

For the Years Ended December 31, 2017, 2016 and 2015

### **CONTENTS**

Consolidated Statement of Financial Position	4
Consolidated Statement of Profit or Loss	6
Consolidated Statement of Comprehensive Income	7
Consolidated Statement of Cash Flows	8
Consolidated Statement of Changes in Equity	9
Notes to the Consolidated Financial Statements	10
Independent Auditor's Report	94

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (€'000)

ASSETS	Note	31/12/2017	31/12/2016	31/12/2015	01/01/2015
NON-CURRENT ASSETS					
Property, plant and equipment	Note 1	27,852	23,187	22,875	23,481
Intangible assets	Note 2	5,741	6,209	5,523	5,131
Equity investments	Note 3	589	798	643	143
Other non-current assets	Note 4	393	425	155	176
Deferred tax assets	Note 5	3,656	4,220	3,413	2,685
TOTAL NON-CURRENT ASSETS		38,231	34,839	32,609	31,616
CURRENT ASSETS					
Inventories	Note 6	23,030	22,136	20,325	20,307
Contract assets for work in progress	Note 7	471	332	133	222
Trade receivables	Note 8	61,418	43,910	41,509	45,638
Current financial assets	Note 9	-	-	7,500	4,000
Tax receivables	Note 10	1,561	3,177	3,580	1,409
Other current assets	Note 11	3,469	3,163	2,920	2,450
Cash and cash equivalents	Note 12	37,885	22,909	27,781	23,465
		127,834	95,627	103,748	97,491
TOTAL CURRENT ASSETS					
TOTAL ASSETS		166,065	130,465	136,358	129,106

LIABILITIES AND EQUITY		31/12/2017	31/12/2016	31/12/2015	01/01/2015
EQUITY					
Share capital	Note 13	6,000	6,000	6,000	6,000
Legal reserve	Note 13	1,200	1,200	1,200	1,200
Treasury shares	Note 13	(7,641)	(7,641)	(8,152)	(8,152)
Translation reserve	Note 13	(1,607)	361	(844)	(8,132)
Other Reserves and retained earnings	Note 13	14,312	12,049	11,215	3,105
Net profit (loss)	Note 13	19,553	14,289	12,880	7,838
Equity attributable to the owners of the parent	14016 13	31,817	26,258	22,299	9,991
	Note 15	•		-	-
Equity attributable to non-controlling interests	Note 15	4,866	4,376	3,317	2,075
TOTAL EQUITY		36,683	30,634	25,616	12,066
NON-CURRENT LIABILITIES					
Long-term loans	Note 16	16,699	8,541	5,660	6,993
Non-current financial liabilities	Note 16	3,134	3,531	3,685	3,613
Employee benefits plans	Note 17	3,905	4,102	3,489	3,915
Provision for risks and charges	Note 18	1,835	1,558	1,375	1,015
Non current liabilities for options granted to non- controlling investors	Note 19	2,755	2,766	11,728	19,397
Other non-current liabilities	Note 20	167	39	-	-
Deferred tax liabilities	Note 5	2,291	2,128	2,547	3,268
TOTAL NON-CURRENT LIABILITIES		30,785	22,665	28,483	38,202
CURRENT LIABILITIES					
Current portion of long-term loans	Note 16	6,108	4,559	1,644	2,007
Current bank loans and borrowings	Note 16	9,219	7,542	17,767	22,355
Current financial liabilities	Note 16	417	543	494	452
Trade payables	Note 21	34,460	28,426	26,667	25,894
Advance from customers	Note 22	14,133	10,305	8,151	9,678
Contract liabilities for work in progress	Note 7	8,926	782	1,796	4,164
Current liabilities for options granted to non- controlling investors	Note 19	6,928	9,017	8,359	-
Tax liabilities and social security contributions	Note 23	7,419	6,229	7,648	5,079
Other current liabilities	Note 24	10,988	9,763	9,731	9,210
TOTAL CURRENT LIABILITIES		98,597	77,166	82,258	78,838
TOTAL LIABILITIES		129,382	99,831	110,741	117,040
TOTAL LIABILITIES AND EQUITY		166,065	130,465	136,358	129,106

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS (€'000)

	Note	2017	2016	2015
Revenue	Note 25	209,391	191,711	189,673
Other revenue and income	Note 26	3,893	2,730	2,280
TOTAL REVENUE AND OTHER INCOME		213,284	194,441	191,954
Costs of raw materials, components and goods and changes in inventories	Note 27	82,170	77,417	76,309
Services	Note 28	40,571	36,324	36,778
Use of third party assets	Note 29	2,326	2,187	2,131
Personnel expenses	Note 30	52,909	49,040	47,736
Other expenses	Note 31	2,322	2,477	2,343
Provisions for risks and charges	Note 32	559	189	374
Amortisation and depreciation	Note 33	2,934	2,795	2,726
TOTAL COSTS		183,790	170,430	168,398
OPERATING PROFIT		29,494	24,011	23,555
Financial income	Note 34	340	337	325
Financial expenses	Note 34	(686)	(908)	(1,061)
Net exchange rate gain (losses)	Note 35	(2,135)	(6)	(494)
Gains (losses) on liabilities for option granted to non controlling investors	Note 36	2,100	(696)	(689)
PROFIT BEFORE TAXES		29,113	22,738	21,636
Income taxes	Note 37	8,885	7,354	7,375
NET PROFIT		20,228	15,384	14,261
ATTRIBUTABLE TO:		-	-	-
Owners of the parent		19,553	14,289	12,880
Non-controlling interests		675	1,095	1,381

Earnings per share		2017	2016	2015
Basic and diluted earnings per share (in Euros)	Note 14	0.38	0.28	0.26

## **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** (€'000)

	2017	2016	2015
Net profit	20,228	15,384	14,261
Items that may be subsequently reclassified to profit or loss:			
- Exchange rate differences	(1,968)	1,173	(832)
Items that may not be subsequently reclassified to profit or loss:			
- Actuarial gains (losses) on employee benefits net of the tax effect	(27)	(304)	267
- Actuarial gains on agents' termination benefits net of the tax			
effect	(3)	9	5
Total Comprehensive income	18,231	16,262	13,700
attributable to:			
- Owners of the parent	17,556	15,199	12,308
- Non-controlling interests	675	1,063	1,392

### **CONSOLIDATED STATEMENT OF CASH FLOWS**

(€′000)

	2017	2016	2015
OPERATING ACTIVITES			
Net profit	20,228	15,384	14,261
Adjustments for:	-	-	-
Amortisation and depreciation	2,934	2,795	2,726
Inventory write-down and bad debt provision	767	1,083	1,064
Change in provisions for risks and charges and employee benefits liabilities	174	196	208
Net (gains) losses on sale of assets and equity investments	39	(39)	(175)
Non-monetary variations related to liabilities for options granted to non-			
controlling investors	(2,100)	696	689
Other non-monetary variations	(44)	(64)	(17)
Taxes	8,885	7,354	7,375
Cash flows from operating activities before changes in net working capital	30,882	27,405	26,131
(Increase)/decrease in trade receivables	(18,164)	(2,196)	3,742
Increase in inventories	(2,195)	(1,932)	(354)
(Increase)/decrease in other current assets	2,121	(141)	(3,372)
Increase/(decrease) in trade payables	6,034	572	772
Increase/(decrease) in advance from costumers	3,828	2,154	(1,526)
Increase/(decrease) in other current liabilities	10,183	276	(3,068)
(Increase)/decrease in non-current assets	110	(249)	83
Increase/(decrease) in non-current liabilities	(105)	38	(104)
Income taxes paid	(8,380)	(10,822)	(5,069)
CASH FLOWS FROM OPERATING ACTIVITIES	24,313	15,104	17,235
INVESTING ACTIVITIES	-	-	-
Investments in property, plant and equipment	(7,749)	(2,016)	(2,003)
Investments in intangible assets	(306)	(226)	(311)
Disinvestments/(investments) in financial assets	-	7,500	(3,500)
Disinvestments in equity investments	-	(414)	(312)
Business combination net of cash acquired	-	101	-
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	(8,055)	4,945	(6,127)
FINANCING ACTIVITIES	-	-	-
Issuance of bank loans	21,500	10,000	-
Repayment of bank loans	(11,793)	(4,504)	(2,187)
Change in current bank loans and borrowings	1,676	(10,225)	(4,587)
Increase/(decrease) in other financial liabilities	(524)	(105)	115
Purchase of non-controlling interest in subsidiaries	-	(9,000)	-
Sale of treasury shares	-	850	-
Dividend paid	(12,185)	(12,000)	(150)
CASH FLOWS USED IN FINANCING ACTIVITIES	(1,326)	(24,985)	(6,809)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,932	(4,936)	4,299
EFFECT OF EXCHANGE RATE CHANGES ON BALANCE OF CASH HELD IN FOREIGN CURRENCY	44	64	17
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	22,909	27,781	23,465
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	37,885	22,909	27,781
FINANCIAL EXPENSES PAID	(686)	(908)	(1,061)

### **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

(€′000)

	Share Capital	Legal reserve	Treasury shares	Translation reserve	Other reserves and retained earnings	Profit for the year att. to the owner of the parent	Equity attributabl e to the owners of the parent	Equity att. to non-controlling interests	TOTAL EQUITY
Balance at Jan. 1, 2015	6,000	1,200	(8,152)		3,105	7,838	9,991	2,075	12.066
Distribution of dividends								(150)	(150)
Allocation of prior year profit					7,838	(7,838)			
Sale of treasury shares									
Change in non-controlling interests									
Total comprehensive income				(844)	272	12,880	12,308	1,392	13.700
Balance at Dec. 31, 2015	6,000	1,200	(8,152)	(844)	11,215	12,880	22,299	3,317	25.616
Balance at Jan. 1, 2016	6,000	1,200	(8,152)	(844)	11,215	12,880	22,299	3,317	25.616
Distribution of dividends					(12,000)		(12,000)		(12.000)
Allocation of prior year profit					12,880	(12,880)			
Sale of treasury shares			511		339		850		850
Change in non-controlling interests					(89)		(89)	(4)	(93)
Total comprehensive income				1,205	(296)	14,289	15,198	1,063	16.261
Balance at Dec. 31, 2016	6,000	1,200	(7,641)	361	12,049	14,289	26,258	4,376	30.634
Balance at Jan. 1, 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 prior year profit					14,289	(14,289)			
Sale of treasury shares									
Change in non-controlling interests									·
Total comprehensive income		·		(1,968)	(26)	19,553	17,559	675	18.237
Balance at Dec. 31, 2017	6,000	1,200	(7,641)	(1,607)	14,312	19,553	31,817	4,866	36.683

#### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### Content and format of the consolidated financial statements

Piovan S.p.A. (the "Parent") heads the group of the same name and has its registered office in Via dell'Industria 16, Santa Maria di Sala (VE). It is a company limited by shares and its tax code and VAT number is 02700490275. It is included in the Venice company register.

The Parent is the operating 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 (the "Plastic Systems"), automation systems for the storage and transport of food powders (the "Food Systems") and technical support and sale of spare parts and services (the "Service & Spare parts"). On the market of Plastics Systems, 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 plant 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 markets of Plastic Systems and Food Systems: (i) design of machinery and engineering solutions; (ii) production of plant and systems; and (iii) installation at the customer's production sites. 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 seven production facilities and 23 sales branches that cover all the main markets.

The Board of Directors approved the consolidated financial statements of Piovan S.p.A. as of December 31, 2017, 2016 and 2015 on July 6, 2018. The Parent drew up the IFRS consolidated financial statements at 31 December

2017 only for inclusion in the prospectus prepared pursuant to article 94.1/2 of Legislative decree no. 58 of 24 February 1998, in accordance with the provisions of Regulation (EC) no. 809/2004 for the listing of its ordinary shares on the stock exchange organised and managed by Borsa Italiana S.p.A. (the "listing application"). Therefore, these consolidated financial statements include comparative figures for the previous two years as required by such standards.

The IFRS consolidated financial statements at 31 December 2017 include the results of the Parent and its subsidiaries.

#### Statement of compliance and basis of preparation

The Piovan Group's consolidated financial statements at 31 December 2017 were prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Commission 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 includes all the standards as well as the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC), previously called the Standing Interpretations Committee (SIC), as endorsed by the European Union at the reporting date and included in the related EU regulations published at that date.

The consolidated financial statements include the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and these notes. They were prepared using the historical cost principle except for derivative financial instruments which are measured at fair value as required by IAS 39 – Financial Instruments: Recognition and measurement, and assuming the Parent and its subsidiaries will continue as going concerns. The Group deemed that it could adopt a going concern assumption pursuant to IAS 1.25/26 given its strong market position, very satisfactory profits and solid financial structure.

The consolidated financial statements were prepared in thousands of Euro (€'000), which is the Parents functional currency and the Group's presentation currency as per IAS 21 - The effects of changes in foreign exchange rates. There may be rounding differences when items are added together as the individual items are calculated in Euros.

#### Consolidation scope

The consolidated financial statements include the financial statements at 31 December 2017 of the Parent and 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 the subsidiaries are consolidated starting from the date when control exists until when it ceases to exist and associates from the date that significant influence exists or until it ceases to exist.

Note [39] "Other information" lists the entities included in the consolidation scope at 31 December 2017.

#### **Basis of consolidation**

The Parent adopted the following consolidation criteria:

- assets, liabilities, revenue and expenses of the consolidated entities are
  consolidated using the line-by-line approach where the carrying amount
  of the Parent's investments therein is eliminated against its share of the
  investee's equity. Any differences are treated in accordance with IFRS 10 Consolidated financial statements and IFRS 3 Business combinations. The
  portions attributable to non-controlling interests are recognised at the fair
  value of the assets acquired and liabilities assumed without recognising goodwill;
- the Group entities are excluded from the consolidation scope when control ceases to exist;
- intragroup receivables and payables, revenue and expenses and all significant transactions are eliminated, including intragroup dividends. Unrealised profits and gains and losses on intragroup transactions are also eliminated;

- equity attributable to non-controlling interests is presented separately under equity; their share of the profit or loss for the year is recognised in the statement of profit or loss; and
- the financial statements of the consolidated foreign entities using a functional currency other than the Euro are translated into Euros using the average annual exchange rate for the statement of profit or loss captions and the closing rate for the statement of financial position captions. Any differences between these exchange rates or due to changes in the exchange rates at the start and end of the year are recognised under equity.

Under IFRS 10.23 (transactions with owners in their capacity as owners), for equity investments acquired after control is taken (acquisition of non-controlling interests), any difference between the acquisition cost and the corresponding portion of equity acquired is recognised under equity attributable to the owners of the Parent; similarly, the effects deriving from the sale of non-controlling interests that do not result in the Parent losing control are recognised in equity.

Differently, the sale of interests that leads to the parent losing control requires taking the following to profit or loss: (i) any gain/loss calculated as the difference between the consideration received and the corresponding portion of equity sold; (ii) any fair value gain or loss on any residual investment held; (iii) any amounts recognised under other comprehensive income related to the former subsidiary which were subsequently taken to profit or loss.

The amount of any investment held, aligned with the relevant fair value at the date control was lost, is the new carrying amount of the investment and, therefore, the reference amount for subsequent measurement of the investment according to the applicable accounting policies.

The reporting date of all the fully consolidated entities is 31 December, except for Piovan India Private Limited whose year end is 31 March. However, the Indian subsidiary prepares a reporting package at 31 December for consolidation purposes. the date control was lost, is the new carrying amount of the investment and, therefore, the reference amount for subsequent measurement of the investment according to the applicable accounting policies. The reporting date of all the fully consolidated entities is 31 December, except for Piovan India Private Limited whose year end is 31 March. HoweThe pa-

rent decided not to consolidate some investments in subsidiaries as they are not deemed material, either individually or in aggregate. This did not have any significant effects on the correct presentation of the Group's financial position, results of operations and cash flows.

The subsidiaries excluded from the consolidation scope are as follows:

Investee	% held at 31.12.2015	% held at 31.12.2016	% held at 31.12.2017
Studio Ponte S.r.l. (*)	51%	51%	51%
Piovan Gulf FZE	n.a.	100%	(**)
Piovan Japan Inc.	n.a.	100%	(**)
Piovan South East Asia Ltd. (***)	100%	100%	100%

<sup>(\*)</sup> These represent the percentages directly held by Penta S.r.l..

#### **Business combinations**

Business combinations are treated using the acquisition method. The consideration is recognised at fair value, calculated as the sum of the acquisition-date fair values of the assets transferred and liabilities incurred by the acquirer and the equity interests issued in exchange for control of the acquiree. Transaction costs are usually recognised in profit or loss when they are incurred.

At the acquisition date, the assets acquired and the liabilities assumed are recognised at their acquisition-date fair value, except for the following items which are measured in line with the relevant IFRS:

- deferred tax assets and liabilities;
- employee benefits;
- liabilities or equity instruments related to share-based payment awards of the acquiree or share-based payment awards of the acquirer issued to replace the acquiree's awards; and
- assets held for sale and disposal groups.

Goodwill is calculated as the excess of the aggregate of the consideration transferred for a business combination, the amount of any non-controlling

<sup>(\*\*)</sup> consolidated from 2017

<sup>(\*\*\*)</sup> company in liquidation

interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date fair value of the assets acquired and liabilities assumed. If this fair value is greater than the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, the resulting gain is recognised immediately in profit or loss.

At the date of acquisition, non-controlling interest in an acquiree are measured at the non-controlling interest's proportional interest in the net assets acquired without considering the non-controlling interest's share of goodwill (the partial goodwill method). Alternatively, the entire amount of goodwill arising on the acquisition, also considering the share attributable to non-controlling interests (the full goodwill method) is recognised. The goodwill calculation method (partial goodwill method or full goodwill method) is chosen separately for each business combination. The partial goodwill method is applied, unless otherwise specified.

If control is acquired in stages, the acquisition cost is determined by summing the fair value of the equity interest previously held in the acquiree to the amount paid for the additional investment. The difference between the fair value of the previously-held equity interest and the relevant carrying amount is taken to profit or loss.

#### Summary of the standards applied

The consolidated financial statements at 31 December 2017 are Piovan S.p.A.'s first consolidated financial statements prepared in accordance with IFRS, therefore, IFRS 1 is applied. The date of transition, which is defined as the beginning of the earliest period for which an entity presents full comparative information under the IFRS in its first IFRS financial statements, is 1 January 2015. In preparing the consolidated financial statements at 31 December 2017 for the listing application as described in the "Content and format of the consolidated financial statements" paragraph, the Piovan Group referred to the IFRS applicable at 31 December 2017, in accordance with the provisions of IFRS 1. The directors highlight that, in 2015, 2016 and 2017, Piovan S.p.A. opted not

to prepare consolidated financial statements, as per article 27.3 of Legislative decree no. 127/1991, as the ultimate parent, Pentafin S.p.A., already prepared them in accordance with the Italian GAAP. Furthermore, with regard to the listing application, no obligations have emerged for Piovan S.p.A. to prepare consolidated financial statements at 31 December 2015, 2016 and 2017 in accordance with Italian GAAP. Therefore, the directors noted that, in these circumstances, it is impossible to prepare the reconciliation between the Group's equity and profit for the year as per the consolidated financial statements prepared under Italian GAAP with those as per the consolidated financial statements prepared under IFRS. Such reconciliation would have been required if Piovan S.p.A. had been obliged to prepare consolidated financial statements in accordance with Italian GAAP and subsequently transition to IFRS. Accordingly, the directors did not present the information and reconciliations as per IFRS 1.23/24.

With regard to the first IFRS consolidated financial statements, the Group availed of the following exemptions allowed by IFRS 1 during first-time adoption:

Exemption as per IFRS 1 - Appendix C Exemptions for business combinations – paragraph C4 (j). Such exemption applied if, in accordance with its previous GAAP, the first-time adopter was not obliged to consolidate a subsidiary acquired in a past business combination (for example, because the parent did not regard it as a subsidiary in accordance with previous GAAP or did not prepare consolidated financial statements, as in this case). Accordingly, considering the option provided by Italian GAAP for Piovan S.p.A. not to prepare consolidated financial statements, the directors applied such exemption as per paragraph C4 (j). Therefore, the Group measured goodwill arising in business combinations that occurred before the Date of transition, at the deemed cost at the Date of transition (1 January 2015) which equals the difference between i) the carrying amount of the investment in the Parent's separate financial statements, prepared in accordance with the Italian law governing financial statements, and ii) the Parent's interest in the carrying amount of the subsidiary's assets and liabilities, adjusted, if needed, to comply with the IFRS.

It should be noted that the separate financial statements of Piovan S.p.A. at 31 December 2017 prepared in accordance with the law were prepared under Italian GAAP.

STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EU BUT NOT YET MANDATORY AND ADOPED EARLY BY THE GROUP AT 31 DECEMBER 2017

The directors decided to adopt IFRS 15 - Revenue from contracts with customers (published on May 28, 2014 and supplemented by additional clarifications published on 12 April 2016) early at January 1, 2015 in order to provide a disclosure, during the listing process, comparable with the one that will be provided as of January 1, 2018 (when such standard becomes mandatory). IFRS 15 - Revenue from contracts with customers replaced IAS 18 - Revenue and IAS 11 - Construction contracts and IFRIC 13 - Customer loyalty programmes, IFRIC 15 - Agreements for the construction of real estate, IFRIC 18 -Transfers of assets from customers and SIC 31 - Revenue - Barter transactions involving advertising services. The standard is applicable to annual periods beginning on or after 1 January 2018. The EU endorsed the amendments to the standard Clarifications to IFRS 15 - Revenue from contracts with customers on 6 November 2017. The standard provides for a new revenue recognition model to be applied to all contracts agreed with customers except for those within the scope of the other standards such as leases, insurance contracts and financial instruments. The steps for the recognition of revenue under the new model are:

- Identify the contract(s) with a customer;
   Identify the performance obligations in the contract;
   Determine the transaction price;
   Allocate the transaction price to the performance obligations in the contract;
- □ Recognise revenue when (or as) the entity satisfies a performance obligation.

As already mentioned in the "Summary of the standards applied" paragraph, the consolidated financial statements at 31 December 2017 prepared in accordance with the IFRS are the first consolidated financial statements prepared.

red by the Group considering that Piovan S.p.A., the parent, always waived the obligation to prepare consolidated financial statements as the ultimate parent, Pentafin S.p.A., already prepared the consolidated financial statements in accordance with the Italian GAAP.

Applying the IFRS 1, considering that the consolidated financial statements at 31 December 2017 are the first consolidated financial statements prepared as per the IFRS, IFRS 15 has been applied for the purposes of both the presentation of the opening statement of financial position at 1 January 2015 and the preparation of comparative data as at and for the years ended 31 December 2015 and 2016.

STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EU BUT NOT YET MANDATORY AND NOT ADOPED EARLY BY THE GROUP AT 31 DECEMBER 2017

- Final version of IFRS 9 Financial instruments (published on 14 July 2015). This document includes the results of the IASB's project to replace IAS 39:
  - it introduces new criteria for the classification and measurement of financial assets and financial liabilities (together with the measurement of the non-substantial modifications to financial liabilities);
  - with respect to impairment, it requires that estimated credit losses be measured using the expected credit loss model rather than the incurred losses model provided for by IAS 39, using supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions; and
  - it introduces a new hedge accounting model (increase in the type of transactions eligible for hedge accounting, modification of the accounting treatment of forwards and options when they are included in a hedge accounting relationship, modifications to the effectiveness test).

The new standard applies to annual periods beginning on or after 1 January 2018. The directors have the following considerations about the possible effects of its application:

 They do not expect the adoption of the new criteria for the classification and measurement of financial assets and financial liabilities will significantly affect the Group's consolidated financial statements.

- With respect to the impairment model, the Group calculates 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. Based on the analyses carried out by the directors, the method currently adopted by the Group is similar to the expected credit loss model as provided for by IFRS 9 as the measurement, with different application methods depending on the risk level of the subsidiary's market and coordinated at the Group level, considers elements such as customer risk, country risk and relevant macro-economic information to identify 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 Group historically incurs limited losses on receivables.
- Therefore, the directors do not deem that the new standard will have a significant impact on the Group's consolidated financial statements, except as regards to the immaterial updating of the estimates underlying the calculation.
- The model requires an assessment of the impact of changes in economic factors on expected credit losses which are weighted based on their probability.
- The directors do not expect the adoption of the new hedge accounting model will significantly affect the consolidated financial statements as the Parent and its subsidiaries do not use hedging derivatives.
- IFRS 16 Leases (published on January 13, 2016) replaces IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases incentives and SIC-27 Evaluating the substance of transactions involving the legal form of a lease.
  - This standard provides a new definition of a lease and introduces a criterion based on control (right of use) of an asset to differentiate leases from service contracts based on the identification of the asset, right of

substitution, the right to obtain substantially all the benefits from the use of the asset and the right to identify the asset's use.

IFRS 16 introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard does not provide for significant changes for lessors.

IFRS 16 applies to annual periods beginning on or after 1 January 2019 but earlier application is allowed solely for entities that have already applied IFRS 15 - Revenue from contracts with customers.

The Group has started a project to identify the leases of each company and to subsequently assess their treatment in line with the new standard and introduce the related administrative procedures and accounting system.

The directors expect that application of IFRS 16 will have a significant impact on the amounts and disclosures in the consolidated financial statements given the number of contracts that qualify as leases. However, they are unable to make a reliable estimate of the impact as the Group has not yet completed a detailed analysis of the related leases. Furthermore, the directors have not yet defined the approach that will be adopted from those allowed by the new standard.

#### **Significant Accounting policies**

Revenue and costs. Revenue and costs are recognised on an accruals basis. Revenue is recognised upon the satisfaction of the contractual obligations underlying the transaction price to which the Group expects to be entitled when the performance obligation has been satisfied.

The Group's revenue can be broken down as follows:

• Revenue from sales of automation systems for the storage, transport and processing of plastic materials (the "Plastic Systems") and automation systems for the storage and transport of food powders (the "Food Systems"): the analysis of the contractual condition usually agreed with customers showed that there are two macro-categories of contracts into which revenue from sales of plant and auxiliary equipment can be classified depending on how the performance obligations indicated in the contracts are satisfied. Specifically:

- Contracts where the performance obligations are satisfied at a point in time: this category comprises sales of systems, plant and equipment, mainly in the plastic market. It includes contracts that generally provide for just one performance obligation, i.e. supply of the plant/equipment, and others that provide for three performance obligations, i.e. (i) design of machinery and engineering solutions and production of plant and systems; (ii) installation, and (iii) launch and parametrisation. For these types of contracts, the Group recognises revenue when the customer obtains control of the asset, generally identified as the time of delivery or shipment of the plant/product, depending on the terms of the contract, whereas for the other two performance obligations, revenue is recognised when the service is rendered. On average, the systems/equipment in this category require between three to six months to be produced. The general sales terms and conditions foresee advance payments, accounted under Advance from customers as down payment.
  - o Contracts where the performance obligations are satisfied over time: typically these relate to sales of certain plants belonging to market for Plastic Systems or Food Systems with a high degree of customisation requested by customers and for which the terms of the contract provide that control of the asset supplied is transferred to the customer at the time of testing or installation. There is only one performance obligation and it is satisfied over time considering that the systems produced has no alternative use to the Group, as it is very specific and customised, and as the Group has the right to receive consideration for the work completed to date in the event of cancellation of the order. For these reasons, the Group recognises revenue from sales of these plants in proportion to the percentage of completion of satisfaction of the performance obligation. In order to determine the percentage of completion, the Group uses an input method or the cost-to-cost method, which compares contract costs incurred for work performed at the reporting date to the total estimated contract costs. The estimates are based on forecast and accounting data of the contracts and, if necessary, the estimates of the revenue and contract costs to complete are updated. Any effects on profit or loss are recognised during the reporting period when the updates are made. Generally the time re-

- quired to produce these plants are no longer than a year and advance payments are requested to the customers.
- Contract work on these plants is stated net of advance payments related to contracts in progress. Given that the analysis is made contract by contract, the relevant recognition in the statement of financial position is as follows: when the costs incurred, increased by any profits, exceed the advance payments received from customers, such difference is recognised under assets as amounts due from customers in the caption Contract assets for work in progress, when the progress payments received from customers exceed the costs incurred, increased by any profits, such difference is recognised under liabilities as amounts due to customers in the caption Contract liabilities for work in progress.
- Revenue from Serve & Spare Parts: this is recognised when title is transferred, which normally coincides with the delivery or shipment of the goods.
- Revenue from technical support services: this is recognised when the services are completed and/or expired.

Advertising and research costs are expensed as required by IAS 38.

Interest. Revenue and expenses are recognised on an accruals basis in line with the interest accrued on the carrying amount of the related financial assets and liabilities using the effective interest method.

**Dividends**. They are recognised when the shareholder's right to receive payment is established, which normally takes place when the shareholders pass the related resolution. The dividend distribution is recognised as a liability in the financial statements of the period in which the shareholders approve such distribution.

**Income taxes**. Current taxes are calculated in accordance with the laws enacted or substantively enacted in the countries where the Group operates; current tax liabilities are recognised in the statement of financial position net of any payments on account. A provision is recognised for those matters for

which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of the administrative department supported by previous experience on such activities and in certain cases based on specialist independent tax advice.

Deferred tax assets and liabilities arise on temporary differences between the carrying amount of an asset or liability pursuant to IFRS and its tax base, calculated using the current tax rates that are enacted or substantively enacted as of the balance sheet date and that will apply in future years. Deferred tax assets are only recognised when their recoverability is probable, that is when it's probable that there will be future taxable income against which to utilize the asset, while deferred tax liabilities are always recognised, except in the situations in which recording a tax liability would not be appropriate under IAS 12 - Income taxes, for example on initial recognition of goodwill or if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current assets and labilities on a net basis. A tax liability is accounted for in the year in which the liability to pay a dividend is recognised, if untaxed reserves are distributed.

Deferred tax labilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary difference and they are expected to reverse in the foreseeable future.

**Translation criteria.** Foreign currency receivables and payables are translated into Euros using the transaction-date exchange rate. Any gains or losses

when the foreign currency receivable is collected or the payable settled are recognised in profit or loss.

Revenue, income, costs and expenses related to foreign currency transactions are recognised at the spot rate at the transaction date. At the closing date, foreign currency assets and liabilities, excluding non-monetary non-current assets (which continue to be recognised using the transaction-date exchange rate) are retranslated using the spot closing rate (except for non-current assets) and the related exchange rate gains or losses are recognised in profit or loss.

The main exchange rates (against €1) used to translate the foreign currency financial statements at 31 December 2017, 2016 and 2015 (comparative figures) are set out below:

Currenc	cy .	Average rate			Closing rate		
		2017	2016	2015	31.12.2017	31.12.2016	31.12.2015
BRL	Real	3.605	3.856	3.7	3.973	3.431	4.312
CAD	Canadian Dollar	1.465	1.466	1.419	1.504	1.419	1.512
CZK	Czech Koruna	26.326	27.034	27.279	25.535	27.021	27.023
CNY	Renminbi	7.629	7.352	6.973	7.804	7.32	7.061
GBP	Pound Sterling	0.877	0.819	0.726	0.887	0.856	0.734
HUF	Forint	309.193	311.438	309.996	310.33	309.83	315.98
MXN	Mexican Peso	21.329	20.667	17.616	23.661	21.772	18.915
SGD	Singapore Dollar	1.559	1.528	1.525	1.602	1.523	1.542
USD	U.S. Dollar	1.13	1.107	1.11	1.199	1.054	1.089
THB	Baht	38.296	39.043	38.028	39.121	37.726	39.248
INR	Indian Rupee	73.532	74.372	71.196	76.606	71.594	72.022
TRY	Turkey Lira	4.121	3.343	3.025	4.546	3.707	3.177
AED	U.A.E. Dirham	4.148	4.063	-	4.404	3.87	-
JPY	Japanese Yen	126.711	120.197	-	135.01	123.4	-
VND	Dong	25.662,00	-	-	27.233,00	-	-

Any goodwill or fair value adjustments to the carrying amounts of net assets arising on the acquisition of a foreign operation with a functional currency different to that of the Parent, are expressed in the functional currency of the foreign operation and translated at the closing rate (according to general rules for translating financial statements in functional currencies different to that of the Parent).

**Property, plant and equipment**. They are recognised at historical cost, including ancillary costs necessary to ready the asset for the use for which it has been purchased.

Maintenance and repair costs that do not extend the asset's life and/or enhance its value are expensed when incurred; otherwise, they are capitalised.

Property, plant and equipment are stated net of accumulated depreciation and any accumulated impairment losses calculated using the methods described later in this section. The depreciable amount of an asset is allocated on a systematic basis using the straight-line method over its useful life, which is reviewed once a year. Any necessary changes are applied prospectively.

The depreciation rates of the main categories of property, plant and equipment 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 therefore is not depreciated.

Assets held under finance lease, when all the risks and rewards of ownership have been substantially transferred to the Group, are recognised at their fair value or, if lower, the present value of the minimum lease payments.

The liability to the lessor is shown under financial liabilities. The leased assets are depreciated using the above rates.

Leases where the lessor maintains substantially all the risks and rewards of ownership are classified as operating leases. The related costs are expensed over the lease term.

When the asset is sold or there are no future economic benefits expected from its use, it is derecognised and the gain or loss (calculated as the difference between the asset's sales price and carrying amount) is recognised in profit or loss in the year of derecognition.

Goodwill. Recognised among intangible assets, goodwill is related to business combinations and is calculated, as detailed in the "Business combinations" paragraph, as the excess of the aggregate of the consideration transferred for a business combination, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the assets acquired and liabilities assumed. A non-controlling in-

terest in an acquiree is the sum of the non-controlling interest's proportional interest in the net assets acquired.

Goodwill is not amortised but is annually tested for impairment. If specific events or changes in circumstances indicate that goodwill may be impaired, the test is performed more frequently, in accordance with IAS 36 - Impairment of assets.

For the purposes of the impairment test, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) which are expected to obtain benefits from the synergies of the business combinations. As specified earlier in the "Summary of the standards applied" paragraph, for goodwill arising on acquisitions prior to the date of transition (1 January 2015), the parent availed of the exemption provided by IFRS 1 and calculated the deemed cost of goodwill.

Other intangible assets. These are identifiable, non-monetary assets without physical substance that are controlled by the entity and from which future economic benefits are expected to flow to the entity. They are initially recognised at cost when this can be reliably determined using the same methods applied to property, plant and equipment.

These assets are subsequently presented net of accumulated amortisation and any accumulated impairment losses. Their useful life is reviewed regularly and any changes are applied prospectively. Costs incurred to internally generate an intangible asset are capitalised in line with the provisions of IAS 38.

Their estimated average useful life is between three and ten years.

Gains or losses on the sale of an intangible asset are calculated as the difference between the asset's sales price and its carrying amount. They are recognised in profit or loss at the sales date.

#### Impairment losses on non-financial assets.

Amortisable assets are tested for impairment whenever events or circumstances suggest that their carrying amount cannot be recovered (trigger events). In both cases, the impairment loss is the amount by which the asset's carrying amount exceeds its recoverable amount, which 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 an asset's value in use, the recoverable value of the cash-gene-

rating unit (CGU) to which the asset belongs is calculated. Assets are grouped into the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Group calculates the present value of the estimated future cash flows of the CGU using a discount rate that reflects the time value of money and the risks specific to the asset.

If an impairment loss on an asset other than goodwill subsequently decreases or no longer exists, the carrying amount of the asset or the CGU is increased to the new estimate of its recoverable amount which will not, in any case, exceed the carrying amount the asset would have had if no impairment loss had been recognised.

Reversals of impairment losses are recognised immediately in profit or loss.

**Equity investments.** Investments in associates and joint ventures are measured using the equity method, while other investments are measured at fair value through other comprehensive income. If fair value cannot be reliably determined, the investments are measured at cost adjusted for impairment losses, which are recognised in profit or loss.

If the reasons for the impairment loss no longer exist, the equity investments recognised at cost are revalued with reversal of the impairment loss through profit or loss.

**Financial assets**. They are initially recognised at their fair value and subsequently measured at amortised cost. Financial assets are initially recognised at their fair value increased, in the case of assets other than those recognised at fair value through profit or loss, by ancillary costs. When subscribed, the Group assesses whether a contract includes embedded derivatives. The embedded derivatives are separated from the host contract if this 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 Group classifies its financial assets after initial recognition and, when appropriate and permitted, reviews this classification at the reporting date. It recognises all purchases and sales of financial assets at the transaction date, i.e., the date on which the Group assumes the commitment to buy the asset.

As established by IAS 39, the different categories of financial instruments are as follows:

- Financial assets at fair value through profit or loss. These assets are classified as held for trading, are designated as such at initial recognition or are held for sale in the short term. Derivatives, including embedded derivatives, are classified as financial instruments held for trading unless they are designated as effective hedging instruments. Gains or losses on assets held for trading are recognised in profit or loss. If a contract contains one or more embedded derivatives, the Group may designate the entire hybrid contract as a financial asset at fair value through profit or loss, unless the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract or it is clear that separation of the embedded derivative(s) is prohibited.
- Loans and receivables. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method minus any reduction for impairment through the use of an allowance account. The calculation of amortised cost includes all fees or points paid or received between the parties to the contract that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired as well as through amortisation.
- Held-to-maturity investments. They are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. After initial recognition, they are measured at amortised cost, which is calculated as the amount at which the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount. This calculation includes all fees or points paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains or losses on investments measured at amortised cost are recognised in profit or loss when the investment is derecognised or impaired as well as through amortisation.
- · Available-for-sale financial assets. These are non-derivative financial as-

sets that are designated as available for sale or are not classified in any of the previous three categories. After initial recognition, held-for-sale financial assets are measured at fair value and fair value gains or losses are recognised in a separate equity caption. When the assets are derecognised, the gains or losses recognised in equity are transferred to profit or loss. Interest accrued or paid on these assets is recognised as interest income or expense using the effective interest method. Dividends on an available-for-sale equity instrument are recognised as "Dividends received" in profit or loss when the entity's right to receive payment is established. In the case of securities traded on regulated markets, their fair value is calculated using the bid price at the end of the trading session on the reporting date. If a market value is not available, fair value is determined using either the fair value of a substantially similar financial instrument or appropriate financial techniques (e.g., the discounted cash flow method). Any impairment losses are recognised in profit or loss after use of the fair value reserve if this has been set up. Subsequent reversals of impairment losses are recognised in profit or loss except in the case of equity instruments for which the reversal is recognised in equity.

**Inventories**. Inventories are measured at the lower of purchase and/or production cost, calculated using the weighted average cost method, and net realisable value. Purchase cost comprises all ancillary costs. Production cost includes the directly related costs and a portion of the indirect costs that are reasonably attributable to the products.

Work in progress is measured at the weighted average cost, including ancillary cost related to the production, considering the stage of completion of the related contracts.

Obsolete and/or slow-moving items are written down to reflect their estimated possible use or realisation through an allowance.

The write-down is reversed in subsequent years if the reasons therefor no longer exist.

Contract assets/liabilities for work in progress. As described earlier in the "Revenue and costs" paragraph, these captions relate to the performance of contracts for which revenue is recognised over time. The Group recognises revenue from sales in proportion to progress towards satisfaction of the

performance obligation. The progress is measured using the cost-to-cost method. Given that the analysis is made contract by contract, the relevant recognition in the statement of financial position is as follows: when the costs incurred, increased by any profits, exceed the progress payments received from customers, such difference is recognised under assets as amounts due from customers in the caption *Contract assets for work in progress*, when the progress payments received from customers exceed the costs incurred, increased by any profits, such difference is recognised under liabilities as amounts due to customers in the caption *Contract liabilities for work in progress*.

Trade receivables. They are initially recognised at fair value, which is usually the same as their nominal amount, and subsequently measured at amortised cost and impaired, if appropriate. Their carrying amount is adjusted to their estimated realisable amount through the allowance for impairment. Foreign currency trade receivables are translated into Euros using the transaction-date exchange rate and subsequently retranslated using the closing rate. The exchange rate gain or loss is recognised in profit or loss under the caption *Net exchange rate gain (losses)*.

Cash and cash equivalents. They include cash, i.e., highly liquid investments (maturity of less than three months) that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Employee benefits. This caption includes the Italian post-employment benefits ("TFR") and other employee benefits covered by IAS 19 - Employee benefits. As a defined benefit plan, independent actuaries calculate the TFR at the end of each reporting period. The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period. These benefits are calculated using the projected unit credit method. Law no. 296/06 changed the Italian post-employment benefits scheme and benefits accrued after 1 January 2007 now classify as defined contribution plans regardless of whether the employee decides to have them transferred to the INPS (the Italian social security institution) treasury fund or an external pension plan. Benefits vested up until 31

December 2006 continue to be recognised as part of a defined benefit plan and are subject to actuarial valuation, excluding the future salary increase component. The Group does not have plan assets. It recognises actuarial gains and losses in the period in which they arise. Pursuant to IAS 19 (revised), they have been recognised directly in other comprehensive income starting from 2015.

**Provisions for risks**. As required by IAS 37 - Provisions, contingent liabilities and contingent assets, the Group recognises a provision when it has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Changes in estimates from one period to another are recognised in profit or loss.

Where the effect of the time value of money is material and the amount of the obligation can be estimated reliably, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Any subsequent changes arising from the passage of time are recognised as financial expense in the statement of profit or loss.

No provision is made for possible but not probable risks but the Group provides adequate disclosure thereon in the notes.

**Trade payables and other current liabilities**. Trade payables and other current liabilities which fall due within normal trading terms are initially recognised at cost, which equals their nominal amount, and are not discounted. When their due date is longer than normal trading terms, the interest is separated using an appropriate market rate.

Financial liabilities. They are classified as current liabilities unless the Group has an unconditional right to defer their payment for at least 12 months after the reporting date. The Group removes the financial liability when it is extinguished and the Group has transferred all the risks and rewards related thereto. Financial liabilities are initially recognised at their fair value and subsequently measured using the amortised cost method.

Liabilities for options granted to non-controlling investors. If an interest of less than 100% is acquired in a subsidiary under a business combination, a put option may be granted to the seller enabling it to sell its remaining investment in the subsidiary to the buyer at a specified price. As already mentioned, the acquisition of control in a business is recognised in accordance with IFRS 3 - Business combinations. With regard to the put option granted, regardless of whether the exercise price of the option is fixed or variable, in compliance with IAS 32.23, it is recognised as a financial liability at the present value of the redemption amount. Upon initial recognition, the financial liability deriving from the put option is recognised as a decrease in the Group's equity. Subsequent fair value adjustments are taken to profit or loss. The Group also continues to recognise the profit for the year and equity attributable to non-controlling interests until the put option is exercised.

Use of estimates. Preparation of the consolidated financial statements requires management to apply accounting policies and methods that, in certain circumstances, are based on difficult and subjective judgements, past experience or assumptions that are considered reliable and realistic at that time depending on the related circumstances. Application of these estimates and assumptions affects the amounts recognised in the statement of financial position, the statement of profit or loss and the statement of cash flows as well as the disclosures. The end results of the measurements for which the estimates and assumptions were used may differ from those presented in the financial statements due to the uncertainty underlying the assumptions and the conditions on which the estimates were based. The caption that require the greater reliance on the use of estimates and for which a change in the conditions underlying the assumptions may affect the consolidated financial statements is:

- Liabilities for options granted to non-controlling investors: depending on the terms of the contract, such financial liabilities may be measured on the basis of future forecasts of financial parameters, therefore such estimates and assumptions may differ to those reported in the consolidated financial statements due to the inherent uncertainty that characterises the assumptions and conditions underlying such estimates.

Impairment testing of goodwill. At least once a year, the Group tests goodwill for impairment. It calculates the recoverable amount of the CGU as the value in use using the discounted cash flow method applying assumptions, such as estimates of future increases in sales, operating costs, the growth rate of the terminal value, investments, changes in working capital and the weighted average cost of capital (discount rate).

The value in use may change if the main estimates and assumptions made in the plan change and, hence, the impairment test. Therefore, the realisable value of the recognised assets may also change.

Allowance for impairment. This allowance comprises management's estimates about credit losses on receivables from end customers and the sales network. Management estimates the allowance on the basis of the expected losses, considering past experience for similar receivables, current and historical past due amounts, losses and collections, the careful monitoring of credit quality and projections about the economy and market conditions. An extension and worsening in the current economic and financial crisis could trigger an additional deterioration in the financial conditions of the Group's debtors compared to the deterioration already considered when calculating the allowances recognised in the consolidated financial statements.

Allowance for inventory write-down. This allowance reflects management's estimates about expected write-downs based on past experience and the market's historical and forecast performance. A worsening in the economic and financial conditions could trigger an additional deterioration in the market conditions compared to the deterioration already considered when calculating the allowances recognised in the consolidated financial statements.

**Fair value**. IFRS 13 is the only reference source for fair value measurement and the related disclosures when this measurement is required or permitted by another standard. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

IFRS 13 establishes a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value in hierarchical order as follows:

· Level 1 inputs: quoted prices (unadjusted) in active markets for identical

assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs: unobservable inputs for the asset or liability.

Reference should be made to the specific notes to assets or liabilities for more information on the valuation techniques applied.

#### **Financial Risk Management Objectives and Policies**

The accounting policies applied to measure financial instruments are described in the section on "Accounting policies".

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

These risks include:

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

The Parent's board of directors has overall responsibility for the design and monitoring of a financial risk management system. It is assisted by the various departments involved in the operations generating the different types of risk. The departments establish tools and techniques to protect the Group against the above risks and/or transfer them to third parties (through insurance policies) and they assess the risks that are neither hedged nor insured pursuant to the guidelines established by the board of directors for each specific risk. The degree of the Group's exposure to the different financial risk categories is set out below.

#### **Credit risk management**

The Group operates on various national markets with a high number of medium and large-sized customers, mostly end customers in various countries.

Therefore, it is exposed to credit risk in conjunction with its customers' ability to settle amounts due.

The Group's credit risk management policy includes rating its customers, setting purchase limits and taking legal action. It prepares periodic reports to ensure tight control over credit collection.

Each Group company directly manages credit collection on sales made in their markets. Companies active in the same market (e.g., the Italian companies) exchange information about common customers electronically and coordinate delivery blocks or the commencement of legal action.

The allowance for impairment is equal to the nominal amount of the uncollectible receivables after deducting the part of the receivables secured with bank collateral. The Group analyses all of the collateral given to check collectability.

#### Liquidity risk management

The Group's debt, chiefly related to Piovan S.p.A., partially bears fixed interest rates to take the opportunities offered by the market of interest rates for medium to long-term financing. Given its ample liquidity, the group minimizes its liquidity risk with respect to its short-term deadlines and, therefore, this risk principally refers to its medium to long-term financing.

The Group mainly deals with well-known and reputable customers. Its policy is to constantly monitor those customers that request payment extensions. For disclosure required by IFRS 7 regarding the cash flows of the Group's financial liabilities by maturity, refers to note [16].

#### Market risk

Foreign currency risk management

As the Group sells its products in various countries around the world, it is exposed to the risk deriving from changes in foreign exchange rates. This risk mainly arises on sales in currencies like the US dollar, the Chinese renminbi, the pound sterling, the Brazilian real and the Canadian dollar against the Euro.

Sales and purchases are generally carried out in the currency of the group companies (specifically, Universal Dynamincs Inc – "Unadyn" - in the United States, Piovan do Brasil Ltda or Piovan Asia Pacific Ltd), with the exception of the Parent and some minor subsidiaries. Therefore, the individual companies are not significantly exposed to foreign currency risk which is, however, transferred to the consolidated financial statements due to translation into the Group's functional currency, impacting the gross profit and profit for the year recognised in the consolidated financial statements.

The Parent, on the other hand, also carries out transactions (typically sales) in currencies other than its functional currency. To date, the Group does not have a hedging policy with regard to the statement of profit or loss effects of the sales and purchases in foreign currencies or the exchange rate differences that arise in the time between when the invoice in foreign currency is issued and when the collection or, to a smaller extent, the payment is made. In addition, the Parent has investments in subsidiaries denominated in foreign currency. Changes in equity due to fluctuations in exchange rates are recognised in the translation reserve. The risk arising on the translation of equity is not currently hedged 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:

31.12.2017										
	EUR	USD	CNY	BRL	MXN	ТНВ	GBP	CAD	Other currencies	Total
Total assets	112,956	17,737	9,416	8,065	6,475	3,505	3,356	2,375	2,179	166,065
Total liabilities	89,796	12,891	6,595	4,272	6,223	3,971	2,575	1,120	1,939	129,382

31.12.2016										
	EUR	USD	CNY	BRL	MXN	ТНВ	GBP	CAD	Other currencies	Total
Total assets	84,923	12,748	9,550	8,053	6,178	2,653	2,836	1,713	1,811	130,465
Total liabilities	72,122	7,903	4,085	2,777	6,226	3,251	1,905	194	1,367	99,831

31.12.2015										
	EUR	USD	CNY	BRL	MXN	ТНВ	GBP	CAD	Other currencies	Total
Total assets	93,493	14,564	9,096	6,497	3,767	1,289	3,343	2,591	1,717	136,358
Total liabilities	81,194	11,188	4,140	2,516	4,411	1,572	2,647	1,470	1,605	110,741

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.

	:	31.12.2017			31.12.2016			31.12.2015		
Net revenue	Current FX in €	Rate +10%	Rate - 10%	Current FX in €	Rate +10%	Rate - 10%	Current FX in €	Rate +10%	Rate - 10%	
EUR - Euro	134,572	134,572	134,572	121,364	121,364	121,364	112,522	112,522	112,522	
USD - US Dollar	46,211	41,977	51,305	48,589	44,150	53,961	46,365	42,150	51,516	
CNY - Chinese renminbi	13,498	12,257	14,981	10,551	9,588	11,719	15,144	13,766	16,826	
BRL - Brazilian real	6,598	5,996	7,329	5,285	4,812	5,881	6,642	6,024	7,362	
GBP - Pound sterling	5,419	4,924	6,018	3,755	3,411	4,169	6,936	6,306	7,708	
THB - Thai baht	1,830	1,663	2,032	1,031	938	1,146	972	883	1,079	
TRY - Turkish Iira	791	719	879	721	655	801	890	808	987	
INR - Indian rupee	237	215	263	334	304	371	188	171	209	
JPY - Japanese yen	177	161	197	-	-	-	-	-	-	
CAD - Canadian dollar	34	31	38	5	4	5	-	-	-	
MXN - Mexican peso	14	13	16	75	68	84	15	13	16	
AED - United Arab Emirates dirham	8	7	9	-	-	-	-	-	-	
TOTAL	209,391	202,536	217,639	191,711	185,294	199,500	189,673	182,643	198,226	

The next table shows an analysis of pre-tax profit'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.

	3	31.12.2017	,		31.12.201	6	:	31.12.2015	5
Pre-tax profit	Current FX in €	Rate +10%	Rate - 10%	Current FX in €	Rate +10%	Rate - 10%	Current FX in €	Rate +10%	Rate - 10%
EUR - Euro	24,603	24,603	24,603	17,816	17,816	17,816	17,448	17,448	17,448
SGD	-	-	-	300	202	246	(81)	(54)	(66)
USD - US dollar	1,399	1,272	1,554	2,525	2,343	2,864	1,586	1,468	1,794
CNY - Chinese renminbi	2,001	1,819	2,224	989	933	1,141	2,133	2,121	2,592
BRL - Brazilian real	(547)	(498)	(608)	178	151	184	(724)	(642)	(784)
GBP - Pound sterling	495	450	550	437	425	519	767	842	1,030
THB - Thai baht	77	70	85	(293)	(261)	(319)	(296)	(271)	(331)
TRY - Turkish lira	(189)	(172)	(210)	(234)	(262)	(321)	(27)	(34)	(41)
INR - Indian rupee	137	124	152	30	27	32	116	108	133
JPY - Japanese yen	(111)	(101)	(124)						
CAD - Canadian dollar	448	407	497	427	388	474	825	774	947
MXN - Mexican peso	754	685	838	435	408	498	(127)	(140)	(171)
AED - United Arab Emirates dirham	(50)	(46)	(56)						
VND - Vietnamese dong	(1)	(1)	(1)						
HUF - Hungarian forint	(19)	(18)	(22)	90	81	100	(14)	(13)	(16)
CSK - Czech koruna	118	107	131	38	34	41	31	28	34
TOTAL	29,113	28,703	29,614	22,738	22,284	23,277	21,636	21,636	22,567

Moreover, as the Parent prepares its consolidated financial statements in Euros, fluctuations in the exchange rates used to translate the financial statements of the foreign subsidiaries into the presentation currency could affect the Group's financial position, financial performance and cash flows.

## Interest rate risk management

This is the risk that the fair value and/or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk due to its need to finance its operating activities, both production and financial (the purchase of assets), and to invest its available liquidity. Changes in market interest rates may negatively or positively affect the Group's results and, hence, indirectly the cost of and return on financing and investing activities.

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.

Financial Expenses of medium / long-term loans	Actual	Rate +0.25%	Rate +0.50%	Rate -0.25%	Rate -0.50%
31/12/2015	98	110	122	87	75
31/12/2016	212	235	257	186	166
31/12/2017	145	173	202	116	100

# NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## [1] PROPERTY, PLANT AND EQUIPMENT

At 31 December 2017, property, plant and equipment amounted to €27,852 thousand compared to €23,187 thousand and €22,875 thousand at 31 December 2016 and 2015, respectively. The following tables provide a breakdown of the caption and the changes of the year.

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	Total
Balance at 1 January 2015	17,286	1,747	322	3,920	206	23,481
- Historical cost	18,931	7,962	3,421	12,881	206	43,401
- Accumulated depreciation	(1,645)	(6,215)	(3,099)	(8,961)		(19,920)
Changes in 2015						
- Additions	152	688	284	973		2,097
- Disposals (historical cost)		(182)	(41)	(384)	(66)	(673)
- Exchange rate differences on historical cost	(273)	235	(7)	(421)		(466)
- Exchange rate differences on accumulated depreciation	161	(178)	8	342		333
- Depreciation	(669)	(425)	(177)	(1,193)		(2,463)
- Disposals (accumulated depreciation)		178	39	350		566
Total changes	(628)	315	105	(332)	(66)	(606)
Balance at 31 December 2015	16,658	2,062	427	3,588	140	22,875
including:						
- Historical cost	18,811	8,702	3,657	13,049	140	44,360
- Accumulated depreciation	(2,153)	(6,640)	(3,230)	(9,461)		(21,484)

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	Total
Balance at 31 December 2015	16,658	2,062	427	3,588	140	22,875
- Historical cost	18,811	8,702	3,657	13,049	140	44,360
- Accumulated depreciation	(2,153)	(6,640)	(3,230)	(9,461)		(21,484)
Changes in 2016						
- Additions	54	270	286	1,456		2,067
- Change due to business combinations (historical cost)	237			87		324
- Impairment losses						
- Disposal (historical cost)		(70)	(6)	(536)	(3)	(614)
- Exchange rate differences on						
historical cost	497	22	2	435		956
- Exchange rate differences on accumulated depreciation	(129)	(24)	(2)	(339)		(494)
- Depreciation	(668)	(455)	(185)	(1,180)		(2,488)
- Disposal of accumulated depreciation		66	10	485		561
Total changes	(9)	(190)	105	408	(3)	312
Balance at 31 December 2016	16,649	1,872	533	3,996	137	23,187
including:						
- Historical cost	19,740	8,931	3,941	14,492	137	47,240
- Accumulated depreciation	(3,091)	(7,059)	(3,408)	(10,496)		(24,053)

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	Total
Balance at 31 December 2016	16,649	1,872	533	3,996	137	23,187
- Historical cost	19,740	8,931	3,941	14,492	137	47,240
- Accumulated depreciation	(3,091)	(7,059)	(3,408)	(10,496)		(24,053)
Changes in 2017						
- Additions	5,987	433	181	1,004	101	7,706
- Change due to business combinations (historical cost)				31		31
- Impairment losses						
- Disposal (historical cost)		(384)	145	(555)		(794)
- Exchange rate differences on						
historical cost	(673)	(243)	(2)	(430)		(1,348)
- Exchange rate differences on accumulated depreciation	156	189	2	335		681
- Depreciation	(725)	(440)	(223)	(1,214)		(2,602)
- Disposal of accumulated depreciation		394	30	567		991
Total changes	4,745	(52)	132	(262)	101	4,665
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	52,835
- Accumulated depreciation	(3,660)	(6,916)	(3,599)	(10,808)		(24,983)

The investments made in 2017 refer to land and buildings for €5,987 thousand and were mainly related to developing and optimising production capacity in Italy and the US as part of the production expansion and technological upgrade project implemented by the Group starting from 2017, which is scheduled to be completed within the first half of 2019. Such interventions are non-recurring considering their size and impact on the Group's organisational structure.

Specifically, the Parent is currently expanding its offices in Italy with the aim of building two separate buildings of approximately 15 thousand square metres to be used as a logistics warehouse linked to the current production areas and a new production facility for the subsidiary Aquatech S.p.A.. The purpose of the expansion is to boost production efficiency and, above all, to increase production capacity in order to support growth in production due to the forecast development of revenue in future years. To this aim, the parent purchased land alongside its offices in 2017 at a cost of €2,100 thousand, in addition to immaterial related costs. At the end of 2017, the parent signed a preliminary sales agreement for the facility where the subsidiary Aquatech S.p.A. currently operates. The completion of the transaction to sell and deliver the building is expected for 2019 at the earliest, in line with the

times to construct and complete the new buildings and transfer operations from the current offices.

In the first quarter of 2017, the US subsidiary Unadyn made a new investment in a facility (located in Shannon Drive Facilility in Frederiksburg, VA, less than 50 miles from the subsidiary's current offices) with the aim of transferring its offices and production to such new location. It expects to transfer to the new production site, which is currently being completed, in 2018. In early 2018 a third party showed interest in order to buy the old building and therefore, the subsidiary signed a preliminary agreement for the sale of it in line with the timeframe for completing the transfer of operations and at an amount deemed advantageous for the Group. The sale of such building was completed in June 2018.

#### The aim of such investment is to:

- ramp up the technological quality of production, improving production layout, simplifying the flow of industrial operations and comprehensively applying lean manufacturing to cut production costs and delivery times with new machinery suited to the current technological improvement;
- boost production capacity, in line with prospects of growth on the North American market and to expand the product range and automation systems built on site.

To this end, the subsidiary purchased the land and the new building in 2017 for USD 3,300 thousand (equal to €2,765 thousand at the closing exchange rate), in addition to immaterial related costs. Furthermore, the subsidiary tendered out the restructuring and technological adaptation work with an investment of €1,089 thousand in 2017.

## Additional investments made refer to:

- plant and machinery (€433 thousand), chiefly related to:
  - €114 thousand for machinery purchased by Piovan S.p.A. (Okuma lathe);
  - €112 thousand for machinery purchased by Unadyn (semi-automatic sandblasting system);
  - €156 thousand for plant upgraded by Piovan S.p.A..

- other assets (€1,004 thousand), mainly related to:
  - €296 thousand for the car fleet expanded by Piovan S.p.A., Piovan Do Brasil, Piovan Mexico and Piovan France, mainly for customer service activities;
  - €219 thousand for hardware purchased by various Group companies;
  - €104 thousand for furniture and fittings purchased for the new offices.

#### The main investments made in 2016 related to:

- plant and machinery (€270 thousand), chiefly related to:
  - €19 thousand for machinery purchased by Piovan S.p.A.;
  - €160 thousand for plant upgraded by Piovan S.p.A.;
  - €27 thousand and €22 thousand for machinery purchased by Universal Dynamics Inc. and Piovan UK Ltd, respectively;
- other assets (€1,456 thousand), mainly related to:
  - €426 thousand for cars purchased by Piovan S.p.A.;
  - €97 thousand and €29 thousand for cars purchased by Piovan France and Piovan India Private Ltd, respectively;
  - €342 thousand for hardware purchased by various Group companies (€113 thousand by Piovan S.p.A.).

#### The main investments made in 2015 related to:

- plant and machinery (€688 thousand), chiefly related to:
  - €466 thousand for machinery purchased by Piovan S.p.A. (lathe and numerical control machine);
  - €118 thousand for plant upgraded by Piovan S.p.A.;
- other assets (€973 thousand), mainly related to:
  - €336 thousand for the car fleet expanded by Piovan S.p.A., Piovan Do Brasil, Penta S.r.l. and Piovan France, mainly for customer service activities;
  - €210 thousand for hardware purchased by various Group companies (€84 thousand by Piovan S.p.A.).

Sales chiefly refer to the disposal of fully depreciated assets, as follows:

- 2017 decreases included a Okuma lathe and electronic machines sold by Piovan S.p.A;
- 2016 disposals referred to electronic machines sold by Piovan S.p.A. and Universal Dynamics Inc., in addition to cars sold by various Group companies;

2015 disposals chiefly referred to cars sold by various Group companies.

Property, plant and equipment is broken down by geographical area as follows:

Property, plant and equipment	31.12.2017	31.12.2016	31.12.2015
EMEA	19,386	17,827	17,789
- of which Italy	18,249	16,640	16,612
NORTH AMERICA	6,541	3,123	3,091
- of which United States of America	5,526	3,108	3,080
ASIA	297	292	323
SOUTH AMERICA	1,629	1,946	1,671
Total	27,852	23,187	22,875

The mortgage loan taken out with Mediocredito for €5,000 thousand in 2014 secured on the property located in Santa Maria di Sala was paid off on 31 March 2017. No property, plant and equipment are bound by mortgages or liens at 31 December 2017.

Property, plant and equipment 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, construction or production of a qualifying asset form part of the cost of that asset during the period.

## [2] INTANGIBLE FIXED ASSETS

At 31 December 2017, this caption amounted to €5,741 thousand compared to €6,209 thousand and €5,523 thousand at the end of 2016 and 2015, respectively. The following table presents changes in intangible fixed assets:

	Goodwill	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Other intangible assets	Assets under development and payments on account	Total
Balance at 1 January 2015	4,646	322	28	135		5,131
- Historical cost	4,646	5,042	136	135		9,959
- Accumulated amortisation		(4,720)	(109)			(4,828)
Changes in 2015						
- Investments		294	17			311
- Exchange rate differences on historical cost	356	(19)	(47)			291
- Exchange rate differences on accumulated amortisation		8	44			53
- Amortisation		(250)	(13)			(262)
Total changes	356	34	1			392
Balance at 31 December 2015	5,003	356	29	135		5,523
including:						
- Historical cost	5,003	5,317	106	135		10,561
- Accumulated amortisation		(4,961)	(77)			(5,038)

	Goodwill	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Other intangible assets	Assets under development and payments on account	Total
Balance at 31 December 2015	5,003	356	29	135		5,523
- Historical cost	5,003	5,317	106	135		10,561
- Accumulated amortisation		(4,961)	(77)			(5,038)
Changes in 2016						
- Investments		256	11			267
- Change due to business combinations (historical cost)	594					594
- Sales (historical cost)			(7)			(7)
- Exchange rate differences on historical cost	113	83				196
- Exchange rate differences on accumulated amortisation		(65)	()			(65)
- Amortisation		(293)	(14)			(307)
- Utilisation of accumulated amortisation			7			7
Total changes	706	(19)	(3)			686
Balance at 31 December 2016	5,709	337	26	135		6,209
including:						
- Historical cost	5,709	5,656	118	135		11,618
- Accumulated amortisation	()	(5,319)	(85)			(5,404)

	Goodwill	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Other intangible assets	Assets under development and payments on account	Total
Balance at 31 December 2016	5,709	337	26	135		6,209
- Historical cost	5,709	5,656	118	135		11,618
- Accumulated amortisation	()	(5,319)	(85)			(5,404)
Changes in 2017						
- Investments		220	72		10	302
- Exchange rate differences on historical cost	(430)	(64)	(4)			(498)
- Exchange rate differences on accumulated amortisation		57	(2)			55
- Amortisation	()	(288)	(30)	(13)		(332)
Total changes	(430)	(76)	36	(13)	10	(473)
Balance at 31 December 2017	5,279	262	68	121	10	5,742
including:						
- Historical cost	5,279	5,811	186	135	10	11,411
- Accumulated amortisation	()	(5,550)	(118)	(13)		(5,681)

Intangible assets	31.12.2017	31.12.2016	31.12.2015
EMEA	2,527	2,536	1.954
- of which Italy	2,356	2,385	1,801
NORTH AMERICA	3,122	3,552	3,439
- of which United States of America	3,121	3,552	3,439
ASIA	34	38	38
SOUTH AMERICA	60	83	92
Total	5,742	6,209	5,523

Intangible assets are broken down by geographical area as follows:

At 31 December 2017, goodwill amounts to €5,280 thousand compared to €5,710 thousand and €5,003 thousand at 31 December 2016 and 2015, respectively. The recognised goodwill mainly refers to:

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

	01.01.2015	Increase	Decrease	Change in translation reserve	31.12.2015
UnaDyn	3,084			356	3,440
Penta	1,554				1,554
Other goodwill	8				8
Total	4,646			356	5,002

	31.12.2015	Increase	Decrease	Change in translation reserve	31.12.2016
UnaDyn	3,440			113	3,553
Penta and Progema	1,554	318			1,872
Energys		276			276
Other goodwill	8				8
Total	5,002	594		113	5,709

	31.12.2016	Increase	Decrease	Change in translation reserve	31.12.2017
UnaDyn	3,553			(430)	3,123
Penta and Progema	1,872				1,872
Energys	276				276
Other goodwill	8				8
Total	5,709			(430)	5,279

The Group does not have goodwill that can be deducted for tax purposes. The change in goodwill related to UnaDyn is due to the different USD/Euro exchange rates at each year end rather than to transactions between the Group and third parties. Therefore, such changes are non-cash movements.

## **Acquisition of Universal Dynamics Inc.**

In 2008, the Piovan Group acquired 100% of UnaDyn by setting up a US vehicle, using loans, which was subsequently merged into the subsidiary. Considering that the acquisition occurred before the date of transition (1 January 2015), as specified earlier, the Group calculated the goodwill by applying the exemption as per paragraph C4 (j) of IFRS 1.

	1.01.2015
Investment carrying amount	2,873
Net liabilities adjusted as per IFRS	(210)
Goodwill	3,084

## Acquisition of Penta S.r.l.

At the end of 2014, the Piovan Group acquired 51% of Penta S.r.l., obtaining control thereof. The purchase agreement included a put/call mechanism between Piovan S.p.A. and the non-controlling investors, as described in more detail in note [19], as well as the commitment to acquire a further interest which led Piovan Group to own an additional 14% of Penta S.r.l. in 2016. As with Unadyn, since the acquisition of control occurred before the date of transition (1 January 2015), the goodwill was calculated by applying the exemption as per IFRS 1, to the extent of the deemed cost which equals the difference between i) the carrying amount of the investment in the parent's separate financial statements and ii) the parent's interest in the adjusted carrying amount of the subsidiary's assets and liabilities to comply with the IFRS.

	1.01.2015
Investment carrying amount	2,454
Net assets adjusted as per IFRS	899
Goodwill	1,554

The additional investment acquired in 2016 did not entail recognising additional goodwill and the difference between the price paid and the equity acquired was taken to equity, in accordance with IFRS 3, when control over the investee was acquired following the commitment signed when the initial 51% investment was acquired, as described in more detail in note [19].

## Acquisition of Progema S.r.l.

At the end of 2016, the Group acquired a 43% investment in Progema S.r.l., through the subsidiary Penta S.r.l., thus coming to hold 62% of the investee. Through such transaction, the Piovan Group acquired control of Progema S.r.l.. The agreement between the parties includes an option for the Group to acquire a further 19% of the investee within the first few months of 2019. The company was consolidated on 31 December 2016 and, accordingly, the income statement for the year then ended was not included in the consolidated financial statements at 31 December 2016. The Group chose to recognise the goodwill arising on such acquisition on the basis of the percentage held in the net assets of the acquiree at fair value (the partial goodwill method). The carrying amount of the investment held before control was acquired was already deemed to represent its fair value. Therefore, the goodwill recognised was the difference between the price paid in cash (€498 thousand) and 62% of the assets acquired and liabilities assumed (€292 thousand).

The investee mainly provides electrical design and related activities to its main customer Penta S.r.l., therefore the acquisition purpose was to optimize the production process of Penta S.r.l.. The goodwill represent the knowledge and experience reached by the subsidiary.

The investee's data at the date of consolidation are as follows (the amounts refer to the investee's total statement of financial position amounts):

	Acquisition value
Property, plant and equipment	299
Non-current assets	299
Inventories	6
Trade receivables	1,100
Cash and cash equivalents	724
Current assets	1,830
Total assets	2,128
Equity	292
Trade payables and other current liabilities	1,837
Total liabilities	2,128

If the acquisition of Progema had been as of the beginning of 2016 the revenue and consolidated profit would have been respectively € 192,237 thousand and € 14,344 thousand.

#### Acquisition of Energys S.r.l.

The Group acquired a 68% investment in Energys S.r.l. in 2016. The investee was consolidated as of 1 January 2016, the closest date to when control was acquired. The Group chose to recognise the goodwill arising on such acquisition on the basis of the percentage held in the net assets of the acquiree at fair value (the partial goodwill method). Therefore, the goodwill recognised was the difference between the price paid (€290 thousand) and 68% of the assets acquired and liabilities assumed (€ 17 thousand).

The investee carries out projects on energy efficiency and for obtaining white certificates as it is an ESCO (energy service company) authorised by national electricity authorities. At the acquisition date, its net assets included non-current assets and trade receivables and payables.

The investee's data at the date of consolidation are as follows (the amounts refer to the investee's total statement of financial position amounts):

	Acquisition value
Property, plant and equipment	28
Non-current assets	28
Trade receivables and other current assets	81
Cash and cash equivalents	31
Current assets	112
Total assets	139
Equity	17
Trade payables and other current liabilities	122
Total liabilities	139

The effect of consolidation on revenue, thus net of intragroup transactions, at the acquisition date (31 December 2016) amounts to €236 thousand. The investee recorded a loss of €3 thousand in 2016.

#### Impairment test

Goodwill is allocated to the group's CGUs, i.e., the individual companies to which it relates.

As required by IAS 36, the Group tests goodwill recognised in its consolidated financial statements for impairment at all reporting dates. Specifically, it is tested at least once a year, including if there are no indicators of impairment. Goodwill is recognised on the acquisitions shown in the previous table. For the purposes of the annual impairment test of such goodwill, the directors

defined the CGUs as each of the above-mentioned subsidiaries, except for Penta S.r.l. and Progema S.r.l., which, for the purposes of the impairment test, were considered one CGU as the cash generated thereby is deemed interrelated to each other. With reference to the CGU Energys, considering the positive results achieved by the subsidiary in addition to its expected results in connection with its reference market, the Directors did not identify any indicators of impairment, therefore, considering the low amount of the goodwill, they did not perform the same kind of test adopted for goodwill relating to the other CGU.

Management did not test amortisable assets for impairment as no trigger events or circumstances indicated that impairment had taken place. Therefore, the directors only tested Unadyn and Progema-Penta CGUs. The test methods and related results are described below.

The recoverable amount of the CGUs, to which goodwill is attributed, is checked by calculating their value in use, i.e., the present value of forecast cash flows, using a rate that reflects the specific risks of individual cash-generating units at the measurement date.

- The cash flows as per the 2018-2022 business plan were applied, using a five-year plan horizon (explicit projections). After the plan horizon, a "normalised" flow is calculated for the purposes of determining the terminal value. Specifically, management used the gross margin based on past performance and its best estimate of operating costs and future cash flows, in addition to its expectations about the future development of the CGU's market to prepare the plan. The plans were discussed at the board of directors' meeting of July 6, 2018.
- The discount rate used is the post-tax WACC rate for each CGU and it was precisely calculated considering the structure of the capital of the individual CGU. The method applied is the capital asset pricing model, under which the rate is determined using a mathematical model given by the sum of the return on a risk-free asset, increased by the risk premium. The market risk premium is in turn the result of the multiplication of the average market risk by the specific sector beta. Specifically, the cost of capital was calculated using the market returns over the period of reference on medium to long-term government bonds (ten year) of the countries/markets in which the CGU are based, adjusted by the market risk premium of

- each country to account for the investment risk.
- the growth rate (g) to determine the cash flows after the plan horizon (from 2023 onwards) used by management was in line with the expected inflation rate.

Details on the discount rates used in impairment procedures are as follows:

3			
	Goodwill	Pre tax discount rate	WACC post tax
Universal Dynamic	3,440	11.05%	7.47%
Penta	1,554	13.65%	10.27%

	31.12.2016					
	Goodwill	Pre tax discount rate	WACC post tax			
Universal Dynamic	3,553	9.91%	6.97%			
Penta and Progema	1,872	12.24%	9.23%			

3	31.12.2017					
	Goodwill	Pre tax discount rate	WACC post tax			
Universal Dynamic	3,123	8.97%	7.18%			
Penta and Progema	1,872	12.24%	9.43%			

The impairment test performed showed that the value in use, calculated using the discounted cash flows, exceeded the carrying amount for both CGU. Management performed a sensitivity analysis to back up its assessments and calculate the results that could arise in the case of a change in the assumptions. Considering the material excesses mentioned above, any reasonably possible change, in the above assumptions used to determine the recoverable amount (+/-1% change in the growth rate or +/-2.5% change in the discount rate) would not lead to significantly different results.

Based on such analyses, management found that, even if the key assumptions described above change, the recoverable amount of the CGUs should not decrease to below their carrying amount. Therefore, there was no indication of impairment of the goodwill recognised at 31 December 2015, 2016 and 2017.

## [3] EQUITY INVESTMENTS

At 31 December 2017, this caption amounted to €589 thousand compared to €798 thousand and €643 thousand at 31 December 2016 and 2015,

# respectively. It may be analysed as follows:

Company		%	1.1.2015	Increase	Decrease	Other	Valuation at Equity	31.12.2015
CMG S.p.A.	Budrio (BO)	20%	-	256	-	-	-	256
Piovan South Est Asia	Bangkok (Tailandia)	100%	-	238	-	-	-	238
Studio Ponte S.r.l.	Poggio Renatico (FE)	51%	5	-	-	-	-	5
Penta Auto Feeding India Ltd	Navi Mumbai (India)	50%	-	7	-	-	-	7
Progema S.r.l.	San Felice (MO)	19%	131	-	-	-	-	131
Other			7	-	-	-	-	7
Total			143	500	-	-	-	643

Company		%	31.12.2015	Increase	Decrease	Other	Valuation at Equity	31.12.2016
CMG S.p.A.	Budrio (BO)	20%	256	10	-	-	-	266
Piovan South Est Asia	Bangkok (Tailandia )	100%	238	0	-	-	-	238
Piovan Gulf FZE	Dubai (Emirati Arabi)	100%	-	244	-	-	(36)	208
Piovan Japan Inc	Kobe (Giappone )	100%	-	49	-	-	(49)	-
Studio Ponte S.r.l.	Poggio Renatico (FE)	51%	5	-	-	-	-	5
Penta Auto Feeding India Ltd	Navi Mumbai (India)	50%	7	60	-	-	-	67
Progema S.r.l.	San Felice (MO)	19%	131			(131)		
Other			7	11	-	(3)	-	14
Total			643	374	•	(134)	(85)	798

Company		%	31.12.2016	Increase	Decrease	Other	Valuation at Equity	31.12.2017
CMG S.p.A.	Budrio (BO)	20%	266	-	-	-	-	266
Piovan South Est Asia	Bangkok (Tailandia)	100%	238	-	-	-	-	238
Piovan Gulf FZE	Dubai (Emirati Arabi)	100%	208	-	-	(208)	-	1
Piovan Japan Inc	Kobe (Giappone)	100%	-	-	-	-	-	-
Studio Ponte S.r.l.	Poggio Renatico (FE)	51%	5	-	-	-	-	5
Penta Auto Feeding India Ltd	Navi Mumbai (India)	50%	67	-	-	-	-	67
Other			14	-	(1)	-	-	13
Total			798	-	(1)	(208)	-	589

The investments in associates and joint ventures shown in the above table were measured at equity and the same measurement method was used for some investments in subsidiaries for which, as indicated in the "Basis of consolidation" paragraph, the directors decided not to consolidate as they are not deemed material, either individually or combined. This did not have any significant effects on the correct presentation of the Group's financial position, results of operations and cash flows.

The investment in the associate CMG was acquired in 2015 through a contribution of a business unit, which was appraised and consequently used for capital increase, as a contribution in kind, in the associate. The initial carrying amount was equal to the cost incurred to acquire the investment, which was equal to the present value of the assets contributed at such date.

The equity investments in Piovan Gulf FZE and Piovan Japan Inc, set up in 2016, were measured at equity in their first year of operations in order to recognise the losses realised by the investees engaged in start-up activities in their reference markets. The caption "Increases" shows the acquisitions or companies set up by the Group in the various years, while the one "Other" shows changes due to first-time consolidation of the relevant investees.

## [4] OTHER NON-CURRENT ASSETS

At 31 December 2017, other non-current assets amounted to €393 thousand compared to €425 thousand and €155 thousand at 31 December 2016 and 2015, respectively. They are mainly comprised of guarantee deposits paid by Group companies for various reasons with regard to utilities and property leases for the Group companies' offices.

## [5] DEFERRED TAX ASSETS AND LIABILITIES

At 31 December 2017, deferred tax assets amounted to €3,656 thousand compared to €4,220 thousand and €3,413 thousand at the end of the previous year and 2015, respectively. The Group has recognised deferred tax assets and liabilities on temporary differences between the carrying amount of assets and liabilities and their tax base.

Specifically, deferred tax assets and liabilities derive from the accrual of taxes on future costs or benefits subsequent to the current year mainly due to increases in taxes generated by the non-deduction in various years of credit losses, impairment losses on equity investments, unpaid directors' fees and other amortisation and depreciation deductible in subsequent years and accruals to the provision for risks.

It calculates taxes using the rates enacted or substantively enacted in the countries where it operates when the temporary differences reverse. A breakdown of deferred tax assets for each year is as follows:

Increases	Deferred tax assets at 31 December 2017	Deferred tax assets at 31 December 2016	Deferred tax assets at 31 December 2015
Consolidation adjustments to intragroup	1,272	1,630	1,239
inventory	1,2,2	1,030	1,233
Allowance for inventory write-down	339	377	381
Unrealized exchange rate losses on receivables	218	1	3
and payables	218	1	э
Provision for bad debt	175	191	116
Provision for third-party installations	183	204	211
Provision for risks	130	130	166
Provision for product warranties	78	107	106
Agents' termination benefits	17	17	17
Contract assets/liability for work in progress	471	488	463
and trade receivables	4/1	400	403
Other	773	1,075	710
Total	3,656	4,220	3,413

At 31 December 2017, deferred tax liabilities amounted to €2,291 thousand compared to €2,128 thousand and €2,547 thousand at the end of the previous year and 2015, respectively. They are broken down as follows:

	2017 deferred tax liabilities	2016 deferred tax liabilities	2015 deferred tax liabilities
IAS 17 leases	1,721	1,786	1,781
Contract assets/ liability for work in progress and trade receivables	559	256	684
Exchange rate gains	-	76	73
Other differences	10	9	8
Total	2,291	2,128	2,547

Changes in deferred tax assets and liabilities are presented in the next table:

	1.01.2015	Recognised in profit or loss	Change in consolidation scope	Recognised in other comprehensive income	31.12.2015
Deferred tax assets	2,685	686		42	3,413
Deferred tax liabilities	(3,268)	722		-	(2,547)
Total	(583)	1,408	-	42	866

	31.12.2015	Recognised in profit or loss	Change in consolidation scope	Recognised in other comprehensive income	31.12.2016
Deferred tax assets	3,413	830	4	(28)	4,220
Deferred tax liabilities	(2,547)	418	-	2	(2,128)
Total	866	1,248	4	(26)	2,092

	31.12.2016	Recognised in profit or loss	Change in consolidation scope	Recognised in other comprehensive income	31.12.2017
Deferred tax assets	4,220	(712)	-	148	3,656
Deferred tax liabilities	(2,128)	(163)	-	•	(2,291)
Total	2,092	(875)	-	148	1,365

As at 31 December 2017 the amount of outside basis differences in relation to undistributed profits in subsidiaries is some €5,050 thousand. The related possible deferred tax liability estimated in €255 thousand has not been recognized as the Parent control the timing of the reversal on such differences.

## **CURRENT ASSETS**

## [6] INVENTORIES

At 31 December 2017, this caption amounted to €23,030 thousand compared to €22,136 thousand and €20,325 thousand at 31 December 2016 and 2015, respectively. It may be detailed as follows:

	31.12.2017	31.12.2016	31.12.2015
Raw materials	4,883	3,616	3,688
Semi-finished products and work in progress	9,013	8,753	8,571
Finished goods	10,522	12,284	10,343
Progress payments	1,155	111	202
Allowance for inventory write-down	(2,543)	(2,628)	(2,479)
Inventories	23,030	22,136	20,325

The caption increased, gross of the allowance for inventory write-down, by €809 thousand in 2017.

The Group recognised an allowance for inventory write-down to cover the difference between the cost and estimated realisable value of obsolete raw materials, semi-finished products and finished goods. The accrual to the statement of profit or loss was recognised in the caption Costs of raw materials, components and goods and changes in inventories.

## [7] CONTRACT ASSETS AND LIABILITIES FOR WORK IN PROGRESS

At 31 December 2017, the Contract asset for work in progress caption amounted to €471 thousand compared to €332 thousand and €133 thousand at the end of the previous year and 2015, respectively.

At 31 December 2017, the Contract liability for work in progress caption amounted to €8,926 thousand compared to €782 thousand and €1,796 thousand at the end of 2016 and 2015, respectively. The significant increase in 2017 was due to the sharp growth of the subsidiary Penta S.r.l.'s order backlog, which was followed by the collection of contractual advances.

Specifically, they refer to contract work of the subsidiary Penta S.r.l.. Amounts due from customers net of relevant progress payments (included under Contract assets for work in progress) are set out below:

	31.12.2017	31.12.2016	31.12.2015	1.01.2015
Measurement of contracts in progress (costs incurred added to profits recognised)	735	412	382	363
Progress payments received	(264)	(80)	(249)	(141)
Amounts due from customers (Contract assets for work in progress)	471	332	133	222

Amounts due to customers (included under Contract liabilities for work in progress) for contract work in progress measured in accordance with the percentage of completion method, are shown net of the progress of the contracts as follows:

	31.12.2017	31.12.2016	31.12.2015	1.01.2015
Measurement of contracts in progress (costs incurred added to profits recognised)	5,440	844	3,826	8,507
Progress payments received	(14,366)	(1,626)	(5,623)	(12,671)
Amounts due to customers (Contract liabilities for work in progress)	(8,926)	(782)	(1,796)	(4,164)

Revenue from contract work amounted to €16,387 thousand in 2017, €17,246 thousand in 2016 and €18,774 thousand in 2015 and relates to the subsidiary Penta S.r.l..

The tables below represent the movements of Contract assets and liabilities for work in progress.

	01.01.2015	Decrease	Increase	31.12.2015
Contract assets for work in progress	222	(222)	133	133
Contract liabilities for work in progress	(4,164)	3.153	(785)	(1,796)
	31.12.2015	Decrease	Increase	31.12.2016
Contract assets for work in progress	133	(132)	31	332
Contract liabilities for work in progress	(1,796)	1,688	(674)	(782)
	31.12.2016	Decrease	Increase	31.12.2017
Contract assets for work in progress	332	(294)	433	471
Contract liabilities for work in progress	(782)	721	(8,865)	(8,926)

The amount of revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period is  $\le 3,153$  thousand for 2015;  $\le 1,688$  thousand for 2016; and  $\le 721$  thousand for 2017.

## [8] TRADE RECEIVABLES

At 31 December 2017, this caption amounted to €61,418 thousand compared to €43,910 thousand and €41,509 thousand at 31 December 2016 and 2015, respectively. It may be analysed as follows:

	31.12.2017	31.12.2016	31.12.2015
Gross trade receivables	64,324	46,706	43,632
Provision for bad debt	(2,906)	(2,796)	(2,124)
Trade receivables	61,418	43,910	41,509

The next table shows the gross trade receivables by geographical area:

	31.12.2017	31.12.2016	31.12.2015
EMEA	39,182	25,260	22,824
- of which Italy	19,165	8,185	10,567
NORTH AMERICA	11,010	6,135	7,198
ASIA	8,494	8,029	6,872
SOUTH AMERICA	2,732	4,485	4,613
Total	61,418	43,910	41,507

Impairment losses are recognised considering past due receivables from customers with financial difficulties and receivables for which legal action has commenced.

The following table shows a breakdown of trade receivables by past due bracket:

	31.12.2017		31.12.2	016	31.12.2015	
	Trade receivables	Provision for bad debt	Trade receivables	Provision for bad debt	Trade receivables	Provision for bad debt
Receivables not yet due	43,288	-	33,040	-	30,333	-
Receivables overdue within 1 month	11,464		6,158		3,429	
Receivables overdue between 1 and 12 months	7,017	(835)	4,728	(568)	7,163	(218)
Receivables overdue over 12 months	2,555	(2,071)	2,780	(2,228)	2,707	(1,907)
Total	64,324	(2,906)	46,706	(2,796)	43,631	(2,124)

The amount of overdue receivables increased compared to 2016 by €10,247 thousand. This includes €3,652 thousand, collected at the beginning of 2018, of advances relating to two significant Food orders that had been confirmed by customers in the last two months of 2017.

The *Receivables overdue within 1 month* is equal to €11,464 thousand in 2017. This amount refers to the increase in turnover in the last months of the year and to the normal management of DSO, which shows past due amounts at month end with significant collections accounted for in the first few days of the following month.

Past due receivables by more than one year are approximately 81% covered by the allowance for impairment.

The Group's receivables are not particularly concentrated. It does not have customers that individually account for more than 5% of the total receivables at each maturity date. The growth in 2017 was due to both the increase in turnover over the entire year and the greater concentration in November and December 2017 compared to the same months of the previous years.

The Provision for bad debt comprises management's estimates about credit losses on receivables. Management estimates the allowance on the basis of the expected losses, considering past experience for similar receivables,

current and historical past due amounts, losses and collections, the careful monitoring of credit quality and projections about the economy and market conditions. It recognises the resulting impairment losses in *Other expenses*.

Changes in the allowance are shown in the following table:

	1.1.2015	Accruals	Reversals	Utilisations	Exchange rate differences	31.12.2015
Provision for bad debt	1,967	403	-	(228)	(18)	2,124

	31.12.2015	Accruals	Reversals	Utilisations	Exchange rate differences	31.12.2016
Provision for bad debt	2,124	856	-	(199)	16	2,796

	31.12.2016	Accruals	Reversals	Utilisations	Exchange rate differences	31.12.2017
Provision for bad debt	2,796	729	-	(545)	(74)	2,906

## [9] CURRENT FINANCIAL ASSETS

At 31 December 2015 the caption amounting to €7,500 thousand included an interest-bearing loan (at an annual rate of 0.8%) granted in 2014 to Nicola Piovan, a shareholder who controls Piovan S.p.A. via Pentafin S.p.A.. Such loan was fully repaid in 2016.

## [10] TAX RECEIVABLES

At 31 December 2017, current tax assets amounted to €1,561 thousand compared to €3,177 thousand and €3,580 thousand at the end of the previous year and 2015, respectively. The caption is broken down as follows:

	31.12.2017	31.12.2016	31.12.2015
VAT assets	859	2,510	3,452
Other current tax assets	702	667	128
Tax receivables	1,561	3,177	3,580

Other current tax assets chiefly include IRES and IRAP assets recognised by the subsidiary Penta S.r.I. for 2016 and 2017.

#### [11] OTHER CURRENT ASSETS

At 31 December 2017, other current assets amounted to €3,469 thousand compared to €3,163 thousand and €2,920 thousand at the end of the previous year and 2015, respectively. The caption is broken down as follows:

	31.12.2017	31.12.2016	31.12.2015
Advances to suppliers	1,425	1,144	1,056
Receivables from parent	786	786	786
Prepayments and accrued income	551	455	509
Other receivables	708	778	569
Other current assets	3,469	3,163	2,920

Receivables from parent include receivables from Pentafin S.p.A. related to the IRES reimbursement requested by the tax consolidation parent on behalf of Piovan S.p.A. with regard to the non-deduction of IRAP for 2007-2011 (Law decree no. 201 of 2011) and 2005-2007 (Law decree no. 85 of 2008).

Other receivables at 31 December 2017 include receivables from employees amounting to €284 thousand.

## [12] CASH AND CASH EQUIVALENTS

At 31 December 2017, this caption amounted to €37,885 thousand compared to €22,909 thousand and €27,781 thousand at 31 December 2016 and 2015, respectively. Reference should be made to the statement of cash flows for details of changes in the Group's cash and cash equivalents.

	31.12.2017	31.12.2016	31.12.2015	1.01.2015
Current accounts and post office deposits	37,859	22,853	27,723	23,389
Cash	26	55	58	76
Cash and cash equivalents	37,885	22,909	27,781	23,465

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 immaterial currency risk.

At 31 December 2017, the Group's current account credit balances were not restricted in any way.

The balance at 31 December 2015 included €5,000 thousand related to a restricted bank deposit set up by the Parent on 16 December 2014 in relation to the commitment to acquire an additional portion of the quota capital

of Penta S.r.I. (equal to 14%). Such deposit could have been replaced at any time, at the Parent's discretion, with a bank surety. As described in more detail in the Intangible assets paragraph, the acquisition of 14% of Penta S.r.I. was then completed in 2016 with the resulting closure of the restricted current account.

## [13] EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT

Equity may be detailed as follows:

	31.12.2017	31.12.2016	31.12.2015
Share capital	6,000	6,000	6,000
Legal reserve	1,200	1,200	1,200
Treasury shares	(7,641)	(7,641)	(8,152)
Translation reserve	(1,607)	361	(844)
Other reserves and retained earnings	14,312	12,049	11,215
Net profit (loss)	19,553	14,289	12,880
Equity attributable to the owners of the parent	31,817	26,258	22,299

The Parent's fully paid-up and subscribed share capital as at 31 December 2017 consists of 600,000 ordinary shares (nr. 600,000 as at 31 December 2016 and 31 December 2015) with a nominal amount of €10 each.

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 resolution of the shareholders' meeting did not lead to changes in the share capital. For more details and effects on earnings per share, please refer to the next note [14].

In accordance with article 2428.2/3/4 of the Italian Civil Code, it is noted that the Parent and the Group own 90,707 treasury shares directly through Piovan S.p.A. at 31 December 2017. The nominal amount of the treasury shares held is €898 thousand, equal to 14.967% of Piovan S.p.A.'s share capital. The carrying amount at 31 December 2017 was €7,641 thousand. The acquisition was made under the shareholders' resolution dated 25 October 2012 for €4,012 thousand and the shareholders' resolution dated 14 October 2013 for €4,140 thousand. The reserve decreased by €511 thousand in 2016 following the sale of shares amounting to 1% of the Parent to Filippo Zuppichin.

The consideration collected for such sale amounted to €850 thousand and, therefore, the sale led to a decrease in the treasury share of €511 thousand (the amount corresponding to the shares sold valued at the average cost of own shares in portfolio) and an increase in Other reserves by €339 thousand.

The *Translation reserve* includes the exchange rate differences deriving from the translation of the opening 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.

Other reserves and retained earnings mainly includes other income-related and equity-related reserves of the parent, in addition to retained earnings from prior years and the effects of adjustments due to adopting IFRS. The movements in the caption during 2016 were due to the distribution of dividends of €12,000 thousand to the parent's shareholders, in addition to the above-mentioned sale of own shares and the acquisition of additional quotas of Penta S.r.l.. In 2017, the movements were mainly related to dividends distributed to the parent's shareholders for €12,000 thousand

## [14] EARINING PER SHARE

On 29 June 2018 the Shareholders' meeting approved an increase in the number of shares of the Parent in the ratio of no. 100 (one hundred) new shares with no par value for each n. 1 old share. Following this resolution, which had no effect on the share capital, the shares outstanding are 60,000,000. The increase in the number of shares occurred before the consolidated financial statements were authorised for issue, therefore, the calculations of the earnings per share for all periods presented have been adjusted retrospectively and presented based on the new number of shares.

The earnings per share were calculated by dividing the net profit attributable to the owners of the Parent by the weighted average number of outstanding ordinary shares following the resolution mentioned above. The Group did not repurchase or issue ordinary shares in 2015, 2016 or 2017, nor were there potential ordinary shares that could be converted with dilutive effects.

The earnings per share are as follows:

	31.12.2017	31.12.2016	31.12.2015
Net Profit Attributable to Owners of the Parent (in thousands of Euros)	19,553	14,289	12,880
Weighted average number of ordinary shares (in thousands of units)	50,929	50,445	50,420
Basic and dilutive earnings per share (in Euros)	0.38	0.28	0.26

The number of shares shown above, corresponding to the weighted average number of outstanding ordinary shares, does not include own shares held by Piovan S.p.A. which came to 90,707 at 31 December 2017 and 2016 (no. 9,070,700 considering the increase in the number of shares described above) and 95,800 at 31 December 2015 (no. 9,580,000 considering the increase in the number of shares described above).

## [15] EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

At 31 December 2017, equity attributable to non-controlling interests amounted to €4,866 thousand compared to €4,376 thousand and €3,317 thousand at the end of 2016 and 2015, respectively. It mainly includes non-controlling interests in the subsidiaries Penta S.r.l., Progema S.r.l. and FDM GmbH (35%, 38% and 33.33%, respectively).

	1.01.2015	Profit for the year	Other comprehensive income	Dividends distributed	Change in consolidation scope	31.12.2015
Equity attributable to non- controlling interests	2,075	1,381	12	(150)		3,317

	31.12.2015	Profit for the year	Other comprehensive expense	Dividends distributed	Change in consolidation scope	31.12.2016
Equity attributable to non- controlling interests	3,317	1,095	(32)		(4)	4,376

	31.12.2016	Profit for the year	Other comprehensive income	Dividends distributed	Change in consolidation scope	31.12.2017
Equity attributable to non- controlling interests	4,376	675		(185)		4,866

The change in the consolidation scope in 2016 refers to the Group's acquisition of an additional 14% of Penta S.r.l. (leading to a €611 thousand reduction in equity attributable to non-controlling interests) and the acquisition of residual non-controlling interests in the subsidiaries Piovan France (leading to an increase in equity attributable to non-controlling interests as the non-controlling interest in Piovan France was a negative €309 thousand) and Piovan

Muhendslik (leading to an increase in equity attributable to non-controlling interests as the non-controlling interest in Piovan Muhendslik was a negative €187 thousand).

## [16] CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

This caption may be analysed as follows:

	31.12.2017	31.12.2016	31.12.2015	1.01.2015
Short-term bank borrowings	9,219	7,542	17,767	22,355
Current portion of medium to long-term loans	6,108	4,559	1,644	2,007
Loans for leases	412	543	460	452
Other loans and borrowings	5	-	34	-
Current financial liabilities	15,743	12,645	19,906	24,814

	31.12.2017	31.12.2016	31.12.2015	1.01.2015
Medium to long-term bank loans	16,699	8,541	5,660	6,993
Bonds	2,500	2,500	2,500	2,500
Loans for leases	634	1,031	1,185	1.113
Non-current financial liabilities	19,832	12,072	9,345	10,606

Short-term bank borrowings refer to the utilisation of lines of credit for operations.

At 31 December 2017 the bond issue comprises the liability of €2,500 thousand 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. At 31 December 2017, the bond issue was fully subscribed by Delta Erre S.p.A., subsequently merged into Spafid S.p.A. in February 2018. Delta Erre S.p.A. and subsequently Spafid S.p.A., acted as trustee for Nicola Piovan. Starting from May 2018, the actual title to the bond issue is held by the parent's sole director in office at the same date.

The following table shows the main characteristics of the bank loans by maturity at 31 December 2017, 2016 and 2015:

31.12.2017	Currency	Original amount	Maturity	Interest rate	Terms	Residual debt	Current	Non- current
Mediocredito II	EUR	5,000	30/06/2020	Floating	3m Euribor + 0.75%	3,333	1,333	2,000
Mediocredito III	EUR	8,000	31/03/2022	Floating	6m Euribor + 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				22,806	6,108	16,699

31.12.2016	Currency	Original amount	Maturity	Interest rate	Terms	Residual debt	Current	Non- current
Mediocredito I	EUR	5,000	30/09/2024	Floating	6m Euribor + 2.5%	4,000	500	3,500
Mediocredito II	EUR	5,000	30/06/2020	Floating	3m Euribor + 0.75%	4,667	1,333	3,334
BNL I	EUR	5,000	20/06/2017	Floating	3m Euribor + 0.75%	2,500	2,500	-
Intesa San Paolo II	USD	2,846	30/06/2021	Floating	Libor + 1.98%	1,594	-	1,594
Other	EUR					339	225	114
Total		12,846				13,100	4,559	8,541

31.12.2015	Currency	Original amount	Maturity	Interest rate	Terms	Residual debt	Current	Non- current
Mediocredito I	EUR	5,000	30/09/2024	Floating	6m Euribor +2.5%	4,500	500	4,000
Intesa San Paolo III	USD	9,185	31/07/2016	Floating	2% above the prime rate	804	804	-
Intesa San Paolo II	USD	2,756	30/06/2021	Floating	Libor +1.98%	1,764	220	1,543
Intesa San Paolo I	USD	359	31/10/2016	Floating	Libor +3.35%	120	120	-
Other	EUR	-				117	0	117
Total		17,299				7,304	1,644	5,660

The following information is provided with regard to the loans:

- for the BNL II loan, the Parent must comply with financial parameters based on the Net financial debt/Gross operating profit ratio and on the Net financial debt/Equity ratio calculated on the data obtained by the Parent's separate financial statement. The covenants were met at 31 December 2017.
- for the Credem loan, the Parent must comply with a financial parameter based on the net financial debt/equity ratio calculated on a consolidated basis. The covenant was met at 31 December 2017.

The mortgage on the property located in Santa Maria di Sala serving the loan taken out in 2014 with Mediocredito for €5,000 thousand (Mediocredito I) was released at 31 March 2017. There were no guarantees for loans at 31 December 2017.

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

	1.01.2015	Net cash flows	Change in consolidation scope	Change in translation reserve	31. 12.2015
Short-term bank borrowings	22,355	(4,587)	-	-	17,767
Current portion of medium to long- term loans	2,007	(363)	-	-	1,664
Loans for leases	452	8	-	-	460
Other loans and borrowings	-	34	-	-	34
Current financial liabilities	24,814	(4,908)	-	-	19,906

	31.12.2015	Net cash flows	Change in consolidation scope	Change in translation reserve	31.12.2016
Short-term bank borrowings	17,767	(10,225)	-	-	7,542
Current portion of medium to long- term loans	1,664	2,615	300	-	4,559
Loans for leases	460	84	-	-	543
Other loans and borrowings	34	(34)	-	-	-
Current financial liabilities	19,906	(7,561)	300	-	12,645

	31.12.2016	Net cash flows	Change in consolidation scope	Change in translation reserve	31.12.2017
Short-term bank borrowings	7,542	1,676	-	-	9,219
Current portion of medium to long- term loans	4,559	1,549	-	-	6,108
Loans for leases	543	(131)	-	-	412
Other loans and borrowings	-	5	-	-	5
Current financial liabilities	12,645	3,098	-	-	15,743

	1.01.2015	Net cash flows	Change in consolidation scope	Change in translation reserve	31. 12.2015
Medium to long-term loans	6,993	(1.824)	-	491	5,660
Bonds	2,500	-	-	-	2,500
Loans for leases	1,113	73	-	(1)	1,185
Non-current financial liabilities	10,606	(1.751)	-	490	9,345

	31.12.2015	Net cash flows	Change in consolidation scope	Change in translation reserve	31.12.2016
Medium to long-term loans	5,660	2,881	-	-	8,541
Bonds	2,500	-	-	-	2,500
Loans for leases	1,185	(155)	-	-	1,031
Non-current financial liabilities	9,345	2,727	-	-	12,072

	31.12.2016	Net cash flows	Change in consolidation scope	Change in translation reserve	31.12.2017
Medium to long-term loans	8,541	8,158	-	-	16,699
Bonds	2,500	-	-	-	2,500
Loans for leases	1,031	(397)	-	-	634
Non-current financial liabilities	12,072	7,761	=	-	19,832

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

31.12.2015	Total Carrying amount	Total estimated Flows	Within 1 year	From 1 to 5 years	Over 5 years
Medium / long-term loans	5,660	5,770		3,701	2,068
Bonds	2,500	4,395	146	583	3,666
Non-current loans for leases	1,185	1,235		931	304
Non-current financial liabilities	9,345	11,399	146	5,215	6,038
Current medium-long term loans	1,644	1,781	1,781		
Current payables to banks	17,767	17,814	17,814		
Current loans for leases	460	479	479		
Current financial liabilities	19,872	20,074	20,074	-	-

31.12.2016	Total Carrying amount	Total estimated Flows	Within 1 year	From 1 to 5 years	Over 5 years
Medium / long-term loans	8,541	8,611		7,001	1,532
Bonds	2,500	4,541	146	583	3,812
Non-current loans for leases	1,031	1,069		809	260
Non-current financial liabilities	12,072	14,143	146	8,393	5,605
Current medium-long term loans	4,559	4,715	4,715		
Current payables to banks	7,542	7,574	7,574		
Current loans for leases	543	564	564		
Current financial liabilities	12,645	12,853	12,853		

31.12.2017	Total Carrying amount	Total estimated Flows	Within 1 year	From 1 to 5 years	Over 5 years
Medium / long-term loans	16,699	17,911		17,911	
Bonds	2,500	4,686	146	583	3,958
Non-current loans for leases	634	655		440	215
Non-current financial liabilities	19,832	23,252	146	18,933	4,173
Current medium-long term loans	6,108	6,294	6,294		
Current payables to banks	9,219	9,257	9,257		
Current loans for leases	412	426	426		
Other	5	5	5		
Current financial liabilities	15,743	15,981	15,981		

## [17] EMPLOYEE BENEFIT PLANS

This caption mainly consists of the Group's liability for post-employment benefits recognised by the Italian Group entities (€3,475 thousand, €4,084 thousand and €3,884 thousand at 31 December 2015, 2016 and 2017, respectively). These benefits qualify as defined benefit plans pursuant to IAS 19 and the related liabilities are calculated by an independent actuary.

The remainder of the caption (€14 thousand, €17 thousand and €20 thousand at 31 December 2015, 2016 and 2017, respectively) comprises employee benefits recognised by the foreign Group entities which are immaterial both individually and collectively.

Changes in the liability in both years are shown below:

	31.12.2017	31.12.2016	31.12.2015
Opening balance	4,084	3,475	3,905
Change in consolidation scope	1	255	-
Other changes	(8)	20	-
Employee benefits paid	(496)	(244)	(405)
Exchange rate differences	0	0	0
Accruals	1,140	1,092	1,040
Transfer to pension plans	(1,019)	(965)	(927)
Actuarial gain (loss)	27	304	(267)
Interest cost	156	147	127
Closing balance	3,885	4,084	3,475

Measurement of post-employment benefits was based on the following actuarial assumptions:

	31.12.2017	31.12.2016	31.12.2015				
Annual discount rate	1.30%	1.31%	2.03%				
Annual inflation rate	1.50%	1.50%	1.50%				
Annual growth rate of post- employment benefits	2.63%	2.63%	2.63%				
Mortality rate	ISTAT 2016 tables						
Pensionable age	upon attainment of the AGO requirements						
Discount rate	3.50%						
Turnover rate	1% (based on the historical data provided by the company)						

The annual discount rate used to calculate the present value of the obligation was taken from the Iboxx Corporate AA index with a duration comparable to the pension assumptions underlying the plan. The variation in the discount rate matches the variation in the index.

The group also performed sensitivity analyses to assess reasonable changes in the main assumptions underlying the calculations. The assumptions used in the sensitivity analysis are summarised below together with the corresponding changes in the present value of the obligation:

Sensitivity								
Post-employment benefits	31.12.2017	31.12.2016	31.12.2015					
Discount rate: +50bp	(200)	(210)	(188)					
Discount rate: -50bp	218	229	205					
Inflation rate: +50bp	141	147	130					
Inflation rate: -50bp	(137)	(142)	(127)					

# [18] PROVISIONS FOR RISKS AND CHARGES

At 31 December 2017, the provisions for risks amounted to €1,835 thousand, while at 31 December 2016 and 2015 they amounted to €1,558 thousand and €1,375 thousand, respectively, as follows:

	31.12.2017	31.12.2016	31.12.2015	1.01.2015
Provision for legal and tax risks	1,096	840	742	501
Provision for product warranties	608	564	552	426
Provision for agents' termination benefits	87	75	53	52
Pension provision	21	16	13	7
Other provisions	22	63	15	29
Provisions for risks and charges	1,835	1,558	1,375	1,015

# The following table shows changes in this caption:

	01.1.2015	Accruals	Utilisations	Reversals	Exchange rate differences	Actuarial effect	31.12.2015
Provision for legal and tax risks	501	251			(10)		742
Provision for product warranties	426	117	(3)		12		552
Provision for agents' termination benefits	52	6	()			(5)	53
Pension provision	7	6					13
Other provisions for risks	29	10			(25)		15
Provisions for risks and charges	1,015	391	(3)		(24)	(5)	1,375

	31.12.2015	Accruals	Utilisations	Reversals	Exchange rate differences	Actuarial effect	31.12.2016
Provision for legal and tax risks	742	151		(115)	62		840
Provision for product warranties	552			(2)	14		564
Provision for agents' termination benefits	53	30				(9)	75
Pension provision	13	4					16
Other provisions for risks	15	49					63
Provisions for risks and charges	1,375	233		(117)	77	(9)	1,558

	31.12.2016	Accruals	Utilisations	Reversals	Exchange rate differences	Other changes	31.12.2017
Provision for legal and tax risks	840	378		(50)	(72)		1,096
Provision for product warranties	564	83		(15)	(24)		608
Provision for agents' termination benefits	75	15				(3)	87
Pension provision	16	5					21
Other provisions for risks	63			(41)			22
Provisions for risks and charges	1,558	481		(106)	(95)	(3)	1,835

The Provision for legal and tax risks at 31 December 2017 includes:

- a provision of €467 thousand of the subsidiary Penta S.r.l., already recognised at 1 January 2015, accrued to cover estimated future charges due to an ongoing legal dispute for which the subsidiary deems an adverse outcome probable;
- a provision of €499 thousand of the subsidiary Piovan Do Brasil accrued
  to cover a potential liability that could arise following a more restrictive
  interpretation of tax legislation for the calculation of taxes. The subsidiary
  engaged tax consultants with proven expertise to analyse the case and
  quantify the amounts accrued;
- a provision of €130 thousand of the subsidiary Piovan France Sas accrued in 2017 to cover estimated future charges related to restructuring of the commercial network on the French market.

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 plant sold that is 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.

# [19] CURRENT AND NON-CURRENT LIABILITIES FOR OPTIONS GRANTED TO NON CONTROLLING INVESTORS

These captions refer to put options and commitments issued to the non-controlling investors of Penta S.r.l.. As described in note [2] Intangible assets, 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 such 51% investment was €2,400 thousand. Furthermore, under such acquisition agreement, Piovan S.p.A.:

- assumed the commitment to acquire (the "Commitment") with the seller also assuming the commitment to sell an additional 14% interest in the subsidiary. For the acquisition of this second portion (the second closing), the seller undertook to inform Piovan S.p.A. of its wish to sell after the approval of the financial statements of Penta S.r.l. at 31 December 2015 and within thirty days of the approval of the financial statements at 31 December 2017. It was established that the price of the second part of the quota (14%) depended on a formula based on the average of Penta S.r.l.'s financial indicators extracted from its financial statements prepared in accordance with Italian GAAP. Such formula could change depending on whether there was a new non-controlling investor of Penta S.r.l., though in any case it was based on the average financial indicators extracted from Penta S.r.l.'s financial statements prepared in accordance with Italian GAAP, as well;
- granted the seller a put option on Penta S.r.l.'s quotas for up to 35% of its equity (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 financial indicators extracted from Penta S.r.l.'s financial statements prepared in accordance with Italian GAAP. Such 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 and, furthermore, for the purposes of determining the goodwill arising on such acquisition, as already detailed in the introduction to the notes, the directors applied the exemption on business combinations by applying the deemed goodwill method.

At the date of transition to IFRS, the Commitment and the Put option were recognised as liabilities, with balancing entries under group equity, as they refer to non-controlling interests that would only be assumed after the ac-

quisition of control upon the purchase of the 51% investment in Penta S.r.l. (thus qualifying as a transaction with owners in their capacity as owners: a description of the accounting policies for transactions with owners is provided in the "Basis of consolidation" paragraph). The carrying amount of the Commitment at the date of transition was equal to the estimated present value of the contractually-defined price assuming that the investee would not have a new non-controlling investor. 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% non-controlling interest in the company from the seller of the investee. Piovan S.p.A. simultaneously granted its new quotaholder a put option ("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 was defined using a formula, partially different to that granted to the seller, but also based on financial indicators taken from Penta S.r.l.'s financial statements prepared in accordance with Italian GAAP. Following these transactions in April 2015, the residual Put option granted to the seller of Penta S.r.l. relates to 25% of its quota capital.

The table below summarises changes in this caption, along with the relevant effects on the statement of profit or loss. The carrying amounts of the put options and commitments described above are the best estimate, at each reporting date, of their present value. Fair value gains and losses are taken to profit or loss under *Gain* (losses) on liabilities for options granted to non-controlling investors.

	1.01.2015	Decreases	Increases	Fair value gains (losses)	31.12.2015
Commitment	6,774			1,585	8,359
Total Commitment	6,774			1,585	8,359
Put Option	12,623	(3,607)			9,017
Put Option 2			2,837	(126)	2,711
Total Put Options	12,623	(3,607)*	2,837*	(126)*	11,728
Total current and non-current put options	19,397	(3,607)	2,837	1,459	20,087
including					
non-current	19,397				11,728
current	-				8,359

	31.12.2015	Decreases	Increases	Fair value gains (losses)	31.12.2016
Commitment	8,359	(9,000)		641	-
Total Commitment	8,359	(9,000)		641	
Put Option	9,017				9,017
Put Option 2	2,711			55	2,766
Total Put Options	11,728			55	11,783
Total current and non-current put options	20,087	(9,000)		696*	11,783
including					
non-current	11,728				2,766
current	8,359				9,017

	31.12.2016	Decreases	Increases	Fair value gains (losses)	31.12.2017
Put Option	9,017			(2,089)	6,928
Put Option 2	2,766			(11)	2,755
Total Put Options	11,783			(2,100)	9,682
Total current and non-current put options	11,783			(2,100)*	9,682
including					
non-current	2,766				2,755
current	9,017				6,928

<sup>\*</sup> gains and losses taken to profit or loss under Gain (losses) on liabilities for options granted to non-controlling investors

#### With regard to the above changes:

- · in 2015:
- the fair value loss on the commitment to purchase the 14% investment was due to both the change in the financial indicators and the modification of the calculation due to the entry of the new non-controlling investor;
- the put option granted to the seller decreased due to the sale (by the seller of Penta S.r.l.) of 10% to the new non-controlling investor; the seller's Put option at 31 December 2015 refers to a 25% investment;
- accordingly, the present value of Put option 2 granted on the 10% investment to the non-controlling investor was recognised;
- · in 2016:
  - o the liability for the commitment decreased because the Group acquired 14% of Penta S.r.l. for a total of €9,000 thousand, recognising a fair value loss in the statement of profit or loss following the adjustment of the liability to the price paid;
  - o there were no fair value gains or losses on the Put option or Put option 2, except for the discounting effect.

With regard to 2017, the fair value gains on the Put option to the seller, potentially exercisable in 2018, were recognised, in addition to the discounting effect on Put option 2.

#### [20] OTHER NON-CURRENT LIABILITIES

At 31 December 2017, other non-current liabilities amounted to €167 thousand compared to €39 thousand and a nil balance at the end of 2016 and 2015, respectively. They refer to tax liabilities of the subsidiary Piovan Do Brasil.

### [21] TRADE PAYABLES

At 31 December 2017, trade payables amounted to €34,460 thousand compared to €28,426 thousand and €26,667 thousand at the end of 2016 and 2015, respectively.

Trade payables arise as a result of the different payment terms negotiated with the Group's suppliers, which differ from country to country. The increase over the years is in line with the increase in revenue during the same years.

#### [22] ADVANCE FROM CUSTOMERS

At 31 December 2017, Advance from customers amounted to €14,132 thousand compared to €10,305 thousand and €8,151 thousand at the end of 2016 and 2015, respectively. This caption refers to advance payment received by the Group and related to contract with customers whose performance obligations are satisfied at point in time.

#### [23] TAX LIABILITIES AND SOCIAL SECURITY CONTRIBUTIONS

At 31 December 2017, they amounted to €7,419 thousand compared to €6,229 thousand and €7,649 thousand at the end of 2016 and 2015, respectively. The caption is broken down as follows:

	31.12.2017	31.12.2016	31.12.2015
Social security contributions	2,497	2,244	2,123
VAT liabilities	2,328	1,556	1,483
Tax withholdings for employees	1,212	1,031	1,172
Income tax liabilities (IRES and IRAP)	699	1,029	2,780
Other	683	369	92
Tax liabilities and social security contributions	7,419	6,229	7,648

#### [24] OTHER CURRENT LIABILITIES

At 31 December 2017, they amounted to €10,988 thousand compared to €9,763 thousand and €9,731 thousand at the end of 2016 and 2015, respectively. The caption is broken down as follows:

	31.12.2017	31.12.2016	31.12.2015
Payables to employees	4,357	4,156	3,519
Accrued income and deferred expense	4,026	3,687	3,617
Other payables	2,604	1,920	2,596
Other current liabilities	10,988	9,763	9,731

Payables to employees refer to wages and salaries and accrued holidays.

#### NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

#### [25] REVENUE

Revenue amounted to €209,391 thousand in 2017, compared to €191,711 thousand in 2016 and €189,673 thousand in 2015, with a year-on-year increase of 9.2% and 1.1%. Revenue is shown net of discounts and allowances. There are no customers that individually contribute more than 3% to the Group's revenue.

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:

	2017	2016	2015
Plastic Systems	174,654	161,713	165,202
Food Systems	8,999	4,597	2,249
Service & Spare parts	25,738	25,401	22,222
Revenue	209,391	191,711	189,673

As described in the "Accounting policies" paragraph, a portion of revenue on both markets for the Plastic Systems and the Food Systems derives from contracts with customers for which the satisfaction of performance obligations is recognised over time, as is the related revenue. Such revenue amounted to €16,387 thousand in 2017, €17,246 thousand in 2016 and €18,774 thousand in 2015 and relates to the subsidiary Penta S.r.l..

The caption includes Group revenue on transactions with the investee Penta Auto Feeding India Ltd., a Penta S.r.l. joint venture. Such revenue is detailed in note [39].

With regard to revenue trends broken down by market:

- revenue for Plastics Systems increased by 8% in 2017 compared to the previous year, confirming both the Group's strong leadership position in such market and its strong reaction to the previous year's performance. Indeed, such revenue decreased 2.1% in 2016 compared to 2015. This decrease was mainly due to a mixture of a) growth on the North American market, b) a slight drop in the EMEA market due to the reduction in orders and revenue related to dust transportation systems produced by the subsidiaries Penta S.r.l. and Progema S.r.l., mainly on the Middle Eastern market, and c) the decrease in revenue in Asia where, in the past, revenue was mostly earned on transactions with customers using "PET";
- revenue for Food Systems increased by 96% in 2017 compared to 2016 (+€4,403 thousand); while it rose 100% in 2016 on 2015 (+€2,348 thousand).
- The Food market is undergoing intense development, benefiting from the same strategy previously implemented on the market for Plastic Systems via cross-selling activities made possible by the integration of the Group's mechanical and production capacity with the specific know-how developed over time by Penta and Progema S.r.l. on the Food market. The cross-selling is carried out both on different geographical markets using the Group's organisational and corporate structure and by offering additional technological solutions to existing customers, thus expanding the functionalities and extending the value chain provided by the Piovan Group to its own customers. Penta S.r.l. was acquired in December 2014 and the strategy defined is producing the expected results;
- revenue for Service & Spare Parts increased by 1.3% in 2017 compared to 2016, and by 14.3% in 2016 compared to 2015.

Total revenue grew by 9.2% in 2017 on 2016 and by 1.1% in 2016 on 2015.

A breakdown of revenue by geographical area is as follows:

	2017	2016	2015
EMEA	126,365	110,700	109,845
ASIA	24,004	21,942	25,590
NORTH AMERICA	46,564	48,755	41,708
SOUTH AMERICA	12,459	10,314	12,530
Revenue	209,391	191,711	189,673

Revenue generated in EMEA includes that generated in Italy, amounting to €34,713 thousand, €24,771 thousand and €22,058 thousand in 2017, 2016 and 2015, respectively. The growth in 2017 was mainly due to the significant increase in Food Systems and the boost in acquisitions of plants by Italian customers due to tax breaks introduced by the "Industria 4.0" measures for the Plastic Systems.

## [26] OTHER REVENUE AND INCOME

Other revenue and income amounted to €3,893 thousand for 2017, an increase on the respective 2016 and 2015 balances of €2,730 thousand and €2,280 thousand. The caption may be broken down as follows:

	2017	2016	2015
Accessory transport services for sales	2,068	1,153	955
Machinery leases	242	127	187
Grants related to income	240	82	43
Prior year income	231	101	32
Recharges to suppliers	193	340	56
Insurance compensation	189	188	52
Agency commissions	153	97	104
Sale of scrap materials	96	79	69
Increase in internal work capitalised	46	97	172
Other	435	465	611
Other revenue and income	3,893	2,730	2,280

Accessory transport services for sales mainly refer to revenue from accessory transport services related to sales transactions.

Increased on previous years, machinery leases refer to income from leases of group-owned production assets, generally for demonstration purposes or temporarily until the system ordered by the customer is delivered.

Grants related to income recognised in 2017 are chiefly related to research and development grants received by Piovan S.p.A..

Prior year income mainly refers to differences arising on estimated costs related

to prior years and the gain generated on the sale of a car lease by Piovan S.p.A.. Other mainly includes recharges and penalties applied to customers.

Finally, the caption includes Group income on transactions with the investee Penta Auto Feeding India Ltd., a Penta S.r.l. joint venture. Such income is detailed in note [39].

## [27] COSTS OF RAW MATERIALS, COMPONENTS AND GOODS AND CHAN-GES IN INVENTORIES

This caption amounted to €82,170 thousand for 2017 compared to €77,417 thousand and €76,309 thousand for 2016 and 2015, respectively, as follows:

	2017	2016	2015
Costs of raw materials, components and goods	79,408	75,108	72,700
Costs of consumables	3,784	4,018	3,848
Change in raw materials and goods	(1,523)	100	242
Change in finished goods and semi-finished products	502	(1,809)	(481)
Costs of raw materials, components and goods and changes in inventories	82,170	77,417	76,309

The increase in the caption is mainly due to larger purchases of raw materials, higher than both the increase in revenue and trends in changes in inventories, up €2,408 thousand from 2015 to 2016 (+3.3%) and by €4,300 thousand from 2016 to 2017 (+5.7%). The increase in *Change in finished go-ods and semi-finished products* is directly linked to the production of ordered products or systems and their subsequent sale.

The decrease in *Change in raw materials and goods* is due to ongoing optimisation of inventory quantities using Kaizen techniques.

#### Purchases include:

- in 2017, 2016 and 2015, costs incurred by the Group with the associate CMG S.p.A., which produces and sells products and technologies for grinding and shredding plastics, wood and light metals;
- in 2015, costs incurred by the Group with the current consolidated subsidiary Progema S.r.l., which supplies industrial automation information systems and industrial process control systems.

Such costs are detailed in note [39].

#### [28] SERVICES

Services amounted to €40,571 thousand in 2017, up 11.7% on 2016 (down 1.2% from 2015 to 2016).

The caption is detailed as follows:

	2017	2016	2015
Outsourcing	16,182	13,738	12,600
Transport	5,200	4,162	4,781
Business trips and travel	4,185	3,767	3,618
Agency commissions	3,719	3,400	3,876
Fees to directors, statutory auditors and independent auditors	1,929	1,819	1,808
Consultancies	1,771	1,621	1,622
Maintenance and repairs	1,635	1,945	1,717
Marketing and advertising	1,316	1,289	1,517
Utilities	1,264	1,271	1,339
Insurance	826	859	897
Telephone and connections	546	509	570
Other	1,998	1,945	2,434
Services	40,571	36,324	36,778

The trends in this caption are generally attributable to all Group companies, however, the most significant amounts refer to the Parent, Piovan S.p.A., Universal Dynamics Inc and Penta S.r.I..

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

- outsourcing costs, amounting to €16,182 thousand in 2017 (39.9% of total services), determined by the Group's approach to production which concentrates high added value and core processing and activities internally. This caption accounted for 37.8% of total services in 2016 and 34.3% in 2015. The growth of outsourcing as a percentage of services is basically attributable to the higher weight of Food Systems's productions which are characterised by more outsourcing performed in line with the Group's engineering and production instructions and less direct production work;
- transport costs for purchases and sales;
- 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.

This caption includes fees paid to the parent's sole director and service costs

incurred by the Group in 2015 with the current consolidated subsidiary Energys S.r.l.. Such transactions are detailed in note [39].

#### [29] USE OF THIRD PARTY ASSETS

This caption amounted to €2,326 thousand in 2017, up 6.3% on 2016 (up 2.6% from 2015 to 2016).

The caption is detailed as follows:

	2017	2016	2015
Rental expenses	1,528	1,467	1,440
Leases	314	290	273
Hires	484	430	419
Use of third party assets	2,326	2,187	2,131

The increase in this caption, concentrated in rental expense, was mainly due to additional rentals for the newcos and subsidiaries, namely Piovan Japan Inc., Piovan Gulf Fze and Piovan Vietnam Ltd.

The caption includes lease instalments paid by the Parent to the related party Carsil S.r.l. for the lease of the administrative offices located in Santa Maria di Sala. Such costs are detailed in Note [39].

#### [30] PERSONNEL EXPENSE

This caption amounted to €52,909 thousand for 2017 compared to €49,040 thousand and €47,736 thousand for 2016 and 2015, respectively. A breakown of this caption and of the workforce by employee category is as follows:

	2017	2016	2015
Wages and salaries	39,866	37,194	36,455
Social security contributions	10,976	10,171	9,618
Costs for defined benefit plans	1,168	1,063	1,037
Other expenses	898	613	626
Personnel expenses	52,909	49,040	47,736

	2017		20	16	2015		
	year end	average	year end	average	year end	average	
Managers	33	32	31	33	35	35	
Junior managers	48	53	53	54	50	49	
White collars	544	528	490	471	478	480	
Blue collars	377	373	356	368	349	345	
Total	1,002	986	930	926	912	909	

At 31 December 2017 the Group's employees were located in Europe (62%), the Americas (23%) and Asia (15%). They are distributed to ensure the proximity to customers for commercial activities and, to a greater extent, for technical assistance.

#### [31] OTHER EXPENSES

This caption amounted to €2,322 thousand for 2017 compared to €2,477 thousand and €2,343 thousand for 2016 and 2015, respectively. The caption is detailed as follows:

	2017	2016	2015
Other taxes and duties	1,104	973	870
Bad debt provision	729	856	403
Entertainment costs	226	223	201
Losses on assets disposal	39	5	12
Bad debt losses	1	101	22
Other	222	320	835
Other expenses	2,322	2,477	2,343

Other taxes and duties chiefly include indirect taxes on property or other local taxes, particularly in Brazil and China.

#### [32] PROVISIONS FOR RISKS AND CHARGES

This caption amounted to €559 thousand for 2017 compared to €189 thousand and €374 thousand for 2016 and 2015, respectively. The caption is detailed as follows:

In 2017 Piovan Do Brasil made an accrual to provisions due to a liability lin-

	2017	2016	2015
Provisions for risks	461	161	251
Provision for product warranties	83	(2)	117
Provision for agents' termination benefits	15	30	6
Provisions for risks and charges	559	189	374

ked to a more restrictive interpretation of local taxes. An accrual was also made in France to overhaul the sales structure in order to expand direct customer management in areas of the country covered by agents.

#### [33] AMORTISATION AND DEPRECIATION

This caption amounted to €2,934 thousand for 2017 compared to €2,795 thousand and €2,726 thousand for 2016 and 2015, respectively. The caption is detailed as follows:

	2017	2016	2015
Amortisation	332	307	262
Depreciation	2,602	2,488	2,463
Amortisation and depreciation	2,934	2,795	2,726

#### [34] FINANCIAL INCOME AND EXPENSES

Net financial expense for 2017 amounted to €346 thousand compared to €572 thousand and €736 thousand for 2016 and 2015, respectively. The caption is detailed as follows:

	2017	2016	2015
Interest income	235	251	293
Gains on financial assets	60	60	11
Other financial income	45	26	21
Financial income	340	337	325
Bank interest	(225)	(319)	(529)
Other interest	(193)	(207)	(211)
Other financial expenses	(268)	(383)	(321)
Financial expense	(686)	(908)	(1,061)
Net financial income (expenses)	(346)	(572)	(736)

Other interest expense mainly comprises interest paid on the bond issue described in note [16].

Other *financial expense* principally includes the financial expense related to the actuarial assessment of defined benefit plans.

### [35] NET EXCHANGE RATE GAIN (LOSSES)

Net exchange rate losses for 2017 amounted to €2,135 thousand compared to €6 thousand and €494 thousand for 2016 and 2015, respectively. The caption is detailed as follows:

	2017	2016	2015
Exchange rate gains	2,622	2,580	4,172
Exchange rate losses	(4,758)	(2,586)	(4,666)
Net exchange rate gain (losses)	(2,135)	(6)	(494)

Unrealised exchange rate gains included under *Exchange rate* gains amount to  $\le$ 1,874 thousand in 2017 (71% of exchange rate gains of the year),  $\le$ 1,477 thousand in 2016 (57% of exchange rate gains of the year) and  $\le$ 1,973 thousand in 2015 (47% of exchange rate gains of the year).

Unrealised exchange rate losses included under *Exchange rate losses* amount to €3,164 thousand in 2017 (66.5% of exchange rate losses of the year), €1,439 thousand in 2016 (56% of exchange rate losses of the year) and €2,291 thousand in 2015 (49% of exchange rate losses of the year). The Group recognised net exchange rate losses of €2,135 thousand in 2017. The increase on the previous years was significantly influenced by: (i) an intragroup loan granted by the parent to the subsidiary Universal Dynamics Inc for an initial amount of USD4,400 thousand at an average exchange rate of 1.05 which generated an exchange rate loss of €450 thousand, and (ii) the exchange rate difference on payments made by foreign operations to the parent due to the exchange rate differences between the Euro and local currency occurred from the invoice date to the payment date.

# [36] GAINS (LOSSES) ON LIABILITIES FOR OPTIONS GRANTED TO NON-CONTROLLING INVESTORS

A fair value gain of €2,100 thousand was recognised in 2017, compared to a fair value loss of €696 thousand and €689 thousand in 2016 and 2015, respectively.

In 2017, the caption relates to the fair value measurement of the put options of non-controlling investors in Penta S.r.l., while the 2016 and 2015 balances show the effects of both the put options of the non-controlling investors and Piovan S.p.A.'s contractual commitment to purchase 14% of Penta S.r.l.'s quota capital according to specific financial parameters. Reference should be made to note [19] for more details.

#### [37] INCOME TAXES

This caption amounted to €8,885 thousand for 2017 compared to €7,354 thousand and €7,375 thousand for 2016 and 2015, respectively, as follows:

	2017	2016	2015
Current taxes	7,972	8,609	8,776
Deferred taxes expenses	875	(1,248)	(1,408)
Taxes relative to prior years	37	(8)	6
Income Taxes	8,885	7,354	7,375

The change in deferred taxes in 2016 and 2017 includes the effect of the change in the tax rates applied in Italy and the United States that came into effect on 1 January 2017 and 1 January 2018, respectively.

A reconciliation of the tax expense for the year, using the profit before tax shown in the statement of profit or loss, is as follows:

	2017	2016	2015
Pre-tax profit	29.113	22.738	21.636
Income taxes calculated using the theoretical IRES rate (24% for 2017; 27.5% for 2016 and 2015)	(6.987)	(6.253)	(5.950)
IRAP	(912)	(816)	(943)
Effect of the different rates applied by the group entities operating in other countries	(643)	(503)	(714)
Effect on gain (losses) on liabilities for option granted to non -controlling investors.	504	(191)	(190)
Withholding tax on dividends received from subsidiaries	(381)	-	-
Other changes	(468)	409	422
Income taxes	(8.885)	(7.354)	(7.375)

Reference should be made to note [5] for information about changes in deferred tax assets and liabilities and their composition. The effect on the deferred tax assets of Italian company and related to the change in the tax rate occurred in 2016 was equal to € 87 thousand.

The effect on the deferred tax assets of United States company and related to the change in the tax rate occurred in 2017 was equal to € 86 thousand. The tax rate applied in the reconciliation of 2015 and 2016 (27.5%) was the IRES rate applicable in such years in Italy, the jurisdiction where taxable profit is mainly realised. The tax rate applied in 2017 (24%) was the rate in effect as of 1 January 2017.

### [38] 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.

The disclosure required also for entities that have a single reportable segment in relation to product and services and geographical areas are provided in notes [1], [2], [8] and [25].

## **39] OTHER INFORMATION**

Categories of financial instruments and fair value hierarchy

The next table shows the categorisation of financial assets and liabilities pursuant to IFRS 7, using the categories established by IAS 39, and their fair value:

				Fair value	
31.12.2015	IAS 39 categories	Carrying amount	Level 1	Level 2	Level 3
Current financial assets	Loans and receivables	7,500			7,500
Other current financial assets		7,500	-	-	7,500
Current accounts and post office					
deposits	Loans and receivables	27,723		27,723	
Cash	Loans and receivables	58		58	
Cash and cash equivalents		27,781	-	27,781	-
Trade receivables	Loans and receivables	41,509			41,509
Total financial assets		76,790	-	27,781	49,009
Bank loans and borrowings	Financial liabilities at amortised cost	5,660		5,660	
Other loans and borrowings	Financial liabilities at amortised cost	3,685		3,685	
Non-current financial liabilities		9,345	-	9,345	-
Short-term bank borrowings	Financial liabilities at amortised cost	17,767		17,767	
Short-term bank loans	Financial liabilities at amortised cost	1,644		1,644	
Other loans and borrowings	Financial liabilities at amortised cost	494		494	
Current financial liabilities		19,905	-	19,905	-
Trade payables	Financial liabilities at amortised cost	26,667			26,667
Advance from customers	Financial liabilities at amortised cost	8,151			8,151
Commitments and put options	Financial liabilities at fair value	20,087			20,087
Total financial liabilities		84,155	-	29,250	54,905

31.12.2016	IAS 39 categories	Carrying amount	Level 1	Level 2	Level 3
Current accounts and post office deposits	Loans and receivables	22,853		22,853	
Cash	Loans and receivables	55		55	
Cash and cash equivalents		22,909	-	22,909	-
Trade receivables	Loans and receivables	43,910			43,910
Total financial assets		66,818	-	22,908	43,910
Bank loans and borrowings	Financial liabilities at amortised cost	8,541		8,541	
Other loans and borrowings	Financial liabilities at amortised cost	3,531		3,531	
Non-current financial liabilities		12,072	_	12,072	-
Short-term bank borrowings	Financial liabilities at amortised cost	7,542		7,542	
Short-term bank loans	Financial liabilities at amortised cost	4,559		4,559	
Other loans and borrowings	Financial liabilities at amortised cost	544		544	
Current financial liabilities		12,645	-	12,645	=
Trade payables	Financial liabilities at amortised cost	28,426			28,426
Advance from customers	Financial liabilities at amortised cost	10,305			10,305
Commitments and put options	Financial liabilities at fair value	11,783			11,783
Total financial liabilities		75,231	_	24,717	50,514

31.12.2017	IAS 39 categories	Carrying amount	Level 1	Level 2	Level 3
Current accounts and post office deposits	Loans and receivables	27.050		37,859	
· ·		37,859			
Cash	Loans and receivables	26		26	
Cash and cash equivalents		37,885	-	37,885	-
Trade receivables	Loans and receivables	61,418			61,418
Total financial assets		99,303	-	37,885	61,418
Bank loans and borrowings	Financial liabilities at amortised cost	16,699		16,699	
Other loans and borrowings	Financial liabilities at amortised cost	3,134		3,134	
Non-current financial liabilities		19,833	-	19,833	-
Short-term bank borrowings	Financial liabilities at amortised cost	9,219		9,219	
Short-term bank loans	Financial liabilities at amortised cost	6,108		6,108	
Other loans and borrowings	Financial liabilities at amortised cost	417		417	
Current financial liabilities		15,744	-	15,744	-
Trade payables	Financial liabilities at amortised cost	34,460			34,460
Advance from customers	Financial liabilities at amortised cost	14,133	·		14,133
Commitments and put options	Financial liabilities at fair value	9,682			9,682
Total financial liabilities		93,852	-	35,577	58,275

For more information regarding the fair value of the Commitments and put options captions see note [19].

### Off-statement of financial position commitments and guarantees

The Group recognised guarantees issued to third parties totalling €10,351 thousand at 31 December 2017, specifically:

- guarantees issued to third parties for advances received for contract work in progress (€10,311 thousand);
- a guarantee issued to third parties by the parent, Piovan S.p.A.
   (€40 thousand).

### **Related party transactions**

The Group carried out commercial transactions with some related parties in 2017, 2016 and 2015.

The transactions carried out during the relevant years are shown as follows:

Transactions at 31.12.2017	Nature of relationship	Note	Other current assets	Trade payables	Non current financial liabilities	Revenue	Costs
Pentafin S.p.A.	Parent company of Piovan S.p.A.	[11]	786	-		-	-
CMG S.p.A.	Associate company	[21] [27]	-	117		-	419
Nicola Piovan	Chairman of the BoD of Piovan S.p.A. and Sole shareholder of Pentafin S.p.A.	[28]	ı	-		-	1,636
Carsil S.r.l.	Company owned by Nicola Piovan's relatives	[29]	-	-		-	287
Spafid S.p.A. (Delta Erre S.p.A.)	Trustee of Nicola Piovan	[15] [34]			2,500		146
Other			-	-		-	29
TOTAL			786	117	2,500	-	2,517

Transactions at 31.12.2016	Nature of relationship	Note	Trade receivables	Other current assets	Trade payables	Non current financial liabilities	Revenue	Costs	Other revenue and income
Pentafin S.p.A.	Parent company of Piovan S.p.A.	[11]	1	786	-		-	-	1
CMG S.p.A.	Associate company	[21] [27]	-	-	32		-	188	-
Penta Auto Feeding India Ltd	Joint venture	[25] [26]	63	66	-		63	-	66
Progema S.r.l.	Associate company	[27]	-	-	-		0	1,162	-
Nicola Piovan	Chairman of the BoD of Piovan S.p.A. and Sole shareholder of Pentafin S.p.A.	[28]	-	-	-		-	1,663	-
Filippo Zuppichin	Chief executive officer of Piovan S.p.A.	*	-	-	-		-	-	850*
Carsil S.r.l.	Company owned by Nicola Piovan's relatives	[29]	-	-	-		-	286	-
Spafid S.p.A. (Delta Erre S.p.A.)	Trustee of Nicola Piovan	[15] [34]				2,500		146	
Other			-	-	-		-	18	-
TOTAL			64	852	32	2,500	63	3,463	67

<sup>\*</sup> This amount refers to Piovan S.p.A.'s cash in for selling own shares to Filippo Zuppichin as described in note [13].

In addition, as described in note [2], in 2016 Piovan S.p.A. acquired Energys S.r.l. from Filippo Zuppichin (the parent's current Chief executive officer) and his wife Paola Thiella, who were at that time shareholders of Energys S.r.l. (at 45% and 19%, respectively).

Transactions at 31.12.2015	Nature of relationship	Note	Other current assets	Loan assets	Trade payables	Non current financial liabilities	Costs	Other revenue and income
Pentafin S.p.A.	Parent company of Piovan S.p.A.	[11]	786	1	-		-	1
CMG S.p.A.	Associate company	[21] [27]	-	-	23		19	1
Progema S.r.l.	Associate company	[27]	-	-	241		1,083	-
Energys S.r.l.	Associate company	[28]	-	-	9		7	-
Nicola Piovan	Chairman of the BoD of Piovan S.p.A. and Sole shareholder of Pentafin S.p.A.	[9] [28]	-	7,500	-		1,585	-
Carsil S.r.l.	Company owned by Nicola Piovan's relatives	[29]	-	-	-		286	-
Spafid S.p.A. (Delta Erre S.p.A.)	Trustee of Nicola Piovan	[15] [34]				2,500	146	
Other			-	-	-		7	-
TOTAL			786	7,500	273	2,500	3,133	1

All the related party transactions are concluded at standard market terms. List of investees included in the consolidated financial statements and other investees

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

Name	Registered	Country	Currency	Share/ quota capital at	Investment %	Investor	Consolidation method
ivanie	office	Country	Currency	31/12/2017	31/12/2017	Share/ quotaholder	
Parent:	•		•		•		•
Piovan S.p.A.	Santa Maria di Sala	Italy	EUR	6,000,000			
Investments in subsid	diaries:						
Piovan India Private Limited	Mumbai	India	INR	350,000	100.00%	Piovan S.p.A.	Line-by-line
Piovan Plastics Machinery Ltd	Suzhou (CN)	China	CNY	5,088,441	100.00%	Piovan S.p.A.	Line-by-line
Piovan Do Brasil LTDA	Osasco (BRA)	Brazil	BRL	11,947,356	99.99%	Piovan S.p.A.	Line-by-line
Piovan Mexico S. A.	Queretaro (MX)	Mexico	MXN	706,540	99.99%	Piovan S.p.A.	Line-by-line
Piovan Central Europe GmbH	Brunn am Gebirge (A)	Austria	EUR	35,000	100.00%	Piovan S.p.A.	Line-by-line
Piovan UK Limited	Bromsgrove (GB)	United Kingdom	GBP	25,000	100.00%	Piovan S.p.A.	Line-by-line
Piovan Czech Republic s.r.o.	Prague (CZ)	Czech Republic	СΖК	200,000	100.00%	Piovan Central Europe GmbH	Line-by-line
Piovan France sas	Chemin du Pognat (F)	France	EUR	1,226,800	100.00%	Piovan S.p.A.	Line-by-line
Universal Dynamics Inc.	Woodbridge (USA)	USA	USD	3,500,000	100.00%	Piovan S.p.A.	Line-by-line
Piovan GmbH	Garching (D)	Germany	EUR	102,258	100.00%	Piovan S.p.A.	Line-by-line
Piovan Canada Ltd	Mississauga - Ontario (CAN)	Canada	CAD	10	100.00%	Piovan S.p.A.	Line-by-line
Piovan Asia Pacific Limited	Bangkok (TH)	Thailand	ТНВ	4,020,000	100.00%(*)	Piovan S.p.A.	Line-by-line
FDM GmbH	Troisdorf (DE)	Germany	EUR	75,000	66.67%	Piovan S.p.A.	Line-by-line
Piovan Muhendslik LTD	Beikoz (TR)	Turkey	TRY	10,000	100.00%	Piovan S.p.A.	Line-by-line
Penta S.r.l.	Ferrara (IT)	Italy	EUR	100,000	65.00%	Piovan S.p.A.	Line-by-line
Energys s.r.l.	Venice (IT)	Italy	EUR	10,000	100.00%	Piovan S.p.A.	Line-by-line
Piovan Japan Inc.	Kobe (J)	Japan	JPY	6,000,000	100.00%	Piovan S.p.A.	Line-by-line
Piovan Gulf FZE	Dubai (UAE)	United Arab Emirates	AED	1,000,000	100.00%	Piovan S.p.A.	Line-by-line
Aquatech	Venice (IT)	Italy	EUR	40,000	100.00%	Piovan S.p.A.	Line-by-line
Piovan Vietnam Company Limited	Mai Chi Tho (Vietnam)	Vietnam	VND	1,136,500,000	100.00%	Piovan S.p.A.	Line-by-line
Progema S.r.I.	San Felice sul Panaro (MO)	Italy	EUR	25,000	62.00%	Penta S.r.l.	Line-by-line
Piovan Hungary Kft	Budapest	Hungary	HUF	3,000,000	100.00%	Piovan S.p.A.	Line-by-line

Studio Ponte S.r.l.	Poggio Renatico (FE)	Italy	EUR	10,000	51%	Penta S.r.l.	Equity	
Penta Auto Feeding India Ltd	Navi Mumbai (India)	India	INR	10,750,000	50%	Penta S.r.l.	Equity	
Piovan South East Asia	Bangkok (Thailand)	Thailand	ТНВ	9,000,000	100%	Piovan S.p.A.	Equity	
Investments in associates:								
CMG S.p.A.	Budrio (BO)	Italy	EUR	1,250,000	20%	Piovan S.p.A.	Equity	

<sup>(\*)</sup> The investment in the company Piovan Asia Pacific Ltd is wholly owned through direct control for 49% and indirect through a trust, in order to make the corporate structure compliant with local regulations in relation to the activity carried out by the Company

## Fees paid to the directors and statutory auditors

The fees paid to directors, statutory auditors and independent auditors for the years ended 31 December 2017, 2016 and 2015 were as follows:

	2017	2016	2015
Directors	1,546	1,500	1,500
Key management personnel	812	815	517
Statutory auditors	44	41	41
Independent auditors	214	204	189

#### The audit fees of the Deloitte & Touche network were as follows:

Type of service	Service provider	Beneficiary	2017 fees	2016 fees	2015 fees
Statutory audit	Independent auditors of the parent	Parent	55	55	55
Statutory audit	Independent auditors of the parent	Subsidiaries	23	23	1
Audit and review	Independent auditors of the parent	Subsidiaries	38	38	58
Audit and review	Network of the independent auditors of the parent	Subsidiaries	15	15	15
		Total	131	131	128

Events after the reporting date

No significant events have taken place since the reporting date.

The Parent has commenced the procedure for the possible listing of part of its shares on the Star segment of the Milan Stock Exchange.

**INDEPENDENT AUDITOR'S REPORT** 



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#### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Piovan S.p.A.

#### 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 2017, 2016 and 2015, the consolidated statement of profit and loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years 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 2017, 2016 and 2015, and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

#### **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.

#### Other matters

This report is not issued pursuant to the law because Piovan S.p.A. (hereinafter also the "Company") is exempt from the requirement to prepare consolidated financial statements for statutory purposes and has prepared the consolidated financial statements for inclusion in the Prospectus related to the offering and listing of ordinary shares of the Company on the Mercato Telematico Azionario organized and managed by Borsa Italiana S.p.A.

## 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, 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.

DELOITTE & TOUCHE S.p.A.

Signed by **Fausto Zanon** Partner

Treviso, Italy 10 July 2018

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