for assets or liabilities.

For information on the valuation techniques applied, reference should be made to the specific notes on assets and liabilities.

INFORMATION ON FINANCIAL RISK AND INSTRUMENTS

The Group's operations expose it to a number of financial risks that can affect its equity and financial position, net result, and cash flows due to the impact of its financial instruments.
These risks can be summarised as follows:

a) credit risk;
b) liquidity risk;
c) market risk (currency risk, interest rate risk and other price risks).

The overall responsibility for the creation and supervision of a Group financial risk management system lies with the Board of Directors, which heads the various organisational units that are functionally responsible for the operational management of the individual types of risk.
Within the framework of the guidelines drawn up by the management body and for each specific risk, these units define the instruments and techniques for the relative coverage and/or transfer to third parties (insurance) or assess the risks not covered or insured.

The degree of significance of the Group's exposure to the various categories of identified financial risk is commented below.

Credit risk

The Company operates in various national markets with a large number of medium and large-scale customers, primarily end customers in different countries. Consequently, it is exposed to credit risk linked to the ability of customers to settle amounts due.

The Company applies a policy based on the attribution of ratings and purchase ceilings for its customer base and the periodic issue of standard reports, for achieving 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 any recovery of the same including through legal proceedings. Coordination between companies operating in the same market (e.g. Italian companies) is based on the electronic exchange of information relating to joint customers and through coordination of any block on deliveries or the initiation of legal proceedings.

The bad debt provision is recorded at the nominal value of the portion deemed uncollectible after deducting the portion of the receivable secured by bank guarantees. All guarantees are critically assessed as to their collectability.

Liquidity risk

The Company's total indebtedness is partially at a fixed rate for taking advantage of the opportunities currently offered by the interest rate market for medium/long-term loans. Due to the high level of available liquidity, 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 a fixed rate.

The Company mainly deals with known and reliable customers; it is Company policy to adopt credit allocation procedures and constant monitoring of positions of customers that require payment deferrals. In addition, the Company's business is characterised by payment by customers of advances on orders placed, which significantly reduces the financial requirements associated with working capital.

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

For the information required by IFRS 7 with reference to the cash flows relating to the Group's financial liabilities by maturity, reference should be made to note [16].

Market risk linked to the exchange rate

The Company, conducting its operations in various countries around the world, is exposed to the risk deriving from fluctuations in exchange rates. The exchange rate risk mainly arises from transactions whose reference currencies are the U.S. dollar, the Chinese renminbi, the

British pound, the Brazilian real and the Canadian dollar against the euro. Transactions between the Company and its subsidiaries are generally conducted 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 the margin and net result.

The Company conducts transactions (typically sales) in currencies other than its functional currency. At present, the Company does not implement hedging policies, either with reference to the economic effects of purchase and sale transactions in foreign currencies or with reference to exchange rate differentials arising between the time of invoicing in currencies other than the reporting currency 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 denominated in foreign currencies.

The next table shows an analysis of revenue's sensitivity to the risk arising on the translation of foreign currency revenue into Euro, assuming a 10% increase or decrease in the average annual exchange rate.

Revenues (€'000)	31.12.2018				31.12.2017			
	FX Current currency	Current Forex in €	Forex +10%	Forex -10%	FX Current currency	Current Forex in €	Forex +10%	Forex -10%
EUR-Euro	97,071	97,071	97,071	97,071	84,595	84,595	84,595	84,595
USD-US Dollar	8,916	7,555	6,864	8,389	9,784	8,620	7,873	9,623
GBP-British Sterling	1,813	2,048	1,863	2,277	1,762	2,007	1,828	2,234
CNY-Renminbi	-	-	-	-	2,100	287	250	306
TOTAL		**106,674**	**105,797**	**107,736**		**95,509**	**94,545**	**96,757**

Since the Company incurs costs mainly in its functional currency (Euro), the sensitivity on pre-tax profit would be influenced only by the effect on revenues of any changes in exchange rates for the portion of sales revenue in a currency other than the Euro, as described above.

Market risk linked to interest rates

Interest rate risk is the risk that the value of a financial instrument, and/or the level of cash flows generated by it, will change as a result of fluctuations in market interest rates.

Exposure to interest rate risk arises from the need to finance operating activities, both in their industrial component and in the financial component of the acquisition of the same activities, as well as to use available liquidity. Changes in market interest rates may have a negative or positive impact on the company's economic performance, indirectly influencing the costs and returns of borrowing and investment transactions.

As described above, part of the company's borrowing is at a fixed rate. This allows us to take advantage of the current very low level of interest rates. The company has not put hedging instruments in place in that, given the company's high liquidity, the company considers that the risk of interest rate fluctuation may still be adequately managed.

The next table shows an analysis of interest expenses sensitivity to the risk arising on the fluctuation of interest rate regarding variable loans, assuming an increase/decrease of 0.25% and 0.50% of the interest rate.

Interest expense on variable rate loans (€'000)	Interest expenses	0.25%	0.50%	-0.25%	-0.50%
31 December 2017	145	173	202	116	100
31 December 2018	32	55	78	9	-

NOTES TO THE STATEMENT OF FINANCIAL POSITION

1] Tangible assets

Property, plant and equipment amounted to EUR 22,175 thousand at 31 December 2018, compared with EUR 17,783 thousand at 31 December 2017. The following tables provide a breakdown of the item and the changes compared to previous period.

CHANGES IN THE PERIOD (€'000)	Land and buildings	Plants and machinery	Fixtures, fittings, tools and equipment	Other assets	Fixed assets under construction and payments on account	Total
Balance at 1 January 2017	**11,789**	**1,238**	**350**	**2,360**	**137**	**15,874**
including:						
- Historical cost	**17,363**	**4,686**	**2,679**	**7,612**	**137**	**32,477**
- Accumulated depreciation	**(5,574)**	**(3,448)**	**(2,329)**	**(5,252)**		**(16,603)**
Changes 2017						0
- Investments	2,133	269	322	522	101	3,347
- Disposals (Historical Cost)		(145)	(47)	(290)		(482)
- Disposals (Accumulated depreciation)		145	25	290		460
- Depreciation	(435)	(258)	(160)	(563)		(1,416)
Total changes	**1,698**	**11**	**140**	**(41)**	**101**	**1,909**
Balance at 31 December 2017	**13,487**	**1,249**	**490**	**2,319**	**238**	**17,783**
including:						**0**
- Historical cost	**19,496**	**4,810**	**2,954**	**7,844**	**238**	**35,342**
- Accumulated depreciation	**(6,009)**	**(3,561)**	**(2,464)**	**(5,525)**	**0**	**(17,559)**
Movements in 2018						0
- Investments	13	538	178	1,374	4,899	7,001
- Disposals (Historical Cost)		(93)	(109)	(1,109)		(1,311)
- Disposals (Accumulated depreciation)		93	107	46		245
- Depreciation	(433)	(326)	(185)	(599)		(1,543)
Total changes	**(421)**	**212**	**(9)**	**(289)**	**4,899**	**4,392**
Balance at 31 December 2018	**13,066**	**1,461**	**481**	**2,030**	**5,137**	**22,175**
including:						
- Historical cost	**19,509**	**5,255**	**3,023**	**8,109**	**5,137**	**41,032**
- Accumulated depreciation	**(6,442)**	**(3,794)**	**(2,542)**	**(6,078)**	**0**	**(18,857)**

Investments made by the Company in 2017 and 2018 regard the development and optimisation of the Company's production capacity in relation to the project for production expansion and technological upgrading undertaken by the Group as from 2017, which is expected to be completed by 2019. These projects are of a non-recurring nature, in view of their scale and impact on the Company's organisational structure.

Specifically, in Italy, an expansion project is in progress at the headquarters of the Parent Company, with the aim of erecting two separate buildings of approximately 15,000 square metres, to be used as a logistics warehouse, connected to the current production areas and as a new factory for production related to subsidiary Aquatech S.r.l.. The purpose of the expansions is to increase production efficiency and, above all, to increase production capacity in support of manufacturing growth, in line with the expected sales revenue growth

in future years. To this end, during reporting year 2017, a plot of land adjacent to the Company's registered office was purchased, with an investment of EUR 2,100 thousand, in addition to marginal ancillary costs. In 2018, the Company incurred additional costs of EUR 4,899 thousand, recorded under Assets under construction and advances, for the construction of these new production areas, the completion and subsequent use of which is expected by the end of 2019.
At the end of 2017, the Parent Company entered into a preliminary sale agreement for the facility where subsidiary Aquatech S.p.A. currently operates. The timeframe for completion of the transaction for the sale of the property and delivery of the same is not expected before 2019, in line with the time schedule for the construction and erecting of the new buildings and the transfer of operations from the current headquarters.

The additional investments made in 2018 regard:

- plant and machinery for EUR 538 thousand
- Other assets, amounting to EUR 1,374 thousand, which also includes the extension of the Company's car fleet.

Investments made in 2017 regard:

- plant and machinery, amounting to EUR 269 thousand, for the renewal of the Company's systems;
- Other assets, amounting to EUR 522 thousand, regarding the expansion of the car fleet and the purchase of hardware, in addition to the purchase of fixtures and fittings.

2] Intangible assets

At 31 December 2018, this item amounted to EUR 327 thousand, compared with EUR 179 thousand at 31 December 2017.; the breakdown of changes in this asset item is shown ass follows:

CHANGES IN THE PERIOD €'000	Industrial patent and intellectual property rights	Concessions, licences, trademarks and similar rights	Fixed assets under construction and payments on account	Total
Balance at 1 January 2017	**203**	**4**		**207**
including:				
- Historical cost	**4,967**	**10**		**4,977**
- Accumulated depreciation	**(4,764)**	**(6)**		**(4,770)**
Changes 2017				
- Investments	173			173
- Depreciation	(201)			(201)
Total changes	(28)			(28)
Balance at 31 December 2017	**175**	**4**		**179**
including:				
- Historical cost	**5,140**	**10**	**0**	**5,150**
- Accumulated depreciation	**(4,965)**	**(6)**	**0**	**(4,971)**
Movements in 2018				
- Investments	347	1	46	394
- Depreciation	(245)	(0)		(246)
Total changes	101	1	46	148
Balance at 31 December 2018	**276**	**5**	**46**	**327**
including:				
- Historical cost	**5,487**	**11**	**46**	**5,544**
- Accumulated depreciation	**(5,210)**	**(6)**	**0**	**(5,217)**

[3] Equity investments

At 31 December 2018, this item amounted to EUR 30,367 thousand, compared with EUR 26,374 thousand at 31 December 2017.
Details of equity investments movements are as follows:

CHANGES IN THE PERIOD €'000	Equity investments in subsidiaries	Equity investments in associates	Equity investments in other enterprises	Total
Balance at 1 January 2017	**26,388**	**266**	**3**	**26,657**
Changes 2017				
Original cost:				
- Increases	73			73
- Decreases				(19)
- Write-downs	(19)			0
- other changes	(337)			(337)
Total changes	(283)	0	0	(283)
Balance at 31 December 2017	**26,105**	**266**	**3**	**26,374**
Movements in 2018				
Original cost:				
- Increases	4,228			4,228
- Decreases	(235)			(235)
- Write-downs				0
Total changes	3,993	0	0	3,993
Balance at 31 December 2018	**30,098**	**266**	**3**	**30,367**

In 2017, net increases include EUR 54 thousand for the incorporation of the foreign company Piovan Vietnam Co. Ltd (Vietnam), established for better exploiting business opportunities in the area. The Other changes derive from the liquidation of the entire equity investment held in Piovan South East Asia Pte Ltd, which was concluded 2018, reporting a capital gain of approximately EUR 9 thousand.

The increase of EUR 4,228 thousand in 2018 was due to the increase in its equity interest in Penta S.r.l.. On 7 September 2018, the Company entered into a and purchase agreement with 3B Inc. S.r.l. (formerly 3B Immobiliare S.r.l.) for the purchase of a further 25.0% stake in the subsidiary Penta S.r.l.. The agreement governed the terms and conditions of the sale and provided, with effect from the closing on 7 September 2018, for the termination, by mutual consent of the parties, of the put option previously granted to 3B Inc. S.r.l.. (minority shareholder of Penta S.r.l. until the closing mentioned above) and the transfer of the 25% interest. The Group now has a stake in Penta S.r.l. of 90% of the entire share capital.
The following table provides a breakdown of the equity investments at the reference dates:

€'000	31.12.2018			31.12.2017		
	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)	0	40	(40)	0
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)	0	49	(49)	0
Piovan India Private Limited	20		20	20		20
Penta S.r.l.	15,685		15,685	11,457		11,457
FDM GmbH	1,214		1,214	1,214		1,214
Piovan Asia Pacific LTD	86	(86)	0	86	(86)	0
Piovan South East Asia Ltd			0	235		235
Piovan Muhendislik	63	(63)	0	63	(63)	0
Piovan Cz	1		1	1		1
Total	**30,336**	**(238)**	**30,098**	**26,343**	**(238)**	**26,105**
Associates:						
C.M.G. S.p.A.	266		266	266		266
Total	**266**		**266**	**266**	**0**	**266**
Other companies						
CESAP S.p.A.	1		1	1		1
Consorzio SALUS PUERI	2		2	2		2
CONAI	0		0	0		0
Total	**3**		**3**	**3**	**0**	**3**
Total equity investments			**30,367**			**26,374**

The table below shows the information year ended 31 December 2018 regarding equity investments, as required under 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	2,984	348	100.00%	1,319	1,665
Energys S.r.l.	Venice (IT)	EUR	10	245	115	100.00%	292	(47)
Piovan Do Brasil LTDA	Osasco (BRA)	Real	11,947	3,881	490	99.99%	3,203	678
Piovan Plastics Machinery Co.Ltd	Suzhou (CN)	Yuan	5,088	4,613	1,817	100.00%	500	4,113
Piovan Mexico S.A.	Queretaro(MX)	Peso Mess,	707	766	501	99.99%	40	726
Universal Dynamics Inc.	Fredericksburg (U.S.A.)	Dollars	3,500	12,769	1,242	100.00%	2,873	9,896
Piovan Canada Ltd	Mississauga - Ontario (CAN)	Canadian Dollars	0.010	1,774	564	100.00%	1,340	434
Piovan Central Europe GmbH	Brunn am Gebirge (A)	EUR	35	1,274	473	100.00%	35	1,239
Piovan GmbH	Garching (D)	EUR	102	2,737	921	100.00%	2,128	609
Piovan France sas	Chemin du Pognat (F)	EUR	1,227	1,869	605	100.00%	1,154	715
Piovan UK Limited	Bromsgrove (GB)	Pounds Sterling	25	747	251	100.00%	36	711
Piovan Vietnam Company Ltd	Mai Chi Tho (Vietnam)	Vnd	1,136,500	26	(16)	100.00%	54	(28)
Piovan Gulf Fze	Dubai (UAE)	Aed	1,000	145	(8)	100.00%	244	(99)
Piovan Japan Inc.	Kobe (J)	JPJ	6,000	(267)	(117)	100.00%	49	(317)
Piovan India Private Limited	Mumbai	INR	350	576	97	100.00%	20	556
Penta S.r.l.	Ferrara (IT)	EUR	100	9,479	3,064	90.00%	15,685	(7,154)
FDM GmbH	Konigswinter (DE)	EUR	75	7,153	694	66.67%	1,214	3,555
Piovan Asia Pacific LTD	Bangkok (TH)	THB	4,020	(361)	130	100.00%	86	(447)
Piovan South East Asia Ltd	Bangkok (TH)	THB	9,000			100.00%	0	0
Piovan Muhendslik LTD	Beikoz (TR)	TRY	10	(588)	(64)	100.00%	63	(650)
Piovan Czech Republic s.r.o.	Prague (CZ)	CZK	200	478	142	10.00%	1	47
Total							**30,336**	
Associates:								
C.M.G. S.p.A.*	Bologna (IT)	EUR	1,250	2,864	432	20.00%	266	643
Total							**266**	
Other companies**								
CESAP S.p.A.							1	
Consorzio SALUS PUERI							2	
CONAI							0	
Total							**3**	

**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.*

With reference to the investee companies, the Company holds a number of options to purchase minority shares, in particular the option to purchase a 19% stake in Progema, the option to purchase 10% of Penta S.r.l., the option to purchase 33.33% of FDM GmbH and the option to purchase 45% of CMG.

These options, which only have an asset value for the Company, since they are held by the Company, have not been valued in consideration of the fact that the contractual provisions providing the exercise option, mainly under the control of the Company, are considered unlikely by management. On the basis of these assumptions, the fair value of these options would have a value tending towards zero.

It should also be noted that, with reference to the 10% shareholding in Penta S.r.l. and 33.33% of FDM GmbH, the respective minority shareholders hold a put option with reference to their share. The exercise price of these options, based on management's analysis of their measurement, was considered "out of the money" for minority shareholders, therefore the fair value of the derivative has no value for the Company.

Finally, with reference to associate, CMG, it should be noted that this interest was acquired in 2015 through the transfer of a business unit that was subject to an expert 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 31 December 2018, this item amounted to EUR 16 thousand and was in line with the previous period; it mainly consisted of guarantee deposits paid by the Company for various reasons with reference to utilities and property rental contracts for premises where the Company has its registered office.

[5] Advance taxes and deferred tax liabilities

At 31 December 2018, *deferred tax assets* amounted to EUR 623 thousand, compared with EUR 1,093 thousand at 31 December 2017. The Company has allocated prepaid or deferred taxes on the temporary differences between the book values and the fiscal values.
The item *Deferred tax assets* does not include assets arising from the measurement of tax losses, as the Company has no accrued tax losses.

Specifically, deferred tax assets and liabilities derive from the allocation of taxes on future costs or benefits with respect to the period in question, mainly as a result of tax increases generated by the failure to deduct losses on receivables, write-downs of equity investments, directors' fees not yet paid in previous periods, and other deductible amortisation and depreciation in subsequent years and provisions for risks.
Taxation is calculated on the basis of the rates in force when the temporary differences will reverse. The breakdown of deferred tax assets for each reference period is as follows:

Deferred tax assets (€'000)	Taxable income 2018	Deferred tax assets 2018	Taxable income 2017	Deferred tax assets 2017
Provisions for doubtful debts	343	86	431	104
Provision for product warranties	195	54	100	28
Inventory obsolescence provision	663	185	663	185
Provision for pending litigation risks	310	74	0	0
Directors' unpaid emoluments	53	13	0	0
Supplementary customer indemnity	123	16	145	17
Non-deductible maintenance	133	32	266	64
Foreign currency conversion losses	117	28	902	250
Adoption of IAS 38	246	69	310	86
Adoption of IFRS 15	0	0	1,069	298
Adoption of IAS 19	219	61	219	61
Other	16	4	2	0
Total	**2,418**	**623**	**4,107**	**1,093**

At 31 December 2018, *deferred tax liabilities* amounted to EUR 1,187 thousand, compared with EUR 1,251 thousand at 31 December, 2017.

Deferred tax liabilities (€'000)	Taxable income 2018	Deferred tax liabilities 2018	Taxable income 2017	Deferred tax liabilities 2017
Adoption of IAS 17	4,131	1,152	4,440	1,241
Adoption of IAS 37	36	10	36	10
Adoption of IAS 19	88	24	-15	0
Other	1	0	1	0
Total	**4,255**	**1,187**	**4,461**	**1,251**

The movement in advance and deferred taxes are presented in the next table:

CHANGES IN THE PERIOD €'000	Advance taxes	Deferred tax liabilities	Total
Balance at 1 January 2017	**995**	**(1,369)**	**(374)**
Changes 2017			0
- Effect on the profit and loss account	94	118	212
- Effect on Other items of the Comprehensive Income Statement	4	(1)	3
Balance at 31 December 2017	**1,093**	**(1,251)**	**(159)**
Movements in 2018			
- 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)**

[6] Inventories

At 31 December 2018, this item amounted to EUR 9,946 thousand, compared with EUR 8,371 thousand at 31 December 2017:

€'000	31.12.2018	31.12.2017	Change 2018
Raw materials, ancillary materials and consumables	353	326	27
Semi-finished goods and work in progress	6,923	6,720	203
Provision for obsolescence of semi-finished goods	(329)	(329)	0
Total semi-finished goods and work in progress	6,594	6,391	203
Finished goods and goods for resale	3,247	1,855	1,393
Provision for obsolescence of finished goods and goods for resale	(334)	(334)	0
Total finished goods and goods for resale	2,914	1,521	1,393
Advances	86	133	-47
Inventories	**9,946**	**8,371**	**1,575**

In 2018, the balance of inventories increased by EUR 1,575 thousand, gross of the impairment provision. The increase, mainly regarding raw materials and semi-finished goods categories, is linked to the normal performance of the activity and derives from a greater quantity of orders in progress, finalised and therefore invoiced in the first weeks and months of 2019.

Obsolete or slow-moving inventories are covered by an impairment provision, the amount of which remained unchanged during the period, which reflects the difference between the cost value and the estimated realisable value of obsolete raw materials, semi-finished and finished goods.

[7] Trade receivables

At 31 December 2018, this item amounted to EUR 33,828 thousand, compared with EUR 39,474 thousand at 31 December 2017. The item, representing exposure to third parties and Group companies, reported the following breakdown:

€'000	31.12.2018	31.12.2017	Change 2018
Customer receivables	16,095	21,889	(5,794)
Receivables from subsidiaries	19,363	19,232	131
Receivables from parent companies		1	(1)
Total trade receivables	35,458	41,122	(5,664)
Provisions for doubtful debts	(1,630)	(1,648)	18
Total	**33,828**	**39,474**	**(5,646)**

The value of receivables at 31 December 2018, gross of the provision, decreased by EUR 5,664 thousand (13.8%) compared to year ended 2017, despite a 12% increase in sales revenue and is attributable to the different project timing dynamics.

Receivables by geographical area report the following breakdown:

	31.12.2018	31.12.2017
EMEA	20,822	25,237
of which Italy	*7,501*	*6,877*
NORTH AMERICA	4,270	2,807
ASIA	4,797	6,013
SOUTH AMERICA	3,939	5,418
Total	**33,828**	**39,474**

Trade receivables from group companies are reported in disclosures on related party transactions in note [35].

Impairment losses are recognised, taking into account past due receivables from customers with financial difficulties, receivables for which legal action has commenced and the expected receivable losses. At the time of the FTA, the Company adopted IFRS 9. The first-time adoption of IFRS 9 resulted in the recognition of an additional provision for write-down of receivables, amounting to EUR 102 thousand as a balancing entry to the FTA reserve.

The bad debt provision comprises management estimates on credit losses on receivables. The estimate of the provision for write-down of receivables is based on the company's expected losses, determined on the basis of past experience with similar receivables, current and historical past due amounts, losses and collections, careful monitoring of credit quality and projections of economic and market conditions. The annual provision is included in the *Other operating costs* item.

Changes in the provision for write-down of receivables are reported in the following table:

	31.12.2017	Provisions	Utilisa tions	Reversals	31.12.2018
Provisions for doubtful debts	1,648		(14)	(4)	1,630
Total	**1,648**	**0**	**(14)**	**(4)**	**1,630**

	01.01.2017	Provisions	Utilisa tions	Reversals	31.12.2017
Provisions for doubtful debts	1,912	212	(473)	(3)	1,648
Total	**1,912**	**212**	**(473)**	**(3)**	**1,648**

[8] Current financial assets

Current financial assets amounted to EUR 3,899 thousand year ended 31 December 2018 and EUR 3,612 thousand year ended 31 December 2017. This item includes loans granted to investee companies under normal market conditions.

These loans are classified as current assets, as it is contractually provided that the Company may request their repayment at any time.

€'000	31.12.2018	31.12.2017	Changes
Piovan Muhendslik LTD	260	260	0
Piovan Japan Inc.	285	150	135
Universal Dynamics Inc.	3,354	3,202	152
Total	3,899	3,612	287

It should be noted that the loan granted to Universal Dynamics Inc. is in dollars and was granted in relation to the project for production expansion and technological upgrading undertaken by the Group as from 2017. The change from 2017 is due to the exchange rate effect.

[9] Tax credits

At 31 December 2018, this item amounted to EUR 839 thousand, compared with EUR 181 thousand at 31 December 2017. The amount reported mainly regards the VAT credit (EUR 790 thousand at 31 December 2018 and EUR 181 thousand at 31 December 2017).

[10] Other current assets

At 31 December 2018, this item amounted to EUR 1,976 thousand, compared with EUR 1,697 thousand at 31 December 2017. The item can be broken down as follows:

€'000	31.12.2018	31.12.2017	Changes
Employee payables	193	225	(32)
Deferred costs	118	135	(17)
Advances to suppliers	52	192	(140)
Receivables from parent companies	1,315	787	528
Non-interest-bearing loans		56	(56)
Other receivables	296	301	(5)
Total Other current assets	**1,975**	**1,696**	**278**

The item *Receivables from parent companies* includes receivables from the parent company Pentafin S.p.A., regarding corporate income tax (IRES) refund applications, submitted by the tax consolidating entity on behalf of Piovan S.p.A., with reference to the failure to deduct Regional tax on production activities (IRAP) for the years 2007-2011 (Decree-Law 201 of 2011) and 2005-2007 (Legislative Decree 85/2008), for EUR 786 thousand, in addition to receivables arising from the tax consolidation agreement for higher advances paid, with respect to taxes for the period.

[11] Cash and cash equivalents

At 31 December 2018, this item amounted to EUR 11,435 thousand, compared with EUR 12,383 thousand at 31 December 2017.

€'000	31.12.2018	31.12.2017
Current accounts and post office deposits	11,432	12,380
Cash	2	3
Cash and cash equivalents	**11,435**	**12,383**

Reference should be made to the *Cash flow statement* for details of changes in the Group's cash and cash equivalents.
Current accounts and post office deposits are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant currency risk.
At 31 December 2018 there were no restrictions on the availability of the Group's current accounts.

[12] Owners' equity

Shareholders' equity is made up as follows:

	31.12.2018	31.12.2017
Share capital	6,000	6,000
Legal reserve	1,200	1,200
Reserve for treasury shares	(2,250)	(7,641)
Other Reserves and retained earnings	26,025	20,277
Fiscal year result	11,671	16,532
Net Equity	**42,647**	**36,368**

The ***share capital***, fully subscribed and paid up, was composed as at 31 December 2018 of 53,600,000 ordinary shares compared to 600,000 ordinary shares as at 31 December 2017.

The change with respect to 31 December 2017 is due to the following resolutions:

- on 29 June 2018, the extraordinary shareholders' meeting approved the elimination of the nominal value of the shares as well as an increase in the number of shares of the Parent in the ratio of no. 100 new shares with no par value for each no. 1 old share. The shareholders' meeting resolution did not lead to changes in the share capital.

- on 2 August 2018, the shareholders' meeting of Piovan S.p.A. resolved to cancel 6,400,000 treasury shares held in portfolio, while keeping the share capital unchanged.

Therefore, as at 31 December 2018, the Company's share capital approved, subscribed and paid up amounted to €6,000,000, divided into 53,600,000 ordinary shares with no nominal value.

Year ended 31 December 2018, the Company and the Group held, directly through Piovan S.p.A., 2,670,700 treasury shares, corresponding to 4.98% of the share capital of Piovan S.p.A., whose value was equal to EUR 2,250 thousand as at 31 December 2018.
The purchase of the original number of treasury shares was by resolution of the shareholders' meeting of 25 October 2012 for €4,012,000 and by resolution of the shareholders' meeting of 14 October 2013 for €4,140,000. During 2016, part of treasury

shares of the Parent Company were sold to Filippo Zuppichin for a price higher than the carrying amount. At the beginning of 2018 the number of treasury shares was 9,070,700, for a total value of €7,641,000.
The Company's Shareholders' Meeting held in 6 July 2018 resolved to authorize the purchase of treasury shares, in one or more tranches, for a period not exceeding eighteen months, starting from the effective date of the resolution, in compliance with legislative legislation and current regulations.

The item ***Other reserves and retained earnings*** mainly includes the Company's other earnings and capital reserves, in addition to retained earnings from previous periods, as well as the effects of adjustments deriving from the adoption of the international accounting standards. This item changed in 2018, following the allocation of the previous year's result and the distribution of dividends amounting to EUR 6,000 thousand, paid in full to the Company's owners in June 2018.

Availability and use of equity reserves:

Nature/Description	Amount 31.12.2018	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	16,466,933	**A, B, C**	16,466,933	14,217,189
Sundry other reserves	5,000,752	**A, B, C**	5,000,752	
IAS/IFRS First-Time Adoption reserve	4,557,483	**B**	4,557,483	
Total Other reserves	**26,025,168**			
Total	**30,975,423**			
Profit for 2018	11,671,417			
Total owners' equity year ended 31.12.2018	**42,646,840**			

Legend
A: for share capital increase
B: to cover losses
C: for distribution to owners

[13] Earnings per share

On 29 June 2018 the Shareholders' meeting approved an increase in the number of shares of the Company in the ratio of 100 (one hundred) new shares with no nominal value for each 1 old share. 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 used to calculate earnings per share is 50,929,300, corresponding to existing shares (53,600,000) minus the number of treasury shares held (2,670,700). Therefore, the calculations of earnings per share for all periods presented were adjusted retrospectively and presented on the basis of the new number of shares, taking into account the average number of treasury shares.

Specifically, earnings per share have been calculated, for all the periods reported, by dividing the Company's net earnings by the weighted average number of outstanding ordinary shares, the latter being determined taking into account the increase in the number of shares as established under the aforementioned resolution and the reduction in the number of treasury shares held. The Group did not repurchase or issue ordinary shares in the financial years in question, nor were there potential ordinary shares that could be converted with dilutive effects.

The earnings per share are as follows:

	31.12.2018	31.12.2017
Profit for the period (EUR '000)	11,671	16,532
Weighted average of number of outstanding ordinary shares (in thousands of units)	50,929	50,929
Basic and diluted earnings per share (in Euros)	0.23	0.32

[14] Current and non-current financial liabilities

This item is broken down as follows:

€'000	31.12.2018	31.12.2017
Short-term bank loans	12,994	9,218
Current portion of medium/long-term loans	5,930	5,915
Current financial liabilities to subsidiaries	3,300	4,900
Loans for leasing falling due within 12 months	320	411
Current financial liabilities	**22,544**	**20,444**

€'000	31.12.2018	31.12.2017
Medium/Long-term loans	10,704	16,633
Bonds	0	2,500
Loans for leasing falling due over 12 months	569	580
Non-current financial liabilities	**11,273**	**19,713**

Short-term bank borrowings refer to the utilisation of lines of credit for operations.
At 31 December 2017 the Debenture loan item comprised the liability of €2,500,000 represented by 2,500 bonds with a nominal amount of €1,000 each, at an annual fixed rate of 5.83% and expiring on 31 December 2030. As at 31 December 2017, the loan was fully subscribed by Delta Erre S.p.A., which was subsequently merged into Spafid S.p.A., a company operating under a fiduciary mandate on behalf of Nicola Piovan. Starting in May 2018, the effective ownership of the bond was in the name of the Sole Director of the Parent Company in office at the same date; the bond was fully repaid early in June 2018.

With reference to 31 December 2018 and 31 December 2017, the following table provides details of the main features of bank loans by maturity:

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	3m Euribor + 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**

31.12.2017	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	3m Euribor + 0.75%	3,333	1,333	2,000
Mediocredito III	EUR	8,000	31/03/2022	Variable	Euribor 6m+0.55%	7,200	1,600	5,600
Credem	EUR	6,000	05/04/2021	Fixed	0.48%	5,256	1,493	3,763
BNL II	EUR	7,500	06/06/2022	Fixed	0.50%	6,758	1,489	5,270
Total		**26,500**				**22,547**	**5,915**	**16,633**

As at 31 December 2018 there were no secured loans.

The following tables show changes in current and non-current financial liabilities (including cash and non-cash movements):

€'000	01.01.2017	Net cash flows	31.12.2017	Net cash flows	31.12.2018
Short-term bank loans	7,541	1,677	9,218	3,776	12,994
Current portion of medium/long-term loans	4,333	1,582	5,915	15	5,930
Other financial payables (to subsidiaries)	3,400	1,500	4,900	1,600	3,300
Other financial payables (to leasing companies)	488	-77	411	91	320
Current financial liabilities	15,762	4,682	**20,444**	2,100	**22,544**

€'000	01.01.2017	Net cash flows	31.12.2017	Net cash flows	Other movements	31.12.2018
Medium/Long-term loans	6,833	9,800	16,633	(5,929)		10,704
Bonds	2,500	0	2,500	(2,500)		0
Loans for leasing falling due over 12 months	976	(396)	580	(231)	220	569
Non-current financial liabilities	**10,309**	**9,404**	**19,713**	**(8,440)**	220	**11,273**

[15] Liabilities for employee benefits

The item includes the liabilities for the staff leaving indemnity (T.F.R.). These liabilities qualify as defined benefit plans pursuant to IAS 19 and therefore underwent an actuarial calculation.

The following table reports changes in liabilities compared to the same period previous year.

Employee benefits liabilities	31.12.2018	31.12.2017
Opening balance	**2,542**	**2,874**
Employee benefits paid	(113)	(368)
Provision	1,112	963
Transfer to pension funds and INPS treasury	(1,093)	(954)
Actuarial earnings (losses)	(102)	(11)
Interest cost	28	38
Closing balance	**2,374**	**2,542**

The measurement of the provision for employee severance indemnities is based on the following actuarial assumptions:

<table>
<tr><th>Employee benefits liabilities</th><th>31.12.2018</th><th>31.12.2017</th></tr>
<tr><td>Annual discount rate</td><td>1.57%</td><td>1.30%</td></tr>
<tr><td>Annual inflation rate</td><td>1.50%</td><td>1.50%</td></tr>
<tr><td>Annual rate of increase in employee severance indemnity</td><td>2.63%</td><td>2.63%</td></tr>
<tr><td>Mortality rate</td><td>ISTAT 2018 Tables</td><td>ISTAT 2016 Tables</td></tr>
<tr><td>Retirement age</td><td colspan="2">at the achievement of the AGO pension fund requirements</td></tr>
<tr><td>Advances rate</td><td>3.50%</td><td>3.50%</td></tr>
<tr><td>Turnover rate</td><td colspan="2">1% (based on historical company data)</td></tr>
</table>

The annual discount rate used to calculate the present value of the bond was derived from the Iboxx Corporate AA index with a similar duration 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 into account the effect of any changes in the main assumptions used in the valuations. The assumptions used in the sensitivity analysis are summarised below together with the corresponding changes in the present value of the obligation:

Employee benefits liabilities (€'000)	31.12.2018	31.12.2017
Discount rate +50bp	(121)	(135)
Discount rate -50bp	131	145
Inflation rate +50bp	79	88
Inflation rate -50bp	(78)	(86)

[16] Provisions for risks and charges

At 31 December 2018, provisions for risks and charges amounted to EUR 1,790 thousand, compared with EUR 1,314 thousand at 31 December 2017. The following table provides a breakdown and changes of this item:

€'000	01.01.2017	Provisions	Actuarial effect	Utilisations	31.12.2017	Provisions	Actuarial effect	Utilisations	31.12.2018
Provision for legal and tax risks						310			310
Provision for product warranties	100				100	95			195
Provision for additional client expenses	58		6	(1)	63	8	(22)		49
Provision for risks on investments	1,151				1,151	85			1,236
Provisions for risks and charges	**1,309**	**0**		**(1)**	**1,314**	**498**	(22)		**1,790**

The *provision for legal and tax risks* at 31 December 2018 mainly included a provision set aside in 2018 for an amount of EUR 310 thousand, which represents the best estimate of potential charges related to trade receivables;

The *Provision for product warranties* was accrued to cover estimated charges for work carried out under warranty to be incurred after each reporting date, calculated on the basis of historical costs and expected costs related to machinery and plants sold that are still under the initial warranty.

The *Provision for additional client expenses* is the estimated liability deriving from the application of ruling legislation and contractual clauses on the termination of agency relationships.

The *provision for risks on holdings in subsidiaries* includes the provision for the negative owners' equity of certain subsidiaries, Piovan Muhendislik Ltd Sirketi, Piovan Japan Inc. and Piovan Asia Pacific LTD.

[17] Trade payables

At 31 December 2018, this item amounted to EUR 23,465 thousand, compared with EUR 19,525 thousand at 31 December 2017. Trade payables originate from the different payment terms negotiated with vendors, which vary according to the various countries in which the Company operates. The increase over the years is in line with the increase in sales revenue. The company has no significant past due payables.

[18] Advances from customers

At 31 December 2018, *advances from customers* amounted to EUR 2,502 thousand compared with EUR 3,107 thousand at 31 December 2017. This item refers to advances received by the Company from customers.

[19] Social security and tax payables

At 31 December 2018, this item amounted to EUR 3,380 thousand, compared with EUR 2,936 thousand at 31 December 2017. This item is broken down as follows:

€'000	31.12.2018	31.12.2017	Changes
Social security contributions	2,174	1,738	436
Tax withholdings for employees	1,122	941	181
Income tax liabilities (IRES and IRAP)		173	(173)
Other	84	84	0
Tax liabilities and social security contributions	**3,380**	**2,936**	**444**

The change compared to the previous period is primarily attributable payables to social security agencies relating to the evolution of labour costs and the benefit to employees linked to the process of listing on the Stock Exchange.

[20] Other current liabilities

At 31 December 2018, this item amounted to EUR 4,271 thousand, compared with EUR 3,965 thousand at 31 December 2017. This item is broken down as follows:

€'000	31.12.2018	31.12.2017	Changes
Payables to employees	3,425	3,316	109
Payables to parent companies		331	(331)
Accrued expense and deferred income	11	58	(47)
Other payables	835	260	(239)
Other current liabilities	**4,271**	**3,965**	**306**

Payables to employees refer to wages and salaries and accrued holidays and leave. The item Other payables includes the deposit received for the preliminary sale of the factory where subsidiary Aquatech S.p.A. currently operates (EUR 200 thousand), the residual payable to 3B S.r.l. for the purchase of the 25% stake in Penta S.r.l. (EUR 225 thousand).

NOTES TO THE PROFIT AND LOSS ACCOUNT

[21] Revenues

Revenues amounted to EUR 106,674 thousand at 31December 2018, compared with EUR 95,509 thousand at 31 December 2017, an increase of 11.7%. Revenue is shown net of discounts and allowances.

In order to provide adequate disclosure on the nature and characteristics of revenue, it is broken down below by market and by geographical area. Such break-downs are regularly monitored by Group management.

Revenue is broken down by market as follows:

€'000	2018	2017	Change
Revenues from Plastics Systems	94,134	82,901	11,232
Revenues from Food Systems	253	338	(85)
Revenues from Service & Spare parts	12,288	12,270	18
Revenues	**106,674**	**95,509**	**11,165**

A breakdown of revenue by geographical area is as follows:

€'000	2018	2017	Change
EMEA	90,929	76,830	14,099
ASIA	5,369	6,809	(1,440)
NORTH AMERICA	7,394	8,428	(1,034)
SOUTH AMERICA	2,982	3,442	(460)
Revenues	**106,674**	**95,509**	11,165

EMEA revenues include the portion of revenues generated in Italy, which amounted to EUR 27,527 thousand in 2018 and EUR 25,800 thousand in the previous period. Growth in Italy in 2018 is primarily attributable to the significant increase in projects also linked to the 4.0 systems.

[22] Other revenues

Other revenues amounted to EUR 1,377 thousand in 2018, compared with EUR 1,480 thousand in the previous period.

The item may be broken down as follows:

€'000	2018	2017	Change
Ancillary sales transport services	204	236	(32)
Increases in fixed assets for internal works	27	46	(19)
Machinery leases		27	(27)
Current expenses grants	412	238	174
Contingent assets	167	160	7
Capital gains for disposal of tangible and intangible assets		15	(15)
Recharges to suppliers		202	(202)
Insurance compensation	17	189	(171)
Commissions	15		16
Sale of scrap materials		94	(94)
Compensation		26	(26)
Other	535	247	288
Other revenues and proceeds	**1,377**	**1,480**	**(103)**

The *Ancillary sales transport services* item mainly refers to revenue from ancillary transport services related to sales transactions with customers.

The item, *machinery leasing* refers to income from the leasing of group-owned production assets, generally for demonstration purposes or on a temporary basis until the system ordered by the customer is delivered.

Grants related to income for 2018 mainly consist of grants for the Company R&D.

Contingent assets mainly refers to differences arising on estimated costs related to prior years.

[23] Purchase of raw materials, components, goods and changes in inventories

This item totalled EUR 44,599 thousand in 2018, compared with EUR 39,622 thousand in the previous period. The item may be broken down as follows:

€'000	2018	2017	Change
Purchase of raw materials, components and goods	44,883	39,018	5,865
Purchase of consumables	1,339	1,355	(16)
Change in inventories of raw materials and goods	(27)	(25)	(2)
Change in inventories of finished goods and semi-finished products	(1,595)	(726)	(869)
Purchase of raw materials, consumables and goods and changes in inventories	**44,599**	**39,622**	**4,977**

The change is mainly due to the higher purchase of raw materials (+EUR 5,865 thousand), which varies in relation to both the increase in revenues and the trend in changes in inventories. Specifically, the increase in purchases of raw materials, components and goods is due to the significant increase in sales.

The increase in *Change in finished goods and semi-finished products* item is directly linked to the production of ordered products or systems and their subsequent sale.

[24] Costs for services

Costs for services amounted to EUR 21,530 thousand in 2018, compared with EUR 15,970 thousand in 2017, an increase of 35%. In 2018, the item consultant fees includes EUR 3,568 thousand for expenses related to the listing process, the *costs for services*, net of this item, would amount to EUR 17,877 thousand.

The item may be broken down as follows:

€'000	2018	2017	Changes
Outsourced processing	7,469	5,885	1,583
Transport costs	1,270	1,218	52
Business trips and travel	1,149	1,325	(176)
Commissions	2,380	1,635	745
Fees to directors, statutory auditors and independent auditors	1,408	1,624	(217)
Consultancies	4,434	674	3,761
Maintenance and repairs	926	1,085	(160)
Marketing and advertising costs	466	303	162
Utilities	522	507	14
Insurance	306	266	40
Telephone and internet connections	163	191	(28)
Other costs for services	1,040	1,256	(216)
Services costs	**21,530**	**15,970**	**5,560**

The other most significant cost items, also from the standpoint of the industrial process, are:

- outsourced processing costs of EUR 7,469 thousand in 2018 (34.7% of total *Costs for services*) determined by the production methods of the Group, which concentrates processing and activities with a high added value and core business in-company. For 2017, this item amounted to EUR 5,885 thousand and 36.9% of total *costs for services*. The increase in the weight of outsourced processing is linked to business performance trends;
- transport costs for purchases and sales; the increase is connected to business performance;
- business trips and travel costs, which refer to both sales scouting and customer relations activities and travelling to customer production sites for installation or start-up activities and customer assistance.

[25] Costs for use of leased assets

Costs for use of leased assets amounted to EUR 425 thousand, compared with EUR 433 thousand 2017.
The item may be broken down as follows:

€'000	2018	2017	Change
Rental expenses	391	383	8
Leases	34	50	(16)
Costs for use of third-party assets	**425**	**433**	**(8)**

The decrease in the item, reported primarily in the item "rentals", is mainly due to lower costs for the availability of vehicles.

[26] Personnel costs

Personnel costs amounted to EUR 24,163 thousand, compared with EUR 21,830 thousand in 2017. A breakdown of personnel costs and the workforce by employee category is as follows:

€'000	2018	2017	Changes
Wages and salaries	17,696	15,950	1,746
Social security contributions	5,362	4,839	523
Costs for defined benefit plans	1,099	1,029	70
Other personnel expenses	6	12	(6)
Personnel expenses	**24,163**	**21,830**	**2,334**

	2018		2017	
	Year end	average	year end	average
Managers	10	11	10	9
Middle managers	12	12	12	15
White collar workers	175	174	167	161
Blue collar workers	197	194	185	183
Total	**394**	**391**	**374**	**368**

The Group's employees headcount increased compared to 2017. As at 31 December 2018, the total number of employees totalled 394. The increase is in support of the strategy of growth and proximity to customers pursued by company.
In addition, in 2018, the Company reported charges amounting to EUR 710 thousand for the bonus granted to employees of Piovan S.p.A., in relation to the listing of Piovan S.p.A. on the Milan Stock Exchange, entirely financed with non-repayable funding by the parent company, Pentafin S.p.A., which bore the entire cost. Non-repayable funding has been reported as *Capital contribution*s an increase in owners' equity.

[27] Other operating costs

The balance of this item amounts to EUR 634 thousand, compared with EUR 651 thousand in the previous period. The item may be broken down as follows:

€'000	2018	2017	Changes
Other taxes and duties	331	239	92
Bad debt provision recognition	0	212	(226)
Entertainment costs	31	22	8
Other	272	177	108
Other operating costs	**634**	**651**	(17)

The item *Other taxes and duties* mainly includes indirect property taxes (property taxes IMU (Municipal Property Tax) and TASI (Indivisible Services Tax).

[28] Provisions for risks and charges

Provisions for 2018 amounted to EUR 413 thousand, compared with EUR 86 thousand in the previous period.

€'000	2018	2017	Change
Provisions for risks	310	80	230
Provision for product warranty	95	0	95
Provision for supplementary indemnity fund	8	6	2
Provisions for risks and charges	**413**	**86**	**327**

[29] Amortisation, depreciation and write-downs

This item totalled EUR 1,789 thousand compared to EUR 1,618 thousand in 2017. The item may be broken down as follows:

€'000	2018	2017	Changes
Depreciation of intangible fixed assets	246	201	45
Depreciation of property, plant and equipment	1,543	1,416	127
Amortisation/depreciation and write-downs	**1,789**	**1,618**	**172**

[30] Financial income and expense

€'000	2018	2017	Change
Interest income	53		53
Dividends	1,343	6,459	(5,116)
Other financial income	36	72	(36)
Financial income	**1,432**	**6,531**	**(5,099)**
Bank interest expenses	126	207	(81)
Other interest expenses	95	179	(83)
Other financial expenses	112	56	56
Financial charges	**333**	**441**	(108)
Net financial income (expense)	**1,099**	**6,090**	**(4,991)**

This item totalled EUR 1,099 thousand in 2018, compared with EUR 6,090 thousand in 2017. In 2018, this item includes EUR 1,343 thousand in dividends received from subsidiaries, which in 2017 amounted to EUR 6,459 thousand.

[31] Foreign exchange translation Gains/ (Losses)

This item totalled EUR 443 thousand at 31 December 2018, compared with a negative EUR 1,419 thousand at 31 December 2017. The item may be broken down as follows:

€'000	2018	2017	Change
Foreign currency conversion gains	954	141	813
Foreign currency conversion losses	(511)	(1,560)	1,049
Foreign currency conversion gains and losses	**443**	**(1,419)**	**1,862**

Unrealised foreign exchange gains included under *Exchange gains* amounted to EUR 764 thousand in 2018 (80% of exchange gains for the period), respectively.
Unrealised foreign exchange losses included in *Exchange losses* amounted to EUR 8 thousand in 2018 (2% of exchange losses for the period). In 2018, net exchange gains amounted to EUR 443 thousand, an improvement on the previous period, which was significantly affected by strong exchange rate fluctuation and, namely, by: (i) the loss on the loan granted in March 2017 by the Parent Company to the subsidiary Universal Dynamics Inc., for an initial amount of $ 4,400 thousand, which had generated a loss on exchange rates, and (ii) the exchange rate difference on payments made by ,foreign subsidiaries to the parent company due to the exchange rate differences between the date of invoicing and payment between the Euro and the local currency.

[32] Value adjustments on financial assets

The item reported a net loss of EUR 85 thousand in 2018 and related to the provision for equity investment risks for the subsidiaries Piovan Muhendislik Ltd Sirketi (EUR 40 thousand) and Piovan Japan Inc. (EUR 45 thousand). See note [16] for additional information.

[33] Taxes

This item totalled EUR 4,285 thousand in 2018, compared to EUR 4,900 thousand in 2017. The item may be broken down as follows:

€'000	2018	2017	Change
Current tax liabilities	3,905	5,075	(1,105)
Deferred/advance taxes	380	-212	526
Taxes from previous years	0	37	(37)
Income taxes	**4,285**	**4,900**	**(615)**

Taxes can be reconciled as follows with the pre-tax result in the profit and loss account:

	2018	2017
Earnings before taxes	**15,956**	**21,432**
Income taxes calculated using the theoretical IRES rate (24%)	**(3,829)**	**(5,144)**
Higher taxes	**(385)**	**(445)**

provision for funds	(97)	(19)
non-deductible vehicles costs	(48)	(48)
unrealized foreign exchange losses	(2)	(294)
investment write-down	(20)	(5)
non-deductible leasing cost (IAS17)	(76)	-
others	(141)	(80)
Lower taxes	**1,089**	**1,698**
use of funds	46	12
contingent assets	6	21
unrealized foreign exchange profit	162	2
super-depreciation	27	30
iper-depreciation	28	-
Dividends	306	1,473
IRAP tax deduction	72	46
tax crediti R&D	90	52
IFRS15 Revenues effects	257	-
others	94	62
Irap	**(780)**	**(831)**
Withholding tax on dividends		**(381)**
Other movements	**(380)**	**202**
Income taxes	**(4,285)**	**(4,900)**

Reference should be made to note [5] for information about movements in advance and deferred taxes and their composition.

[34] Segment reporting

Under IFRS 8, an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. Based on the Group's internal reporting system, the business activities for which it earns revenue and incurs expenses and the operating results which are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated and to assess its performance, the Group has not identified individual operating segments but is an operating segment as a whole.
Disclosure required also for entities that have a single reportable segment in relation to goods sold and services rendered and geographical areas are provided in note [24].

35] Other information

Non-recurring items
Consob Communication no. DEM/6064293 of 28 July 2006 requires information on significant events and transactions whose occurrence is non-recurring or on transactions or events that are not repeated frequently in the normal course of business.
Non-recurring income refers to non-repeatable income.
Non-recurring charges mainly refer to costs relating to the Company's listing on the Stock Exchange, costs relating to the transfer and/or increase of long-term production capacity and, if applicable, ancillary charges on acquisitions made during the year.

In 2018, non-recurring expenses amounting to EUR 3.6 million were primarily attributable to various costs incurred for the listing of the Company and personnel costs for EUR 0.8 million regarding the bonus granted to Company employees, in relation to the listing on the Stock Exchange. No non-recurring income or charges were recorded in 2017.

Categories of financial instruments and fair value hierarchy

With regard to the allocation of financial assets and liabilities required by IFRS 7, it should be noted that there were no transfers between the fair value levels indicated in IFRS 13 compared to those indicated in the consolidated financial statements at 31 December 2017, to which reference should be made for further information.

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**
Total financial assets		**45,262**	**-**	**11,434**	**33,828**
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	5,915		5,915	
Short-term bank loans	Liabilities at amortised cost	9,218		9,218	
Payables to other lenders	Liabilities at amortised cost	5,311		5,311	
Current financial liabilities		**20,445**		**20,445**	
Trade payables	**Liabilities at amortised cost**	**23,465**			**23,465**
Advances from customers	**Liabilities at amortised cost**	**2,502**			**2,502**
Total financial liabilities		**46,411**		**20,445**	**25,967**

31.12.2017	IFRS 9 categories	Book value	Level 1	Level 2	Level 3
Current accounts and post office deposits	Receivables and loans	12,380		12,380	
Cash	Receivables and loans	3		3	
Cash and cash equivalents		**12,383**		**12,383**	
Trade receivables	**Receivables and loans**	**39,475**			**39,475**
Total financial assets		**51,858**	**-**	**12,383**	**39,475**
Bank borrowings	Liabilities at amortised cost	16,633		16,633	
Payables to other lenders	Liabilities at amortised cost	3,081		3,081	
Non-current financial liabilities		**19,714**		**19,714**	
Short-term bank loans	Liabilities at amortised cost	5,930		5,930	
Short-term bank loans	Liabilities at amortised cost	12,994		12,994	
Payables to other lenders	Liabilities at amortised cost	3,620		3,620	
Current financial liabilities		**22,544**		**22,544**	
Trade payables	**Liabilities at amortised cost**	**19,525**			**19,525**
Advances from customers	**Liabilities at amortised cost**	**3,106**			**3,106**
Total financial liabilities		**45,175**		**22,544**	**22,631**

Transactions with related parties

During the periods 2018 and 2017, the Company entered into business transactions with subsidiaries and certain related parties of the Group.

In compliance with the provisions of IAS 24, Related Parties are considered to be the following entities: (a) companies that directly or indirectly, through one or more intermediate companies, control or are controlled by or are under common control with the company that prepares the financial statements; (b) associated companies; (c) natural persons who directly or indirectly have a voting power in the company that prepares the financial statements that gives them a dominant influence over the company and their close family members; (d) executives with strategic responsibilities, i.e. those who have the power and responsibility for planning, management and control of the company that prepares the financial statements, including directors, officers and their close relatives; (e) companies in which any natural person described under (c) or (d) has, directly or indirectly, significant voting power, or over which such person is able to exercise significant influence. Case (e) includes companies owned by the directors or major shareholders of the company drawing up the financial statements as well as companies having a manager with strategic responsibilities in common with the company drawing up the financial statements.

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

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

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
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**
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**

*** in the first half of the year, non-depreciable assets of €988,000 were sold to the parent company Pentafin S.p.A., as explained in note [2]**

Transactions at 31.12.2017	Nature of transactions	Notes	Current trade receivables	Other current assets	Financial current assets	Trade payables	Current financial liabilities	Non-current financial liabilities	Other current liabilities	Total revenues and other income	Expenses
Subsidiary											
PIOVAN GMBH	Subsidiary	[7] [17] [21] [23]	111		-	22	-			7,827	56
PIOVAN CENTRAL EUROPE	Subsidiary	[7] [17] [21] [23]	1,461		-	13	-			4,346	167
PIOVAN UK LIMITED	Subsidiary	[7] [17] [21] [23]	1,426		-	8	-			2,845	26
PIOVAN DO BRASIL LTD	Subsidiary	[7] [17] [21] [23]	1,257		-	43	-			2,655	243
PIOVAN PLASTICS MACHINERY	Subsidiary	[7] [17] [21] [23]	528		-	67	-			1,731	(21)
PIOVAN MEXICO S.A.	Subsidiary	[7] [17] [21] [23]	3,987		-	28	-			3,932	48
PIOVAN FRANCE	Subsidiary	[7] [17] [21] [23]	3,127		-	74	-			3,946	413
UNIVERSAL DYNAMICS	Subsidiary	[7] [8] [17] [21] [23]	2,098		3,202	7	-			2,574	41
PIOVAN ASIA PACIFIC	Subsidiary	[7] [17] [21] [23]	3,044		-	27	-			2,772	147
FDM GMBH	Subsidiary	[7] [17] [21] [23]	453		-	38	-			548	65
PIOVAN INDIA PVT LTD	Subsidiary	[7] [17] [21] [23]	83		-	211	-			121	253
PIOVAN MUHENDISLIK	Subsidiary	[7] [8] [17] [21] [23]	691		260	16	-			454	187
AQUATECH S.R.L.	Subsidiary	[7] [17] [21] [23]	41		-	1,117	-			132	3,602
PIOVAN CANADA LTD	Subsidiary	[7] [17] [21] [23]	707		-	17	-			1,671	26
PENTA SRL	Subsidiary	[7] [14] [17] [21] [23]	166		-	81	4,900			125	332
PIOVAN GULF FZE	Subsidiary	[7] [17] [20] [21] [23]	33		-	25			24	0	98
PIOVAN JAPAN INC.	Subsidiary	[7] [8] [21]	19		150	-	-			19	
ENERGYS SRL	Subsidiary		-		-	-	-			-	-
PIOVAN ASIA LTD	Subsidiary		-		-	-	-			-	-
Total subsidiaries			**19,231**		**3,612**	**1,793**	**4,900**		**24**	**35,697**	**5,682**
Associates											

Transactions at 31.12.2017	Nature of transactions	Notes	Current trade receivables	Other current assets	Financial current assets	Trade payables	Current financial liabilities	Non-current financial liabilities	Other current liabilities	Total revenues and other income	Expenses
C.M.G. SPA	Associate company	[17] [23]				112					326
Parent company											
PENTAFIN S.P.A.*	Piovan S.p.A. parent company	[10] [20]	1	786					331		
Other related parties											
CARSIL S.R.L.	Company owned by Nicola Piovan's relatives	[25]									287
SPAFID S.P.A. (DELTA ERRE S.P.A.)	Trust company - registered on behalf of Nicola Piovan	[14] [31]						2,500			146
Nicola Piovan	Chairman of the BoD of Piovan S.p.A. and Sole shareholder of Pentafin S.p.A.	[24]									1,636
Others											29
TOTAL			**19,233**	**786**	**3,612**	**1,905**	**4,900**	**2,500**	**356**	**35,697**	**8,076**

Transactions at 31.12.2016	Nature of transactions	Notes	Current trade receivables	Other current assets	Financial current assets	Trade payables	Current financial liabilities	Non-current financial liabilities	Other current liabilities	Total revenues and other income	Expenses
Subsidiary											
PIOVAN GMBH	Subsidiary	[7] [17] [21] [23]	57		-	6	-			8,121	90
PIOVAN CENTRAL EUROPE	Subsidiary	[7] [17] [21] [23]	2,051		-	38	-			5,397	223
PIOVAN UK LIMITED	Subsidiary	[7] [17] [21] [23]	544		-	9	-			2,731	71
PIOVAN DO BRASIL LTD	Subsidiary	[7] [17] [21] [23]	949		-	101	-			2,015	324
PIOVAN PLASTICS MACHINERY	Subsidiary	[7] [17] [21] [23]	135		-	38	-			800	102
PIOVAN MEXICO S.A.	Subsidiary	[7] [17] [21] [23]	3,164		-	4	-			3,802	27
PIOVAN FRANCE	Subsidiary	[7] [17] [21] [23]	2,788		-	102	-			3,418	625
UNIVERSAL DYNAMICS	Subsidiary	[7] [17] [21] [23]	1,394		-	19	-			3,399	12
PIOVAN ASIA PACIFIC	Subsidiary	[7] [17] [21] [23]	2,161		-	35	-			2,151	87
FDM GMBH	Subsidiary	[7] [17] [21] [23]	1		-	0	-			753	299
PIOVAN INDIA PVT LTD	Subsidiary	[7] [17] [21] [23]	30		-	179	-			83	212
PIOVAN MUHENDISLIK	Subsidiary	[7] [8] [17] [21] [23]	660		260	75	-			385	275
AQUATECH S.R.L.	Subsidiary	[7] [17] [21] [23]	55		-	612	-			194	4,401
PIOVAN CANADA LTD	Subsidiary	[7] [17] [21] [23]	20		-	7	-			1,357	34
PENTA SRL	Subsidiary	[7] [14] [17] [21] [23]	354		-	3	3,400			361	3
PIOVAN GULF FZE	Subsidiary	[7] [17] [23]	19		-	10	-			-	10
PIOVAN JAPAN INC.	Subsidiary		-		-	-	-			-	-
ENERGYS SRL	Subsidiary	[17]	-		-	38	-			-	-
PIOVAN ASIA LTD	Subsidiary	[23]	-		-	-	-			-	240
Total Subsidiaries			**14,381**		**260**	**1,276**	**3,400**			**34,967**	**7,034**
Associates											
C.M.G. SPA	Associate company	[17] [23]				32					188
Parent company											
PENTAFIN S.P.A.*	Piovan S.p.A. parent company	[10] [20]	1	786					113	1	

Transactions at 31.12.2016	Nature of transactions	Notes	Current trade receivables	Other current assets	Financial current assets	Trade payables	Current financial liabilities	Non-current financial liabilities	Other current liabilities	Total revenues and other income	Expenses
Other related parties											
CARSIL S.R.L.	Company owned by Nicola Piovan's relatives	[25]									286
SPAFID S.P.A. (DELTA ERRE S.P.A.)	Trust company - registered on behalf of Nicola Piovan	[14] [31]						2,500			146
Nicola Piovan	Chairman of the BoD of Piovan S.p.A. and Sole shareholder of Pentafin S.p.A.	[24]									1,663
Filippo Zuppichin	Chief executive officer and shareholder of Piovan S.p.A.	*								850 *	
Others											18
TOTAL			**14,382**	**786**	**260**	**1,308**	**3,400**	**2,500**	**113**	**35,818**	**9,317**

*In 2016, Piovan S.p.A. also sold its own shares to Filippo Zuppichin for an amount corresponding to EUR 850 thousand.
In addition, in 2016 Piovan S.p.A. acquired Energys S.r.l., a transaction involving Filippo Zuppichin (current Managing Director of the Parent Company) and his wife Paola Thiella, then shareholders of Energys S.r.l. with a 45% and a 19% equity interest, respectively, as transferors.

Commitments and risks

At 31 December 2018, the company had guarantees outstanding granted to third parties in relation to business operations for EUR 1,137 thousand, in relation to guarantees provided to third-party customers for sales orders (EUR 40 thousand as at 31 December 2017).
As at 31 December 2018, the company had provided securities its banks on behalf of subsidiaries and subject to the control of the parent company for a total of EUR 11.4 million (EUR 5.5 million as at 31 December 2017) and payables for future rents for EUR 1,459 thousand (EUR 1,692 thousand as at 31 December 2017)

Contingent liabilities
The Company is not aware of the existence of any further disputes or proceedings which could have significant repercussions on the economic and financial position of the Company.

Reporting on disbursements from the Public Administration

The Group has not received subsidies, contributions, paid offices and / or had economic advantages of any kind from the public administrations and / or from the subjects controlled by them even indirectly during 2018. We point out that this disclosure obligation is described in article 1, paragraphs 125 and following, of law 124/2017 on the subject of transparency of public.

Remuneration paid to Directors, Statutory Auditors and Independent Auditors

The table below reports remuneration paid to the Directors, Statutory Auditors and Independent Auditors for the year ended 31 December 2018 compared to the previous period:

	2018	2017
Directors	1,258	1,546
Key managers	819	812
Statutory auditors	10	44

Information pursuant to Article 149-duodecies of the Consob Issuers' Regulations
The following table, prepared in accordance with Article 149-*duodecies* of the Consob Issuers' Regulations, shows the fees for the 2018 reporting period for auditing and non-auditing services provided by the retained auditing firm and by companies belonging to its network.

Type of service	Person who provided the service	Recipient	Fees 2018
External audit of accounts	Auditor of the parent company	Parent company	163
Auditing and review	Auditor of the parent company	Parent company	165
Non-audit services	Network of the parent company's auditors	Parent company	385

Services other than the external audit of accounts essentially refer to services provided for the listing on the Stock Exchange.

Significant events occurring after 31 December 2018
No significant events have occurred since the reporting date.

Santa Maria di Sala (Venice), 14 March 2019

For the Board of Directors

The Chairman
Nicola Piovan

ANNEXES TO THE SEPARATE FINANCIAL STATEMENTS

Transition to IAS/IFRS international accounting standards

The financial statements for the year ended 31 December 2018 are the first complete financial statements prepared by Piovan S.p.A., in accordance with the IAS/IFRS international accounting standards ,issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Standard Interpretation Committee (IFRS IC, formerly IFRIC) and the previous Standing Interpretations Committee (SIC) (hereinafter "IAS/IFRS standards"), approved by the European Union following entry into force of Regulation (EC) 1606/2002, issued by the European Parliament and the European Council in July 2002.

Following the listing of the Company's shares on the STAR market managed by *Borsa Italiana*, it became necessary to adopt the international accounting standards, as required under Legislative Decree 38/2005.

The Transition Date, meaning the starting date of the earliest period for which comparative information is presented in the first IFRS financial statements, is 1 January 2017.

In compliance with IFRS 1 - First-time adoption of International Financial Reporting Standards, the Company has restated, on the basis of IAS/IFRS:

- the balance sheet as at the Transition Date, which corresponds to the beginning of the comparative period;
- balance sheet and profit and loss account for the year ended 31 December 2017, presented for comparative purposes at the date of the first IAS/IFRS financial statements.

As required by IFRS 1, at the Transition Date, a statement of financia position was prepared in which:

- all assets and liabilities, whose recognition is required by IFRS, including those not provided under Italian accounting standards, have been recognised and measured in accordance with IFRS;
- all assets and liabilities, whose recognition is required under Italian accounting standards, but not permitted by IFRS, have been eliminated;
- certain items in the financial statements have been reclassified in accordance with IFRS;
- all assets and liabilities have been measured in accordance with IFRS.

The effect of the adjustment to the new standards of the opening balances of assets and liabilities was reported in owners' equity, in a specific reserve for retained earnings, net of the tax effect (FTA reserve). The transition to IAS/IFRS involved maintaining the estimates previously formulated according to Italian accounting standards, unless the adoption of IAS/IFRS required the formulation of estimates according to different methods.

For illustrating the effects of transition to IAS/IFRS on the Company's financial statements, this document provides the reconciliations required by paragraphs 24 (a) and (b) and 25 of IFRS 1.

The following has been prepared for this purpose:

- notes on the rules for first-time adoption of IAS/IFRS (IFRS 1) and other adopted IAS/IFRS;

- the reconciliations between owners' equity, in accordance with the previous accounting standards and that reported in accordance with IFRS, at the following dates:

- date of transition to IFRS (1 January 2017)
- the closing date of the last reporting period for which the financial statements were prepared in accordance with the previous accounting standards (31 December 2017)

- the statements reconciling the economic results prepared in accordance with the previous accounting standards with those resulting from adoption of IAS/IFRS for reporting period 2017;
- the notes to the reconciliation statements;
- the IAS/IFRS statement of financial position as at 1 January 2017, 31 December 2017 and 31 December 2018 and the IAS/IFRS profit and loss account for years ended 31 December 2017 and 31 December 2018.

Notes concerning the first-time application rules

The Piovan Group has prepared its first-time IAS/IFRS consolidated financial statements year ended 31 December 2017. Therefore, during the transition of its separate financial statements to the international accounting standards, the Company adopted the provisions of paragraph D17 of IFRS 1, which states that if a parent company adopts, for the first time, the international accounting standards in its separate financial statements at a date subsequent to that used for the preparation of the consolidated financial statements, it must value its assets and liabilities at the same values in both financial statements, with the exception of consolidation adjustments.

The opening balance sheet as at 1 January 2017, the balance sheet as at 31 December 2017 and the profit and loss account for reporting period 2017, the balance sheet as at 31 December 2018 and the statement of profit or loss for reporting period 2018 have been prepared in accordance with the IAS/IFRS standards adopted for the consolidated financial statements, with the exception of the items that were eliminated in the preparation of the consolidated financial statements.

In the process of transition to IAS/IFRS, the estimates previously formulated according to Italian accounting standards were maintained, unless the adoption of IAS/IFRS required the formulation of estimates according to different methods.

The effect of the adjustment to the new accounting standards has taken into account the related tax effects reported among deferred tax assets or among deferred tax liabilities.

Financial Statement formats

With regard to the new formats, the distinction "current/non-current" has been adopted as the method for presenting assets and liabilities, with reference to the balance sheet; with reference to the profit and loss account, two statements have been selected, the first called "profit and loss account" and, the second, called the "statement of comprehensive income". These choices led to the reclassification of the historical financial statements prepared in accordance with the formats provided under Articles 2424 and 2425 of the Italian Civil Code, as amended.

With specific reference to the profit and loss account items, a classification format by item nature has been maintained.

Optional exemptions provided under IFRS 1 at first-time adoption of IAS/IFRS by the Company:

- Measurement of property, plant and equipment and intangible assets at cost: the book value determined on the basis of the Previous Accounting Standards was considered as the value replacing the cost, the so-called deemed cost.
- Measurement of equity investments: the book value determined on the basis of the Previous Accounting Standardss was considered as the value replacing the cost, the so-called deemed cost.
- Classification and measurement of financial instruments within the scope of IFRS 9 that are subsequently recognised at amortised cost or fair value on the basis of the entity's business model for the management of financial assets and the characteristics of the contractual cash flows of the financial asset. IFRS 1 allows such designations to be made at the date of transition to IAS/IFRS; the Company hass adopted this exemption.

- Employee benefits: cumulative actuarial gains and losses from the inception of employee benefit plans until the date of the IFRS transaction are recognised directly in equity.

Reconciliation between owners' equity and economic result from financial statements prepared in accordance with Italian GAAP and owners' equity and economic result from IAS/IFRS financial statements

	Notes	01,01,2017	Result	Dividends	Other	OCI	31.12.2017
	Owners' equity of the company in accordance with Italian accounting standards	**27,968,994**	**16,448,949**	**(12,000,000)**	**(2)**	**-**	**32,417,941**
1	Exposure to IAS17 effects	6,322,381	(152,289)	-	-	-	6,170,092
	Tax effect	(1,281,946)	42,990	-	-	-	(1,238,957)
2	Exposure of Employee Termination Indemnities, in accordance with IAS 19	(252,499)	33,565			(15,265)	(234,199)
	Tax effect	70,447	(9,365)	-	-	4,259	65,342
3	Exposure of FISC (agents' termination indemnity) in accordance with IAS37	40,298				1,550	41,848
	Tax effect	(11,243)	-	-	-	(432)	(11,675)
4	Charges that cannot be capitalised IAS 38	(309,654)					(309,654)
	Tax effect	86,393	-	-	-	-	86,393
5	Effect of recording revenues in accordance with IFRS 15	(989,395)	233,317				(756,078)
	Tax effect	276,041	(65,096)	-	-	-	210,946
6	Effect of adoption of IFRS 9 Receivables	(102,000)					(102,000)
	Tax effect	28,458					28,458
	Owners' equity of the company in accordance with IAS/IFRS reporting standards	**31,846,275**	**16,532,072**	**(12,000,000)**		**(9,889)**	**36,368,456**

Adjustments

The following commentary refers to the items and amounts shown in the previous reconciliation statements between the value of owners' equity at 1 January 2017 and at 31 December 2017, expressed in accordance with Italian reporting standards and that resulting from adoption of IAS/IFRS.

1. The value of assets under financial leasing agreements are recognised in tangible and intangible assets, in the relevant classes and are systematically amortised, as are the assets owned, according to their residual useful life. The contra-entry to the recording of the asset is the short and medium-term payables to the leasing company; the rents are reversed from the expenses for leased assets and the portions of interest accruing to the period are recognised among financial expenses. In this way, financial leasing transactions are reported in accordance with the so-called "financial method", required by the International Accounting Standard IAS 17.

2. Italian reporting standards require that liabilities for severance indemnities (TFR) are recognised in accordance with statutory provisions in force at the reporting date; according to IAS/IFRS, TFR is classified as a post-employment benefit by IAS 19 and the liability accrued towards employees is calculated using the actuarial method. Specifically, these are the amounts accrued at 31 December 2006, since the amounts accrued subsequently are considered "defined contribution plans" recognised on an accruals basis in the reporting period of maturity.

3. Italian reporting standards require the recognition of liabilities for the provision for agents' termination indemnity (FISC) in accordance with statutory provisions in force at the reporting date; in accordance with IAS/IFRS, agents' termination indemnity (FISC) is classified as a post-agency benefit by IAS 19 and the liability accrued towards employees is calculated using the actuarial method.

4. The Company has identified some assets recognised on the basis of Italian accounting standards which, however, do not meet the requirements for recognition in the financial statements, on the basis of international accounting standards - IAS16 and IAS 38. Therefore, the residual amounts of these assets at the date of transition and the economic effects deriving from these assets in 2017 were eliminated.

5. IFRS 15 requires revenues to be recognised when the contractual obligations are performed, on the basis of the transaction price that the Company expects to receive following performance of the obligation. Specifically, this standard, in compliance with statutory reporting standards and also with the previous international accounting standards, establishes a new revenue recognition model, which will apply to all contracts enetered into with customers ,with the exception of those that fall within the scope of adoption of other IAS/IFRS standards, such as leases, insurance contracts and financial instruments. The fundamental steps for the accounting of revenues according to the new model are:

- identification of the contract with the customer;
- identification of the performance obligations of the contract;
- pricing;
- the allocation of the price to the performance obligations of the contract;
- the criteria for recognising revenue when the entity meets each performance obligation.

6. The effect of adoption of IFRS 9 was recognised in owners' equity at the transaction date. It is related to the measurement of impairment of trade receivables (larger financial asset amounts) through the use of the expected losses model.

The effect on the tax treatment is determined on the basis of rules and rates in force.

IAS/IFRS equity and financial position statement as at 1 January 2017, as at 31 December 2017 and profit and loss account as at 31 December 2017.

In addition to the reconciliations of owners' and net earnings for the period, accompanied by commentary on the adjustments made to the balances prepared in accordance with Italian accounting standards, the statements for the statement of financial position as at 1 January 2017 and as at 31 December 2017 and the profit and loss account for 2017 are annexed hereto, which show, for each item in individual columns:

- the amounts in accordance with Italian accounting standards reclassified in accordance with IAS/IFRS formats adopted by the Company;

- the amounts of the reclassifications made as a result of the different accounting treatments provided under IAS/IFRS;

- the amounts of adjustments made following adoption of IAS/IFRS with respect to Italian accounting standards;

- the final mounts in accordance with IAS/IFRS.

For commentary on the adjustments made to the format of the equity and financial position statement and the profit and loss account, reference should be made to the corresponding notes in the section of this report entitled "Reconciliation of owners' equity and Profit or Loss from the financial statements prepared in accordance with Italian GAAP and owners' equity - Profit or Loss from IAS/IFRS financial statements".

IAS/IFRS statement of financial position as at 1 January 2017

ASSETS	ITA GAAP	IAS/IFRS adjustments	Notes	IAS/IFRS reclassifications	IAS/IFRS
NON-CURRENT ASSETS					
Tangible assets	8,293,986	7,580,484	[1]		15,874,470
Intangible assets	282,318	(74,963)	[4]		207,355
Equity investments	26,706,506			(49,183)	26,657,322
Other non-current assets	16,595	-			16,595
Deferred tax assets	533,722	461,340	[2],[3],[4],[5],[6]		995,062
TOTAL NON-CURRENT ASSETS	**35,833,127**	**7,966,860**		**(49,183)**	**43,750,805**
		-			
CURRENT ASSETS		**-**			
Inventories	7,502,300	-			7,502,300
Trade receivables	30,656,973	(1,672,145)	[5]		28,984,829
Current financial assets	-			260,000	260,000
Tax receivables	273,629	-			273,629
Other current assets	1,794,983	(27,681)	[5]	(260,000)	1,507,302
Cash and cash equivalents	4,797,221	-			4,797,221
		-			
TOTAL CURRENT ASSETS	**45,025,107**	**(1,699,826)**		**-**	**43,325,281**
TOTAL ASSETS	**80,858,234**	**6,267,035**		**(49,183)**	**87,076,086**

LIABILITIES AND EQUITY	ITA GAAP	IAS/IFRS adjustments	Notes	IAS/IFRS reclassifications	IAS/IFRS
TOTAL EQUITY	**27,968,994**	**3,877,282**			**31,846,275**
NON-CURRENT LIABILITIES					
Medium/Long-term loans	6,833,333	-			6,833,333
Non-current financial liabilities	5,900,000	975,895	[1]	(3,400,000)	3,475,895
Liabilities for employees' benefits	2,621,601	252,499	[2]		2,874,100
Provision for risks and charges	1,762,058	(404,298)	[3],[5]	(49,183)	1,308,577
Other non-current liabilities	-	-			-
Deferred tax liabilities	75,521	1,293,189	[1]		1,368,710
TOTAL NON-CURRENT LIABILITIES	**17,192,513**	**2,117,285**		**(3,449,183)**	**15,860,615**
		-			
CURRENT LIABILITIES		-			
Current portion of medium/long-term loans	4,333,333	-			4,333,333
Current bank loans and borrowings	7,541,106	-			7,541,106
Current financial liabilities	-	488,523	[1]	3,400,000	3,888,523
Trade payables	16,563,488	-			16,563,488
Advances from customers	1,573,327	(216,750)			1,356,578
Tax liabilities and social security contributions	2,381,351	-			2,381,351
Other current liabilities	3,304,121	695	[5]		3,304,816
TOTAL CURRENT LIABILITIES	**35,696,727**	**272,468**		3,400,000	**39,369,195**
		-			
TOTAL LIABILITIES	**52,889,240**	**2,389,753**		**(49,183)**	**55,229,811**
		-			
TOTAL LIABILITIES AND EQUITY	**80,858,234**	**6,267,035**		**(49,183)**	**87,076,086**

IAS/IFRS statement of financial position as at 31 December 2017

ASSETS	ITA GAAP	IAS/IFRS adjustments	Notes	IAS/IFRS reclassifications	IAS/IFRS
NON-CURRENT ASSETS					
Tangible assets	10,837,097	6,946,568	[1]		17,783,665
Intangible assets	248,473	(69,241)	[4]		179,232
Equity investments	26,423,683			(49,183)	26,374,499
Other non-current assets	16,476	-			16,476
Deferred tax assets	701,968	391,139	[2],[3],[4],[5],[6]		1,093,107
TOTAL NON-CURRENT ASSETS	**38,227,697**	**7,268,465**		**(49,183)**	**45,446,979**
		-			
CURRENT ASSETS		-			
Inventories	8,371,001	-			8,371,001
Trade receivables	40,645,586	(1,171,078)	[5]		39,474,509
Current financial assets				3,611,868	3,611,868
Tax receivables	181,195	-			181,195
Other current assets	5,333,308	(24,330)	[5]	(3,611,868)	1,697,111
Cash and cash equivalents	12,382,980	-			12,382,980
		-			
TOTAL CURRENT ASSETS	**66,914,070**	**(1,195,407)**		**-**	**65,718,663**
TOTAL ASSETS	**105,141,768**	**6,073,058**		**(49,183)**	**111,165,643**
LIABILITIES AND EQUITY	**ITA GAAP**	**IAS/IFRS adjustments**			**IAS/IFRS**
TOTAL EQUITY	**32,417,940**	**3,950,516**			**36,368,456**
NON-CURRENT LIABILITIES					
Medium/Long-term loans	16,633,112	-			16,633,112
Non-current financial liabilities	7,400,000	580,837	[1]	(4,900,000)	3,080,837
Liabilities for employees’ benefits	2,307,858	234,199	[2]		2,542,057
Provision for risks and charges	1,717,664	(354,848)	[3],[5]	(49,183)	1,313,634
Other non-current liabilities	-	-			-
Deferred tax liabilities	171	1,251,327	[1]		1,251,498
TOTAL NON-CURRENT LIABILITIES	**28,058,806**	**1,711,516**		**(4,949,183)**	**24,821,138**
		-			
CURRENT LIABILITIES		-			
Current portion of medium/long-term loans	8,914,901			(3,000,000)	5,914,901
Current bank loans and borrowings	6,218,283			3,000,000	9,218,283
Current financial liabilities	-	411,369	[1]	4,900,000	5,311,369
Trade payables	19,524,778	-			19,524,778
Advances from customers	3,106,489	-			3,106,489
Tax liabilities and social security contributions	2,935,651	-			2,935,651
Other current liabilities	3,964,920	(342)	[5]		3,964,577
TOTAL CURRENT LIABILITIES	**44,665,022**	**411,027**		**4,900,000**	**49,976,049**
TOTAL LIABILITIES	**72,723,827**	**2,122,543**		**(49,183)**	**74,797,187**
TOTAL LIABILITIES AND EQUITY	**105,141,768**	**6,073,058**		**(49,183)**	**111,165,643**

Statement of Profit and loss at 31 December 2017

Profit and Loss Account	ITA GAAP	IAS/IFRS adjustments	Notes	IAS/IFRS reclassificat ions	IAS/IFRS
Revenues	95,224,451	284,317	[5]		95,508,768
Other revenues and income	1,480,953	-			1,480,953
TOTAL REVENUES AND OTHER INCOME	**96,705,404**	**284,317**			**96,989,721**
Costs of raw materials, components and goods and changes in inventories	39,622,082	-			39,622,082
Services	15,918,567	51,000	[5]		15,969,567
Use of third-party assets	960,619	(527,922)	[1]		432,698
Personnel expenses	21,900,998	(71,245)	[2]		21,829,753
Other expenses	651,137	-			651,137
Provisions for risks and charges	86,437	-			86,437
Amortisation/depreciation	970,051	647,536	[1]		**1,617,588**
TOTAL COSTS	**80,109,891**	**99,370**			**80,209,261**
OPERATING PROFIT	**16,595,513**	**184,948**			**16,780,460**
Financial income	6,533,398	-			6,533,398
Financial charges	(373,395)	(70,354)	[1],[2]		(443,749)
Value adjustments on financial assets	(19,061)	-			(19,061)
Foreign currency conversion gains (losses)	(1,419,266)	-			(1,419,266)
PROFIT BEFORE TAXES	**21,317,189**	**114,594**			**21,431,782**
Income taxes	4,868,240	31,471			4,899,710
NET PROFIT	**16,448,949**	**83,123**			**16,532,072**

Statement of comprehensive income as at 31 December 2017

Comprehensive income	ITA GAAP	IAS/IFRS adjustments	Notes	IAS/IFRS reclassifications	IAS/IFRS
Net profit	**16,448,949**	**83,123**			**16,532,072**
Items that may be subsequently reclassified to profit or loss:					
- Exchange rate differences					
Items that may not be subsequently reclassified to profit or loss:					
- Actuarial gains (losses) on employee benefits net of tax effect		(11,006)	[2]		(11,006)
- Actuarial gains (losses) on agents' termination benefits net of tax effect		1,117	[3]		1,117
Total comprehensive income	**16,448,949**	**73,234**			**16,522,183**

EFFECTS OF THE ADOPTION OF IAS/IFRS ACCOUNTING STANDARDS ON THE NET FINANCIAL POSITION

Adoption of IAS/IFRS at 1 January 2017 and at 31 December 2017 resulted in a worsening of the net financial position corresponding to adoption of IAS 17 Financial Leasing, more fully described in the previous sections, by EUR 1,464 thousand and EUR 902 thousand, respectively.

CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS, IN ACCORDANCE WITH SECTION 154-*BIS* OF LEGISLATIVE DECREE NO. 58 OF 24.02.1998

Santa Maria di Sala, 14 March 2019

The undersigned Filippo Zuppichin as Chief Executive Officer and Luca Sabadin as Manager responsible for preparing the company financial reports of Piovan S.p.A., hereby certify, also taking into account the provisions of Article 154-bis, paragraphs 2, 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

- the adequacy in relation to the characteristics of the business, and
- the effective implementation

of the administrative and accounting procedures for the preparation of the financial statements in the course of the 2018 reporting period.

It is also certified that the financial statements:
a) correspond to the results of the accounting books and records;
b) have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union, as well as the provisions issued in implementation of art. 9 of Legislative Decree no. 38/2005, and, to the best of their knowledge, provide a true and fair view of the Issuer's financial position, results of operations and cash flows;
c) provide a true and fair view of the Issuer's 2018 equity, economic and financial position;
d) the report on operations includes a reliable analysis of the trend and result of operations and of the situation of the Issuer, together with a description of the main risks and uncertainties to which it is exposed.

The Chief Executive Officer	The Manager in charge of drawing up the financial statements corporate accounting documents
Filippo Zuppichin	Luca Sabadin

INDEPENDENT AUDITORS' REPORT TO THE SEPARATE FINANCIAL STATEMENTS

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

To the Shareholders of
Piovan S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Piovan S.p.A. (the Company), which comprise the statement of financial position as at 31 December 2018, 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 financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

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

Key Audit Matters

There are not Key Audit Matters to communicate in this Report.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Piovan S.p.A. has appointed us on 14 September 2018 as auditors of the Company for the years from 31 December 2018 to 31 December 2026.
We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Piovan S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Piovan S.p.A. as at 31 December 2018, 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 2018 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 2018 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
March 26, 2019

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

Piovan S.p.A.

Via delle Industrie, 16 – Santa Maria di Sala (VE)

Tax Code and Registration of the Venice Companies Register no. 02307730289

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING OF PIOVAN S.P.A. OF 17 APRIL 2019, 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.
As of 19 October 2018, Borsa Italiana (the Italian Stock Exchange) approved the listing of the ordinary shares of Piovan Spa on the STAR segment of the Mercato Telematico Azionario (the Online Stock Exchange).
The Board of Statutory Auditors in office in 2018 and, until the date of appointment of the new Board, was composed of Chiara Boldrin, Giovanni Boldrin and Francesco Vian.
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.
Regarding supervisory activities in 2018, up to the time of appointment, the Board of Statutory Auditors reviewed the minutes of the meetings of the previous Board of Statutory Auditors, from which no reprehensible facts, omissions or irregularities were identified requiring reporting to the competent authorities or reporting to the Shareholders' Meeting.

This Report has been submitted to the Shareholders of Piovan S.p.A., in preparation for the Shareholders' Meeting called for 17 April 2019, in a single call, for approval of the Financial Statements year ended 31 December 2018 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. Regarding the activities conducted by the previous Board of Statutory Auditors, this Report is based on the relevant records.

MOST SIGNIFICANT ECONOMIC, FINANCIAL AND EQUITY-RELATED TRANSACTIONS.

The most significant transactions and events that took place in reporting period 2018 were as follows.

The period was marked by the listing of the Company: in fact, on 5 October 2018, Consob authorised the listing of Piovan's shares on the STAR segment of the Mercato Telematico Azionario (the Online Stock Exchange), and trading commenced on 19 October 2018.

As a result of this operation, significant changes were made to the Articles of Association and to corporate governance rules, as described in the specific Report on Corporate Governance and Ownership Structure.

The listing operation generated non-recurring costs of approximately € 3.6 million.

As at 31 December 2018, the share capital totalled € 6,000,000.00, fully subscribed and paid up, divided into 53,600,000 ordinary shares, with no indication of nominal value. Each ordinary share of the Issuer attributes the right to one vote in the ordinary and extraordinary Shareholders' Meetings of the Company, as well as the other administrative rights provided under applicable statutory provisions and the Articles of Association, without prejudice to the institution of the increase in voting rights used by the Company (for a description of which reference should be made to the Corporate Governance Report).

The Company holds 2,670,700 treasury shares, corresponding to 4.98% of the share capital.

From an accounting standpoint, both the separate and consolidated financial statements have been prepared in accordance with the international accounting standards issued by the International Accounting Standards Board (IASB), approved by the European Union (IFRS), as required by Regulation 1606/2002 issued by the European Parliament and the European Council and adopted under Italian Legislative Decree 38/2005.

The financial statements for year ended 31 December 2018 represent transition to and first-time adoption of IFRS financial statements of the Parent Company and a specific section of the notes to the financial statements provides information on such transition.

The Company has used the option available to prepare a single report on operations for the separate and consolidated financial statements.

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 identfied 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 39 to the consolidated financial statements).

The Board of Statutory Auditors verified approval of the procedure for transactions with related parties adopted by the Company (on 12 November 2018) 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 26 March 2019 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 2018. *No* official complaints were received by the Board of Statutory Auditors in reporting period 2018.

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 2018 reporting year, as reported on page 166 of the Annual Report:

Type of service	Party providing the service	Recipient	Fees 2018
External auditing of accounts	Auditors of the parent company	Parent company	163
Auditing and review	Auditors of the parent company	Parent company	165
Other non-auditing services	Parent company independent auditor network	Parent company	385

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.
From the time of listing on the Italian Stock Exchange, 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 not issued any opinions from the date of their appointment until the present time, in accordance with current legislation.
After 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 Report, approved by the Board of Directors at its meeting of 14 March 2019, 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 of 14 March 2019, 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 2019 Audit Plan, prepared by the Head of the Internal Audit function (appointed with effect from 12 November 2018) and approved by the Board of Directors at its meeting of 14 March 2019.

ATTENDANCE AT MEETINGS OF CORPORATE BODIES.

In 2018, during the period in which the Company was administered by Mr. Nicola Piovan as Sole Director, there were three decisions of the Sole Director, while, subsequently, the Board of Directors met seven times, of which only once in its current composition, at which the current Board of Statutory Auditors were in attendance. Up to the date of this report, two meetings of the Board of Directors were held in 2019, including the meeting of 14 March.

Since taking office, the current Board of Statutory Auditors has attended all meetings of the Board of Directors, for a total of 3 meetings, 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 2 meetings of the Control and Risks Committee, 2 meetings of the Related Parties Committee, 2 meetings of the Appointments and Remuneration Committee and has held 4 joint 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, on the activities in progress and relevant risk mapping, on auditing programs and on the projects for the implementation of the Internal Control System;

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.

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 is undergoing consolidation and that the current structure of operational controls have already been implemented as procedures.

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 14 March 2019, from which it appears that, from the date of appointment in 2018 to 14 March 2019, 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 2018;

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 2018, 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 31.12.2018, 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 19 October 2018, at the same time as the Company's listing on the Italian Stock Exchange, 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 2018 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 2018 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 31 December 2018 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 14 March 2019 of the aforesaid Statement, and the issue, on 26 March, 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 2018, 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) 26 March 2019

The Board of Statutory Auditors

Carmen Pezzuto - Chairman

Luca Bassan - Statutory Auditor

Patrizia Santonocito - Statutory Auditor

Version 1.0

Annual Report 31 December 2018 of
Piovan S.p.A.

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