



HALF-YEAR  
CONDENSED  
CONSOLIDATED  
FINANCIAL  
STATEMENTS

at 30 June 2018



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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€'000)

ASSETS	Note	30/06/2018	31/12/2017
NON-CURRENT ASSETS			
Property, plant and equipment	<b>Note 1</b>	27,665	27,852
Intangible assets	<b>Note 2</b>	5,938	5,741
Equity investments	<b>Note 3</b>	487	589
Other non-current assets	<b>Note 4</b>	401	393
Deferred tax assets	<b>Note 5</b>	4,556	3,656
<b>TOTAL NON-CURRENT ASSETS</b>		<b>39,047</b>	<b>38,231</b>
CURRENT ASSETS			
Inventories	<b>Note 6</b>	26,489	23,030
Contract assets for work in progress	<b>Note 7</b>	5,161	471
Trade receivables	<b>Note 8</b>	60,930	61,418
Tax receivables	<b>Note 9</b>	4,716	1,561
Other current assets	<b>Note 10</b>	4,026	3,469
Cash and cash equivalents	<b>Note 11</b>	28,917	37,885
		<b>130,237</b>	<b>127,834</b>
<b>TOTAL CURRENT ASSETS</b>			
<b>TOTAL ASSETS</b>		<b>169,284</b>	<b>166,065</b>

LIABILITIES AND EQUITY		30/06/2018	31/12/2017
<b>EQUITY</b>			
Share capital	<b>Note 12</b>	6,000	6,000
Legal reserve	<b>Note 12</b>	1,200	1,200
Reserve for own shares in portfolio	<b>Note 12</b>	(7,641)	(7,641)
Translation reserve	<b>Note 12</b>	(1,686)	(1,607)
Other Reserves and retained earnings	<b>Note 12</b>	27,693	14,312
Net profit (loss)	<b>Note 12</b>	12,329	19,553
<b>Equity attributable to the owners of the parent</b>		<b>37,895</b>	<b>31,817</b>
Equity attributable to non-controlling interests	<b>Note 14</b>	5,500	4,866
<b>TOTAL EQUITY</b>		<b>43,395</b>	<b>36,683</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term loans	<b>Note 15</b>	13,714	16,699
Non-current financial liabilities	<b>Note 15</b>	748	3,134
Employee benefits plans	<b>Note 16</b>	4,021	3,905
Provision for risks and charges	<b>Note 17</b>	1,916	1,835
Non current liabilities for options granted to non-controlling investors	<b>Note 18</b>	2,785	2,755
Other non-current liabilities	<b>Note 19</b>	131	167
Deferred tax liabilities	<b>Note 5</b>	3,316	2,291
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>26,631</b>	<b>30,785</b>
<b>CURRENT LIABILITIES</b>			
Current portion of long-term loans	<b>Note 15</b>	6,083	6,108
Current bank loans and borrowings	<b>Note 15</b>	10,243	9,219
Current financial liabilities	<b>Note 15</b>	473	417
Trade payables	<b>Note 20</b>	35,642	34,460
Advance from customers	<b>Note 21</b>	15,579	14,133
Contract liabilities for work in progress	<b>Note 7</b>	2,229	8,926
Current liabilities for options granted to non-controlling investors	<b>Note 18</b>	6,885	6,928
Tax liabilities and social security contributions	<b>Note 22</b>	6,527	7,419
Other current liabilities	<b>Note 23</b>	15,597	10,988
<b>TOTAL CURRENT LIABILITIES</b>		<b>99,258</b>	<b>98,597</b>
<b>TOTAL LIABILITIES</b>		<b>125,889</b>	<b>129,382</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>169,284</b>	<b>166,065</b>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(€'000)

	Note	30/06/2018	30/06/2017
Revenue	<b>Note 24</b>	123,504	100,181
Other revenue and income	<b>Note 25</b>	3,925	1,341
<b>TOTAL REVENUE AND OTHER INCOME</b>		<b>127,429</b>	<b>101,522</b>
Costs of raw materials, components and goods and changes in inventories	<b>Note 26</b>	53,114	40,402
Services	<b>Note 27</b>	23,701	19,474
Use of third party assets	<b>Note 28</b>	1,272	1,157
Personnel expenses	<b>Note 29</b>	27,953	26,390
Other expenses	<b>Note 30</b>	1,596	1,393
Provisions for risks and charges	<b>Note 31</b>	139	237
Amortisation and depreciation	<b>Note 32</b>	1,430	1,457
<b>TOTAL COSTS</b>		<b>109,205</b>	<b>90,510</b>
<b>OPERATING PROFIT</b>		<b>18,224</b>	<b>11,012</b>
Financial income	<b>Note 33</b>	230	130
Financial expenses	<b>Note 33</b>	(272)	(393)
Net exchange rate gain (losses)	<b>Note 34</b>	(69)	(963)
Gains (losses) on liabilities for option granted to non controlling investors	<b>Note 35</b>	12	1,129
Profit (loss) from equity investments carried at equity	<b>Note 36</b>	(126)	-
<b>PROFIT BEFORE TAXES</b>		<b>17,999</b>	<b>10,915</b>
Income taxes	<b>Note 37</b>	5,037	3,316
<b>NET PROFIT</b>		<b>12,962</b>	<b>7,599</b>
<b>ATTRIBUTABLE TO:</b>			
Owners of the parent		12,329	7,470
Non-controlling interests		633	129
<b>Earnings per share</b>			
<b>Basic and diluted earnings per share (in Euros)</b>	<b>Note 13</b>	<b>0.24</b>	<b>0.15</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€'000)

		30/06/2018	30/06/2017
<b>Net profit</b>		<b>12,962</b>	<b>7,599</b>
<i>Items that may be subsequently reclassified to profit or loss:</i>		-	-
- Exchange rate differences		(79)	(1,286)
<i>Items that may not be subsequently reclassified to profit or loss:</i>		-	-
- Actuarial gains (losses) on employee benefits net of the tax effect		(27)	(20)
- Actuarial gains on agents' termination benefits net of the tax effect		-	-
<b>Total Comprehensive income</b>		<b>12,856</b>	<b>6,293</b>
attributable to:		-	-
- Owners of the parent		12,223	6,164
- Non-controlling interests		633	129

## CONSOLIDATED STATEMENT OF CASH FLOWS

(€'000)

	30/06/2018	30/06/2017
<b>OPERATING ACTIVITIES</b>		
<b>Net profit</b>	12,962	7,599
<i>Adjustments for:</i>		
Amortisation and depreciation	1,430	1,457
Inventory write-down and bad debt provision	917	870
Change in provisions for risks and charges and employee benefits liabilities	170	(131)
Net (gains) losses on sale of assets and equity investments	(1,911)	(16)
Non-monetary variations related to liabilities for options granted to non-controlling investors	(12)	(1,129)
Other non-monetary variations	(76)	(107)
Taxes	5,036	3,316
<b>Cash flows from operating activities before changes in net working capital</b>	<b>18,516</b>	<b>11,859</b>
(Increase)/decrease in trade receivables	(242)	(6,091)
Increase in inventories	(3,845)	1,487
(Increase)/decrease in other current assets	(8,299)	(461)
Increase/(decrease) in trade payables	1,182	(3,105)
Increase/(decrease) in advance from customers	1,446	3,687
Increase/(decrease) in other current liabilities	(6,364)	1,496
(Increase)/decrease in non-current assets	20	135
Increase/(decrease) in non-current liabilities	(89)	8
Income taxes paid	(1,571)	(1,975)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>754</b>	<b>7,042</b>
<b>INVESTING ACTIVITIES</b>		
Investments in property, plant and equipment	1,122	(5,416)
Investments in intangible assets	(271)	(220)
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>	<b>850</b>	<b>(5,636)</b>
<b>FINANCING ACTIVITIES</b>		
Issuance of bank loans	-	21,500
Repayment of bank loans	(3,010)	(12,427)
Change in current bank loans and borrowings	1,024	(3,592)
Repayment of bonds	(2,500)	-
Increase/(decrease) in other financial liabilities	(163)	(264)
Dividends paid	(6,000)	(185)
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(10,649)</b>	<b>5,032</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(9,045)</b>	<b>6,438</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON BALANCE OF CASH HELD IN FOREIGN CURRENCY</b>	<b>76</b>	<b>107</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>37,885</b>	<b>22,909</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>28,917</b>	<b>29,453</b>
<b>INTEREST PAID</b>	<b>1,061</b>	<b>908</b>



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€'000)

	Share Capital	Legal reserve	Treasury shares	Translation reserve	Other reserves and retained earnings	Profit for the period att. to the owner of the parent	Equity attributable to the owners of the parent	Equity att. to non-controlling interests	TOTAL EQUITY
Balance at Jan. 1, 2017	6,000	1,200	(7,641)	361	12,050	14,289	26,259	4,376	30,635
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				(1,286)	(20)	7,470	6,164	129	6,293
Balance at June 30, 2017	6,000	1,200	(7,641)	(925)	14,319	7,470	20,423	4,320	24,744
Balance at Jan. 1, 2018	6,000	1,200	(7,641)	(1,607)	14,312	19,553	31,817	4,866	36,683
First time adoption IFRS 9					(144)		(144)		(144)
Distribution of dividends					(6,000)		(6,000)		(6,000)
Allocation of prior year profit					19,553	(19,553)			
Sale of treasury shares									
Change in non-controlling interests									
Total comprehensive income				(79)	(27)	12,329	12,223	633	12,856
Balance at June 30, 2018	6,000	1,200	(7,641)	(1,686)	27,693	12,329	37,895	5,500	43,395

# Notes to the Half-year Condensed Consolidated Financial Statements

## **Content and format of the Half-year condensed 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 Half-year condensed consolidated financial statements of Piovan S.p.A. as of 30 June 2018, on August 2, 2018.

The Parent drew up the IFRS half-year condensed consolidated financial statements for the six months ended at 30 June 2018 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 or-

ganised and managed by Borsa Italiana S.p.A. (the “listing application”).

The IFRS half-year condensed consolidated financial statements for the six months ended at 30 June 2018 include the results of the Parent and its subsidiaries. These notes were prepared by the Board of Directors on the basis of the accounting and consolidation entries updated to 30 June 2018. For comparative purposes, the Half-year condensed consolidated financial statements present as comparatives the consolidated statement of financial position of the consolidated financial statements at 31 December 2017, the consolidated statement of profit and loss, the consolidated statement of comprehensive income and the consolidated statement of cash flow for the six months ended 30 June 2017. The comparative consolidated financial statement for the six months ended at 30 June 2017 were prepared for the purpose of the inclusion in the Half-year condensed consolidated financial statements at 30 June 2018, which is the first half-year condensed consolidated financial statements prepared by Piovan Group.

It should be noted that the consolidated financial statements as at 31 December 2017 represented the first consolidated financial statements of the Piovan S.p.A., therefore IFRS 1 was applied. Also those consolidated financial statements at 31 December 2017 were specifically prepared for the inclusion in the prospectus for the listing application.

### **Basis of preparation of the Half-year condensed consolidated financial statements**

The Half-year condensed 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 as at and for the six months ended 30 June 2018 (the “Half-year condensed consolidated financial statements”). The Half-year condensed consolidated financial statement were prepared in accordance with IAS 34 – “Interim Financial Reporting”. These set of financial statements, their structure and their content, are the same adopted for the consolidated financial statements as at 31 December 2017 except for the addition in the consolidated statement of profit and loss of the caption “Profit

(loss) from equity investments carried at equity” as required by IAS 1. The Half-year condensed consolidated financial statements were prepared using the historical cost principle except for derivative financial instruments which are measured at fair value as required by IFRS 9 – “Financial Instruments”, 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 Half-year condensed consolidated financial statements at 30 June 2018 were prepared in accordance with IAS 34 – “Interim Financial Reporting” as issued by the International Accounting Standards Boards (IASB). Pursuant to IAS 34, these notes have been prepared in a condensed format and do not include all the disclosures required for annual financial statements. They solely provide information about those captions that, due to their size, content or changes therein during the six months, are key to an understanding of the Group’s financial position, performance and cash flows. Therefore, these Half-year condensed consolidated financial statements as at and for the six months ended 30 June 2018 should be read in conjunction with the consolidated financial statements as at and for the year ended 31 December 2017.

The Half-year condensed 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. Preparation of half-year condensed consolidated financial statements under the IFRS requires management to make estimates and assumptions that affect the amounts presented therein and in the notes. Actual results may differ from these estimates. Reference should be made to the consolidated financial statements at 31 December 2017 for details of the main captions that require the use of estimates and assumptions.

The Half-year condensed consolidated financial statements include the financial statements at 30 June 2018 of the Parent and its Italian and foreign subsidiaries, which were specifically prepared for the inclusion in the Half-year condensed consolidated financial statements.

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 30 June 2018.

### **Basis of consolidation**

The consolidation criteria adopted in the preparation of the Half-year condensed consolidated financial statements are the same of those adopted and disclosed in the annual consolidated financial statements at 31 December 2017.

### **Summary of the standards applied**

In preparing these Half-year condensed consolidated financial statements, the same accounting policies and basis of preparation of the consolidated financial statements at 31 December 2017 have been applied. Therefore, reference should be made to those financial statements, except for that described in the following section.

It should be noted that the Group had early adopted on a voluntary basis the principle IFRS 15 – "Revenue from Contracts with Customers" in the consolidated financial statements as at 31 December 2017 and more precisely starting from 1 January 2015.

### **STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED BY THE GROUP STARTING FROM 1 JANUARY 2018**

- 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 fi-

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 was applied by the Group, starting from 1 January 2018.

The directors have the following considerations regarding its application:

- With respect to the application of the new criteria for classification and measurement of the financial assets and financial liabilities, the directors did not identify significant effects.
- With respect to the impairment model, the Group already assessed the recoverability of the larger financial assets (trade receivables) partly using a specific analysis and partly using an estimation model based on historical analysis and the historical trend of collections. Based on the analyses carried out by the directors, the method already adopted by the Group led to results similar to those of 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. As result of such analysis, the directors recognised an increase of the bad debt provision of € 200 thousand. The effect of the transition to IFRS 9 (amounting to € 144 thousand, net of tax effect) was recognised in the equity at the beginning of 2018.

- The adoption of the new hedge accounting model did not affect the consolidated financial statements as the Parent and its subsidiaries do not use hedging derivatives.

#### **STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EU BUT NOT YET MANDATORY AND NOT ADOPTED EARLY BY THE GROUP AT 30 JUNE 2018**

- 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.

### Translation criteria

The main exchange rates (against €1) used to translate the foreign currency financial statements for the period/year at 30 June 2018, 31 December 2017 and 30 June 2017 (comparative figures) are set out below:

Currency	Average rate		Closing rate	
	30.06.2017	30.06.2018	31.12.2017	30.06.2018
BRL- Real	3.44	4.14	3.97	4.49
CAD –Canadian Dollar	1.44	1.55	1.50	1.54
CZK – Czech Koruna	26.79	25.16	25.54	26.02
CNY – Renminbi	7.44	7.71	7.80	7.72
GBP – Pound Sterling	0.86	0.88	0.89	0.89
HUF – Forint	309.47	314.09	310.33	329.77
MXN – Mexican Peso	21.03	23.08	23.66	22.88
SGD – Singapore Dollar	1.52	1.61	1.60	1.59
USD – U.S. Dollar	1.08	1.21	1.20	1.17
THB – Baht	37.57	38.42	39.12	38.57
INR – Rupia indiana	71.12	79.51	76.61	79.81
TRY – Turkey Lira	3.94	4.96	4.55	5.34
AED – U.A.E. Dirham	3.97	4.45	4.40	4.29
JPY – Japanese Yen	121.66	131.61	135.01	129.04
VND – Dong	24,580.08	27,565.50	27,233.00	26,832.75

### Use of estimates

There are no changes in the key sources of estimation uncertainty from those disclosed in the consolidated financial statements at 31 December 2017.

### 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. The Piovan Group tested goodwill for impairment for the consolidated financial statement at 31 December 2017, and did not identify



impairment indicators that require an updated impairment test for the Half-year condensed consolidated financial statements.

### Financial Risk Management Objectives and 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. With respect to what disclosed in the annual consolidated financial statements about the risks and their management by the Group no changes occurred.

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

30.06.2018										
	EUR	USD	CNY	BRL	MXN	THB	GBP	CAD	Other currencies	Total
Total assets	118,310	18,342	10,057	6,994	5,372	3,474	2,735	2,356	1,644	169,284
Total liabilities	99,573	10,712	4,834	2,701	2,893	2,628	816	166	1,565	125,889

31.12.2017										
	EUR	USD	CNY	BRL	MXN	THB	GBP	CAD	Other currencies	Total
Total assets	112,956	17,737	9,416	8,065	6,475	3,505	3,356	2,375	2,180	166,065
Total liabilities	89,796	12,891	6,595	4,272	6,223	3,971	2,575	1,120	1,939	129,382

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.

Net revenue	30.06.2018			30.06.2017		
	Current FX in €	Rate +10%	Rate -10%	Current FX in €	Rate +10%	Rate -10%
EUR – Euro	84,069	84,069	84,069	62,204	62,204	62,204
USD – US Dollar	22,340	20,253	24,753	23,521	21,405	26,162
CNY – Renminbi	9,568	8,699	10,632	7,067	6,421	7,848
BRL – Brazilian Real	3,085	2,769	3,384	3,193	2,903	3,548
GBP - Pound sterling	2,375	2,159	2,639	2,687	2,442	2,985
THB – Thai Bath	1,333	1,212	1,481	694	631	772
TRY - Turkish lira	468	425	519	489	445	544
INR - Indian Rupee	237	216	263	138	125	153
JPY - Japanese yen	3	3	3	144	131	160
CAD - Canadian dollar	-	-	-	35	31	38
MXN – Mexican Peso	3	3	3	8	7	9
AED - United Arab Emirates dirham	23	21	26	1	1	1
<b>TOTAL</b>	<b>123,504</b>	<b>119,829</b>	<b>127,772</b>	<b>100,181</b>	<b>96,746</b>	<b>104,424</b>

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.

Profit before taxes	30.06.2018			30.06.2017		
	Current FX in €	FX +10%	FX -10%	Current FX in €	FX +10%	FX -10%
EUR – Euro	13,795	13,795	13,795	8,886	8,886	8,886
USD – US Dollar	1,644	1,495	1,827	1,016	924	1,129
CNY – Renminbi	1,962	1,782	2,178	451	408	500
BRL – Brazilian Real	(21)	(19)	(23)	(353)	(321)	(392)
GBP – Pound sterling	141	128	156	194	177	216
THB – Thai Bath	(37)	(33)	(41)	36	33	40
TRY – Turkish lira	(29)	(26)	(32)	(36)	(33)	(40)
INR – Indian Rupee	21	19	23	55	50	61
JPY – Japanese yen	(72)	(65)	(80)	(53)	(48)	(59)
CAD – Canadian dollar	312	284	347	134	122	149
MXN – Mexican Peso	379	344	421	622	565	691
AED – United Arab Emirates dirham	29	26	32	8	8	9
VND – Dong	(22)	(20)	(24)	(4)	(3)	(4)
HUF – Forint	(18)	(16)	(20)	(17)	(16)	(19)
CSK – Czech Koruna	(85)	(77)	(94)	(24)	(20)	(25)
<b>TOTALE</b>	<b>17,999</b>	<b>17,617</b>	<b>18,466</b>	<b>10,915</b>	<b>10,732</b>	<b>11,142</b>

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.

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	+0.25%	+0.50%	-0.25%	-0.50%
30.06.2017	73	85	98	61	53
30.06.2018	49	63	77	36	30

## NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### [1] PROPERTY, PLANT AND EQUIPMENT

At 30 June 2018, property, plant and equipment amounted to € 27,665 thousand, compared to €27,852 thousand at 31 December 2017. The following tables provide a breakdown of the caption and the changes in the period.

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	Total
<b>Balance at 31 December 2017</b>	<b>21,394</b>	<b>1,820</b>	<b>665</b>	<b>3,734</b>	<b>238</b>	<b>27,852</b>
- Historical cost	25,054	8,736	4,264	14,541	238	52,835
- Accumulated depreciation	(3,660)	(6,916)	(3,599)	(10,808)	-	(24,983)
Changes in 2018						
- Additions	2,221	169	96	893	971	4,350
- Disposal (historical cost)	(2,699)	(38)	(94)	(1,083)	-	(3,913)
- Exchange rate differences on historical cost	(17)	48	(2)	(160)	-	(130)
- Exchange rate differences on accumulated depreciation	77	(40)	3	125	-	165
- Depreciation	(357)	(223)	(123)	(574)	-	(1,277)
- Disposal of accumulated depreciation	325	38	91	166	-	621
<b>Total changes</b>	<b>(449)</b>	<b>(45)</b>	<b>(28)</b>	<b>(633)</b>	<b>971</b>	<b>(185)</b>
<b>Balance at 30 June 2018</b>	<b>20,945</b>	<b>1,775</b>	<b>637</b>	<b>3,100</b>	<b>1,209</b>	<b>27,665</b>
including:						
- Historical cost	24,559	8,916	4,264	14,191	1,209	53,139
- Accumulated depreciation	(3,615)	(7,141)	(3,628)	(11,091)	-	(25,474)

Starting from the 2017 financial year, the Group has started, mainly in the Italian and in the United States facilities, a project in order to expand the production capacity and support the technological upgrade, which is scheduled to be completed within 2019.

This project, which involved investments for € 5,987 thousand in 2017 relating to land and buildings, entailed additional investments for € 3,192 thousand in the first six months of 2018. In particular the investment made in the first six months of 2018 by the Parent with reference to this project was € 971 thousands. The US subsidiary continues, in the six month of 2018, with its restructuring and technological adaptation work of the new production site, bought in 2017, with new investments for € 2,221 thousand. The move to the new production site is currently ongoing.

Furthermore, in June 2018 the US subsidiary sold the old production site, for a total sale price of USD 5,250 thousand, which as of June 30, 2018 was fully collected by Unadyn. Inc.. Such sale generated a gain, net of related costs of sales, of € 1,885 thousand, recognized in the income statement under the caption Other revenues and income.

During the first six months of 2018 some non-depreciable assets, were sold to the parent company Pentafin S.p.A. for a sales price of € 988 thousand, which was fully collected in June 2018. These non-depreciable assets, mainly recently acquired, were sold at their book value.

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

Property, plant and equipment	30.06.2018	31.12.2017
EMEA	19,351	19,386
- of which Italy	18,254	18,249
NORTH AMERICA	6,645	6,541
- of which United States of America	6,632	5,526
ASIA	272	297
SOUTH AMERICA	1,397	1,629
<b>Total</b>	<b>27,665</b>	<b>27,852</b>

No property, plant and equipment are bound by mortgages or liens at 30 June 2018.

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 30 June 2018, this caption amounted to €5,938 thousand, compared to €5,741 thousand at the end of 2017. 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
<b>Balance at 31 December 2017</b>	<b>5,279</b>	<b>261</b>	<b>68</b>	<b>123</b>	<b>10</b>	<b>5,741</b>
- Historical cost	5,279	5,811	186	136	10	11,422
- Accumulated amortisation	-	(5,550)	(118)	(13)	-	(5,681)
<b>Changes in 2018</b>						
- Reclassification of historical cost	-	(351)	351	-	-	-
- Reclassification of accumulated amortisation	-	298	(298)	-	-	-
- Investments	-	251	16	-	4	271
- Exchange rate differences on historical cost	90	(45)		(2)	-	43
- Exchange rate differences on accumulated amortisation	-	34	2	-	-	36
- Amortisation	-	(116)	(30)	(7)		(153)
<b>Total changes</b>	<b>90</b>	<b>71</b>	<b>41</b>	<b>(9)</b>	<b>4</b>	<b>197</b>
<b>Balance at 30 June 2018</b>	<b>5,369</b>	<b>332</b>	<b>109</b>	<b>114</b>	<b>14</b>	<b>5,938</b>
including:						
- Historical cost	5,369	5,666	553	134	14	11,736
- Accumulated amortisation	-	(5,334)	(445)	(20)	-	(5,798)

Intangible assets are broken down by geographical area as follows:

Intangible assets	30.06.2018	31.12.2017
EMEA	2,652	2,527
- of which Italy	2,480	2,356
NORTH AMERICA	3,213	3,122
- of which United States of America	3,213	3,121
ASIA	21	32
SOUTH AMERICA	52	60
<b>Total</b>	<b>5,938</b>	<b>5,741</b>

At 30 June 2018, goodwill amounts to €5,369 thousand, compared to €5,279 thousand at 31 December 2017. 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.

	31.12.2017	Increase	Decrease	Change in translation reserve	30.06.2018
UnaDyn	3,123			90	3,213
Penta and Progema	1,872				1,872
Energys	276				276
Other goodwill	8				8
<b>Total</b>	<b>5,279</b>				<b>5,369</b>

The Group does not have goodwill that can be deducted for tax purposes. It should be noted that no transaction occurred between the Group and third parties during the first six months of 2018, and that the change in goodwill related to UnaDyn is due to the different USD/Euro exchange rates at each period, therefore such changes are non-cash movements.

### [3] EQUITY INVESTMENTS

At 30 June 2018, this caption amounted to €487 thousand compare to €589 thousand at 31 December 2017. It may be analysed as follows:

Company		%	31.12.2017	Profit/loss for the period	30.06.2018
CMG S.p.A.	Budrio (BO)	20%	266	-	266
Piovan South Est Asia	Bangkok (Tailandia)	100%	238	(66)	171
Studio Ponte S.r.l.	Poggio Renatico (FE)	51%	5	31	36
Penta Auto Feeding India Ltd	Navi Mumbai (India)	50%	67	(67)	0
Other			14	-	14
<b>Total</b>			<b>589</b>	<b>(102)</b>	<b>487</b>

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.

It should be noted that with reference to the associate Penta Auto Feeding India Ltd. a provision for risks of € 24 thousand was accrued, as its shareholders’ equity at the valuation date was negative for this amount.

### [4] OTHER NON-CURRENT ASSETS

At 30 June 2018, other non-current assets amounted to €401 thousand com-

pared to €393 thousand at 31 December 2017. 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 30 June 2018, deferred tax assets amounted to € 4,556 thousand compared to €3,656 thousand at the end of 2017. 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.

At 30 June 2018, deferred tax liabilities amounted to €3,316 thousand compared to €2,291 thousand at the end of the 2017.

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

	31.12.2017	Adjustment for IFRS 9	1.01.2018 restated	Recognised in profit or loss	Recognised in other comprehensive income	30.06.2018
Deferred tax assets	3,656	56	3,712	819	25	4,556
Deferred tax liabilities	(2,291)		(2,291)	(1,025)		(3,316)
<b>Total</b>	<b>1,365</b>	<b>56</b>	<b>1,421</b>	<b>(206)</b>	<b>25</b>	<b>1,240</b>

#### [6] INVENTORIES

At 30 June 2018, this caption amounted to €26,489 thousand compared to €23,030 thousand at 31 December 2017. It may be detailed as follows:

	30.06.2018	31.12.2017
Raw materials	6,257	4,883
Semi-finished products	9,941	9,013
Finished goods	11,919	10,522
Progress payments	1,305	1,155
Allowance for inventory write-down	(2,933)	(2,543)
<b>Inventories</b>	<b>26,489</b>	<b>23,030</b>

In the first six months of 2018, inventories increased, gross of allowances, for €3,849 thousand. The increase, mainly relating to the Raw Materials and Semi-finished Products categories, is linked to the normal performance of

the business.

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 condensed consolidated 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 30 June 2018, the Contract asset for work in progress caption amounted to €5,161 thousand compared to €471 thousand at the end of 2017.

At 30 June 2018, the Contract liability for work in progress caption amounted to €2,229 thousand compared to €8,926 thousand at the end of 2017. In particular, these are the contract work in progress related to the subsidiary Penta S.r.l..

Below is detailed the amount due from customers net of the related advance payment received (included in the caption Contract assets work in progress), and the amount due to customers net of the related advance payment received (included in the caption Contract liabilities for work in progress):

<b>Contract assets for work in progress</b>	<b>30.06.2018</b>	<b>31.12.2017</b>
Measurement of contracts in progress (costs incurred added to profits recognised)	13,996	735
Progress payments received	(8,835)	(264)
<b>Amounts due from customers</b>	<b>5,161</b>	<b>471</b>

<b>Contract liabilities for work in progress</b>	<b>30.06.2018</b>	<b>31.12.2017</b>
Measurement of contracts in progress (costs incurred added to profits recognised)	5,277	5,440
Progress payments received	(7,506)	(14,366)
<b>Amounts due to customers</b>	<b>(2,229)</b>	<b>(8,926)</b>

The increase in Contract assets for work in progress at 30 June 2018 compared to 31 December 2017 is due to, the larger number of contracts in progress and the fact that the stage of completion of each contracts is more advanced than the amounts of the progress payments received from customers accordingly to the terms of agreements.

The significant reduction in Contract liabilities for work in progress compared to 31 December 2017 is determined by a different trend in the invoicing of



advances to customers and the stage of completion of each contracts.

Revenue from contract work amounted to €17,771 thousand in the first six months of 2018 and relates to the subsidiary Penta S.r.l..

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

	31.12.2017	Decrease	Increase	30.06.2018
Contract assets for work in progress	471	(98)	4,788	5,161
Contract liabilities for work in progress	(8,926)	6,886	(189)	(2,229)

The amount of revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period is € 6,886 thousand for the first six months of 2018.

#### [8] TRADE RECEIVABLES

At 30 June 2018, this caption amounted to €60,930 thousand compared to €61,418 thousand at 31 December 2017. It may be analysed as follows:

	30.06.2018	31.12.2017
Gross trade receivables	64,561	64,324
Provision for bad debt	(3,631)	(2,906)
<b>Trade receivables</b>	<b>60,930</b>	<b>61,418</b>

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

	30.06.2018	31.12.2017
EMEA	36,395	39,182
- of which Italy	20,080	19,165
NORTH AMERICA	10,238	11,010
ASIA	11,410	8,494
SOUTH AMERICA	2,887	2,732
<b>Total</b>	<b>60,930</b>	<b>61,418</b>

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

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

	30.06.2018		31.12.2017	
	Trade receivables	Provision for bad debt	Trade receivables	Provision for bad debt
Receivables not yet due	46,111	(138)	43,288	
Receivables overdue within 1 month	6,763	(26)	11,464	
Receivables overdue between 1 and 12 months	8,688	(819)	7,017	(835)
Receivables overdue over 12 months	3,000	(2.648)	2,555	(2,071)
<b>Total</b>	<b>64.561</b>	<b>(3.631)</b>	<b>64,324</b>	<b>(2,906)</b>

The amount of gross trade receivables at 30 June 2018 is in line with the amounts at 31 December 2017.

As at 30 June 2018 the Receivables overdue within 1 month is equal to €6,763 thousand in reduction of €4.701 thousand; the trend is connected to the normal management of DSO. Past due receivables by more than one year are approximately 88% covered by the allowance for impairment.

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:

	31.12.2017	Adjustment IFRS 9	1.01.2018 restated	Accruals	Reversals	Utilisations	Exchange rate differences	30.06.2018
Provision for bad debt	2,906	200	3,106	530	(13)	(2)	10	3,631

## [9] TAX RECEIVABLES

At 30 June 2018, current tax assets amounted to € 4,716 thousand compared to €1,561 thousand at the end of 2017. The caption is broken down as follows:

	30.06.2018	31.12.2017
VAT receivables	3,398	859
Other current tax assets	1,318	702
<b>Tax receivables</b>	<b>4,716</b>	<b>1,561</b>

The changes in the caption VAT receivables is mainly related to the subsidiary

Penta S.r.l.. Other current tax assets include IRES and IRAP receivables recognised by the subsidiary Penta S.r.l. for the years 2016 and 2017, and a tax grant for research and development expenses of Piovan S.p.A..

#### **[10] OTHER CURRENT ASSETS**

At 30 June 2018, Other current assets amounted to €4,026 thousand compared to €3,469 thousand at the end of 2017. The caption is broken down as follows:

	30.06.2018	31.12.2017
Advances to suppliers	1,656	1,425
Receivables from parent	786	786
Receivables from subsidiaries	8	
Prepayments and accrued expenses	509	551
Other receivables	1,067	708
<b>Other current assets</b>	<b>4,026</b>	<b>3,469</b>

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 includes receivables from employees amounting to €270 thousand.

#### **[11] CASH AND CASH EQUIVALENTS**

At 30 June 2018, this amounted to €28,917 thousand compared to €37,885 thousand at 31 December 2017.

	30.06.2018	31.12.2017
Current accounts and post office deposits	28,886	37,859
Cash	31	26
<b>Cash and cash equivalents</b>	<b>28,917</b>	<b>37,885</b>

Reference should be made to the statement of cash flows for details of changes in the Group's cash and cash equivalents. The reduction is partially connected (€5,200 thousand) to the cash absorption by the operating activities of the subsidiary Penta S.r.l..

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 30 June 2018, the Group's current account credit balances were not restricted in any way.

#### **[12] EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT**

Equity may be detailed as follows:

	<b>30.06.2018</b>	<b>31.12.2017</b>
Share capital	6,000	6,000
Legal reserve	1,200	1,200
Treasury shares	(7,641)	(7,641)
Translation reserve	(1,686)	(1,607)
Other reserves and retained earnings	27,693	14,312
Net profit (loss)	12,329	19,553
<b>Equity attributable to the owners of the parent</b>	<b>37,895</b>	<b>31,817</b>

The Parent's fully paid-up and subscribed share capital as at 30 June 2018 consists of 60,000,000 ordinary shares (no. 600,000 as at 31 December 2017). 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.

It should be noted that the Parent and the Group held 9,070,700 treasury shares directly through Piovan S.p.A. at 30 June 2018, equal to 15.12% of Piovan S.p.A.'s share capital. The carrying amount at 30 June 2018 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. During 2016, part of treasury shares of the Parent, were sold to Filippo Zuppichin for a sales sell price higher than the carrying amount.

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 2018 were due to the allocation of the profit from the previous year and to the distribution of dividends amounting to €6,000 thousand fully paid in June 2018 to the Parent's shareholders. In 2017 the dividend were equal to €12,000 thousand and were paid in July 2017.

### **[13] EARNINGS 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 calculations of the earnings per share for all periods presented were retrospectively adjusted and presented on the basis of the new number of shares.

The earnings per share were calculated, for all periods presented, by dividing the net profit attributable to the owners of the Parent by the weighted average number of outstanding ordinary shares following the increase in the number of shares as per resolution mentioned above. The Group did not repurchase or issue ordinary shares in 2017 and 2018, nor were there potential ordinary shares that could be converted with dilutive effects.

The earnings per share are as follows:

	30.06.2018	30.06.2017
Net Profit Attributable to Owners of the Parent (in thousands of Euros)	12,329	7,470
Weighted average number of ordinary shares (in thousands of units)	50,929	50,929
<b>Basic and dilutive earnings per share (in Euros)</b>	<b>0.24</b>	<b>0.15</b>

The number of shares shown above, corresponding to the weighted average number of outstanding ordinary shares, does not include treasury shares held by Piovan S.p.A. which came to no. 9,070,700.

### **[14] EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS**

At 30 June 2018, equity attributable to non-controlling interests amounted to €5,500 thousand compared to €4,866 thousand at 31 December 2017. 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).

	31.12.2017	Profit for the period	Other comprehensive income	30.06.2018
Equity attributable to non-controlling interests	4,866	633	1	5,500

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

This caption may be analysed as follows:

	30.06.2018	31.12.2017
Short-term bank borrowings	10,243	9,219
Current portion of medium to long-term loans	6,083	6,108
Loans for leases	426	412
Other loans and borrowings	47	5
<b>Current financial liabilities</b>	<b>16,799</b>	<b>15,743</b>

	30.06.2018	31.12.2017
Medium to long-term bank loans	13,714	16,699
Bonds	0	2,500
Loans for leases	748	634
<b>Non-current financial liabilities</b>	<b>14,462</b>	<b>19,832</b>

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 was held by the Parent's sole director in office at the same date. The bond was fully repaid in advance in June 2018.

The following table shows the main characteristics of the bank loans by maturity at 30 June 2018 and at 31 December 2017:

30.06.2018	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%	2,667	1,333	1,333
Mediocredito III	EUR	8,000	31/03/2022	Floating	6m Euribor + 0.55%	6,400	1,600	4,800
Credem	EUR	6,000	05/04/2021	Fixed	0.48%	4,511	1,496	3,014
BNL II	EUR	7,500	06/06/2022	Fixed	0.50%	6,015	1,492	4,522
Other	EUR					204	161	44
<b>Total</b>		<b>26,500</b>				<b>19,797</b>	<b>6,083</b>	<b>13,714</b>

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
<b>Total</b>		<b>26,500</b>				<b>22,806</b>	<b>6,108</b>	<b>16,699</b>

With regard to BNL II loan and Credem loan, the Parent had to comply with financial covenants which were met at 31 December 2017. At the date of the approval of these interim financial statements, the Parent negotiated the elimination of clauses related to compliance with the covenants, which, regarding Credem loan, will be reapplied if, for any reason, the Parent Company is not admitted to listing.

There were no guarantees for loans at 30 June 2018.

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

	31.12.2017	Net cash flows	Other movements	Change in translation reserve	30.06.2018
Short-term bank borrowings	9,219	1,024			10,243
Current portion of medium to long-term loans	6,108	(25)			6,083
Loans for leases	412	(206)	220		426
Other loans and borrowings	5	42			47
<b>Current financial liabilities</b>	<b>15,743</b>	<b>835</b>	<b>220</b>		<b>16,799</b>

	31.12.2017	Net cash flows	Other movements	Change in translation reserve	30.06.2018
Medium to long-term loans	16,699	(2,985)			13,714
Bonds	2,500	(2,500)			0
Loans for leases	634		114		748
<b>Non-current financial liabilities</b>	<b>19,832</b>	<b>(5,485)</b>	<b>114</b>		<b>14,462</b>

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

30.06.2018	Total Carrying amount	Total estimated Flows	Within 1 year	From 1 to 5 years	Over 5 years
Medium / long-term loans	13,714	14,411		14,411	-
Non-current loans for leases	748	774		440	334
<b>Non-current financial liabilities</b>	<b>14,462</b>	<b>15,184</b>	<b>-</b>	<b>14,851</b>	<b>334</b>
Current medium-long term loans	10,243	10,286	10,286		
Current payables to banks	6,083	6,647	6,647		
Current loans for leases	426	440	440		
Other loans and borrowings	47	47	47	-	-
<b>Current financial liabilities</b>	<b>16,799</b>	<b>17,421</b>	<b>17,421</b>		

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
<b>Non-current financial liabilities</b>	<b>19,832</b>	<b>23,252</b>	<b>146</b>	<b>18,933</b>	<b>4,173</b>
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		
Others	5	5	5		
<b>Current financial liabilities</b>	<b>15,743</b>	<b>15,981</b>	<b>15,981</b>		

## [16] EMPLOYEE BENEFIT PLANS

This caption mainly consists of the Group's liability for post-employment benefits recognised by the Italian Group entities (€4,002 thousand at 30 June 2018 and €3,885 thousand at 31 December 2017). These benefits qualify as defined benefit plans pursuant to IAS 19 and the related liabilities are calculated by an independent actuary.

Changes in the liability in both years are shown below:



	30.06.2018
<b>Opening balance</b>	<b>3,885</b>
Change in consolidation scope	
Other changes	
Employee benefits paid	(103)
Exchange rate differences	
Accruals	705
Transfer to pension plans	(485)
Actuarial gain (loss)	
Interest cost	
<b>Closing balance</b>	<b>4,002</b>

The remaining amounts of this caption (€ 20 thousand as of 30 June 2018 and 31 December 2017) comprises employee benefits recognised by the foreign Group entities, which are immaterial both individually and collectively. With respect to the actuarial assumptions illustrated in the Notes to the Consolidated Financial Statements as at December 31, 2017 no facts or events requiring update the actuarial calculation and the assumption used emerged.

#### **[17] PROVISIONS FOR RISKS AND CHARGES**

At 30 June 2018, the provisions for risks amounted to € 1,916 thousand, while at 31 December 2017 amounted to €1,835 thousand. The detail of the provision for risk is the following:

	30.06.2018	31.12.2017
Provision for legal and tax risks	1,123	1,096
Provision for product warranties	599	609
Provision for agents' termination benefits	122	87
Pension provision	26	21
Provision for investments' losses	24	-
Other provisions	22	22
<b>Provisions for risks and charges</b>	<b>1,916</b>	<b>1,835</b>

The following table shows changes in this caption:

	31.12.2017	Accruals	Reversals	Exchange rate differences	30.06.2018
Provision for legal and tax risks	1,096	90	-	(63)	1,123
Provision for product warranties	608	14	(26)	3	599
Provision for agents' termination benefits	87	35	-	-	122
Pension provision	21	5	-	-	26
Provision for investments' losses	-	24	-	-	24
Other provisions for risks	22	-	-	-	22
<b>Provisions for risks and charges</b>	<b>1,835</b>	<b>168</b>	<b>(26)</b>	<b>(60)</b>	<b>1,916</b>

The Provision for legal and tax risks at 30 June 2018 includes:

- a provision of €90 thousand of the subsidiary Unadyn, accrued in 2018 and related to a legal dispute for which the subsidiary deems an adverse outcome to be probable;
- a provision of €467 thousand of the subsidiary Penta S.r.l., already recognised in previous years, accrued to cover estimated future charges due to an ongoing legal dispute for which the subsidiary deems an adverse outcome probable;
- a provision of €437 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.

The Provision for investments' losses includes the accrual related to negative equity of Penta Auto Feeding India Ltd.

## **[18] 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.. 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. The acquisition of this second portion (the second closing) occurred in 2016 for a purchase price of € 9.000 thousand;
- 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. 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 acquisition 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 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 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.

	31.12.2017	Decreases	Increases	Fair value gains (losses)	30.06.2018
Put Option	6,928			(43)	6,885
Put Option 2	2,755			30	2,785
<b>Total Put Options</b>	<b>9,683</b>			<b>(12)(*)</b>	<b>9,670</b>
<b>Total current and non-current put options</b>	<b>9,683</b>			<b>(12)(*)</b>	<b>9,670</b>
<i>including</i>					
non-current	2,755				<b>2,785</b>
current	6,928				<b>6,885</b>

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

The changes occurred in the first six months of 2018 and recognized in profit or loss are related both to the discounting effect and to the changes in the fair value.

#### **[19] OTHER NON-CURRENT LIABILITIES**

At 30 June 2018, Other non-current liabilities amounted to €131 thousand compared to €167 thousand at the end of 2017. They refer to tax liabilities of the subsidiary Piovan Do Brasil.

#### **[20] TRADE PAYABLES**

At 30 June 2018, trade payables amounted to €35,642 thousand compared to €34,460 thousand at the end of 2017.

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 revenues. This caption includes, as of 30 June 2018, liabilities towards the associate CMG S.p.A and the associate Studio Ponte S.r.l resulting from supply arrangements, as detailed in note [39].

## **[22] TAX LIABILITIES AND SOCIAL SECURITY CONTRIBUTIONS**

At 30 June 2018, Advance from customers amounted to € 15,579 thousand compared to €14,133 thousand at 31 December 2017. 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.

## **[22] DEBITI TRIBUTARI E PREVIDENZIALI**

At 30 June 2018 they amounted to € 6,527 thousand compared to €7,419 thousand at 31 December 2017. The caption is broken down as follows:

	30.06.2018	31.12.2017
Social security contributions	2,246	2,497
VAT liabilities	1,379	2,328
Tax withholdings for employees	944	1,212
Income tax liabilities (IRES and IRAP)	1,629	699
Other	329	683
<b>Tax liabilities and social security contributions</b>	<b>6,527</b>	<b>7,419</b>

## **[23] OTHER CURRENT LIABILITIES**

At 30 June 2018, they amounted to € 15,597 thousand compared to €10,988 thousand at the end of 2017. The caption is broken down as follows:

	30.06.2018	31.12.2017
Payables to employees	5,357	4,357
Payables to parent company	3,079	
Accrued income and deferred expense	5,141	4,026
Other payables	2,020	2,604
<b>Other current liabilities</b>	<b>15,597</b>	<b>10,988</b>

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

Payables to parent company are mainly represented by a liabilities of Piovani S.p.A. and related to the consolidated tax agreement in place with parent company Pentafin S.p.A..

In particular, such caption as of 30 June 2018 includes the liability relating to the balance for the fiscal year 2017 and the accrual for the first six months of

2018 of income corporate tax.

## NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

### [24] REVENUE

Revenue amounted to €123,504 thousand in the first six months of 2018, compared to € 100,181 thousand for the same period of 2017, with an increase of 23%. Revenue is shown net of discounts and allowances.

In order to provide adequate disclosure on the nature and characteristics of revenue, it is broken down below by market and by geographical area. Such break-downs are regularly monitored by Group management.

Revenue is broken down by market as follows:

	30/06/2018	30/06/2017
Plastic Systems	95,360	85,617
Food Systems	15,603	1,603
Service & Spare parts	12,541	12,961
<b>Revenue</b>	<b>123,504</b>	<b>100,181</b>

As described in the “Accounting policies” paragraph of the annual consolidated financial statements, 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 €17,771 thousand for the first six months of 2018, while in the same period of 2017 amounted to € 6,376 thousand and relates to the subsidiary Penta S.r.l.. The increase is mainly due to the stage of completion of some important projects which were awarded to Penta S.r.l.. in the previous year with recurring customers.

With regard to revenue trends broken down by market:

- revenue for Plastics Systems increased by 11.4% in the first six months of 2018 compared to the same period of 2017, confirming the Group’s strong leadership position in such market, with satisfactory growth especially in EMEA and Italian market.
- revenue for Food Systems are equal to € 15,603 thousand for the first six months of 2018 , and shows an increase of €14,000 thousand in

respect to the same period of 2017. These results are consistent with the Group's strategy to increase the market share of Food System and are partially connected to projects related to two important multinational customers. In fact, during the first six months of 2018 the percentage of revenues in the Food Area, compared to total Group Revenues, was 12.6% compared to 1.6% in the same period of 2017, despite of the increase of 11.4% of the Plastics area in the same period. The Food market is undergoing intense development, benefiting from the same strategy previously implemented in 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;

- The Service & Spare Parts market showed a slight reduction of 3.2% in the first six months of 2018 compared to the same period of 2017.

A breakdown of revenue by geographical area is as follows:

	30/06/2018	30/06/2017
EMEA	78,954	58,011
ASIA	16,847	12,182
NORTH AMERICA	21,817	23,966
SOUTH AMERICA	5,886	6,022
<b>Revenue</b>	<b>123,504</b>	<b>100,181</b>

Revenue generated in EMEA includes that generated in Italy, amounting to €28,348 thousand for the first six months of 2018 and € 12,312 for the same period of 2017. The growth in the first six months of 2018 was mainly due to the significant increase in Food Systems sales (€ 10,193 thousand).

## **[25] OTHER REVENUE AND INCOME**

Other revenue and income amounted to € 3,925 thousand for the first six

months of 2018 with an increase of €2,584 thousand compared to the first six months of 2017. The increase is related to €1,885 thousand to the gain from the sale of the property by Unadyn, in the United States, as better indicated below. The caption may be broken down as follows:

	30/06/2018	30/06/2017
Accessory transport services for sales	1,081	610
Machinery leases	92	73
Grants related to income	222	1
Prior year income	141	28
Gains for disposal of tangible and intangible assets	1,911	16
Recharges to suppliers	19	161
Insurance compensation	30	156
Agency commissions	50	96
Sale of scrap materials	55	67
Other	324	133
<b>Other revenue and income</b>	<b>3,925</b>	<b>1,341</b>

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

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 the first six months of 2018 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.

The caption Gains for disposal of tangible and intangible assets, includes a net gain of €1,885 thousand, related to the sale of the property previously used as production plant of the subsidiary Unadyn, located in 13600-10, Dabney Road, Woodbridge, Virginia, for a total sale price of USD 5,250 thousand. This amount as of June 30, 2018 was fully paid by the buyer to Unadyn, Inc.. For more information, please refer to note [1].

Other mainly includes recharges and penalties applied to customers.

## **[26] COSTS OF RAW MATERIALS, COMPONENTS AND GOODS AND CHANGES IN INVENTORIES**

This caption amounted to €53,114 thousand for the first six months of 2018



compared to € 40,402 thousand for the same period of 2017, as detailed below:

	30/06/2018	30/06/2017
Costs of raw materials, components and goods	54,473	37,504
Costs of consumables	2,061	1,770
Change in raw materials and goods	(2,484)	(1,673)
Change in finished goods and semi-finished products	(936)	2,801
<b>Costs of raw materials, components and goods and changes in inventories</b>	<b>53,114</b>	<b>40,402</b>

The increase is mainly due to the larger purchases of raw materials (€ 16,970 thousand), linked both to the increase in revenues and the trend in Changes in inventories.

In particular, the growth in the Costs of raw materials, components and goods is determined by the significant increase in revenues, and by a higher percentage of sales of Food System, compared to the total sales of the Group (11.4% in the first six months of 2018 compared to 1.6% in the first six months of 2017), which are characterized by a higher cost of materials and installation, balanced by a lower percentage of direct labor costs and fixed costs.

The increase in Change in finished goods 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.

Costs of raw materials, components and goods and changes in inventories include in both period 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, other than costs incurred by the Group with the associate Studio Ponte S.r.l.. Such costs are detailed in note [39].

## **[27] SERVICES**

Services amounted to €23,701 thousand for the first six months of 2018, compared to €19,474 thousand euro in the first six months of 2017. The caption is detailed as follows:

	30/06/2018	30/06/2017
Outsourcing	9,458	7,340
Transport	3,493	2,218
Business trips and travel	2,082	1,948
Agency commissions	1,805	1,677
Fees to directors, statutory auditors and independent auditors	903	909
Consultancies	1,600	922
Maintenance and repairs	826	875
Marketing and advertising	900	810
Utilities	676	652
Insurance	538	550
Telephone and connections	286	285
Other	1,134	1,288
<b>Services</b>	<b>23,701</b>	<b>19,474</b>

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.l..

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

- outsourcing costs amounted to 9,458 thousand euro in the first six months of 2018 (39.9% of the total costs for services) and are determined by the Group's production methods, which concentrates high value-added work and activities within the core. In the first six months of 2017, this item amounted to €7,340 thousand euro and to 37.7% of the total costs for services. 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; the increase is connected to the performance of the business;
- 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 up to June 29, 2018 and subsequently Executive Chairman of the Parent Company for values detailed in note [39].

## [28] USE OF THIRD PARTY ASSETS

This caption amounted to €1,272 thousand in the first six months of 2018, compared to €1,157 thousand for the same period of 2017.

The caption is detailed as follows:

	30/06/2018	30/06/2017
Rental expenses	852	797
Leases	178	175
Hires	242	185
<b>Use of third party assets</b>	<b>1,272</b>	<b>1,157</b>

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

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].

## [29] PERSONNEL EXPENSE

This caption amounted to €27,953 thousand for first six months of 2018 compared to €26,390 thousand for the same period of 2017. A breakdown of this caption and of the workforce by employee category is as follows:

	30/06/2018	30/06/2017
Wages and salaries	21,059	20,052
Social security contributions	5,920	5,347
Costs for defined benefit plans	609	564
Other expenses	365	427
<b>Personnel expenses</b>	<b>27,953</b>	<b>26,390</b>

	30/06/2018		30/06/2017	
	year end	average	year end	average
Managers	37	36	32	32
Junior managers	57	56	54	53
White collars	568	563	516	517
Blue collars	383	383	375	371
<b>Total</b>	<b>1,045</b>	<b>1,038</b>	<b>977</b>	<b>973</b>

The Group's employees numbers grew compared to 2017. Such increase is functional to the development of the Group and to ensure the proximity to customers.

### **[30] OTHER EXPENSES**

This caption amounted to €1,596 thousand for the first six months of 2018 compared to €1,393 thousand for the same period of 2017. The caption is detailed as follows:

	30/06/2018	30/06/2017
Other taxes and duties	667	445
Bad debt provision	530	698
Entertainment costs	169	146
Other	230	104
<b>Other expenses</b>	<b>1,596</b>	<b>1,393</b>

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

### **[31] PROVISIONS FOR RISKS AND CHARGES**

This caption amounted to €139 thousand for the first six months of 2018, compared to €237 thousand for the same period of 2017. The caption is detailed as follows:

	30/06/2018	30/06/2017
Provisions for risks	139	237
<b>Provisions for risks and charges</b>	<b>139</b>	<b>237</b>

In 2018 Unadyn made an accrual to provision due to a legal dispute as indicated in note [17].

In 2017 Piovan Do Brasil made an accrual to provisions due to a liability linked to a more restrictive interpretation of local taxes.

### **[32] AMORTISATION AND DEPRECIATION**

This caption amounted to €1,430 thousand for the first six months of 2018 compared to € 1,457 thousand for the same period of 2017. The caption is detailed as follows:

	30/06/2018	30/06/2017
Amortisation	153	54
Depreciation	1,277	1,403
<b>Amortisation and depreciation</b>	<b>1,430</b>	<b>1,457</b>

### [33] FINANCIAL INCOME AND EXPENSES

Net financial expense for first six months of 2018 amounted to €42 thousand compared to €263 thousand for the same period of 2017. The caption is detailed as follows:

	30/06/2018	30/06/2017
Interest income	92	103
Gains on financial assets	60	0
Other financial income	78	26
<b>Financial income</b>	<b>230</b>	<b>130</b>
Bank interest	(59)	(112)
Other interest	(97)	(96)
Other financial expenses	(116)	(184)
<b>Financial expense</b>	<b>(272)</b>	<b>(393)</b>
<b>Net financial income (expenses)</b>	<b>(42)</b>	<b>(263)</b>

Other interest expense mainly comprises interest paid on the bond issue fully repaid in June 2018 and described in note [15]. The amount of interest is detailed in note [39].

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

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

Net exchange rate losses for the first six months of 2018 amounted to €69 thousand compared to €963 thousand for the same period of 2017. The caption is detailed as follows:

	30/06/2018	30/06/2017
Exchange rate gains	1.983	1.301
Exchange rate losses	(2,052)	(2,264)
<b>Net exchange rate gain (losses)</b>	<b>(69)</b>	<b>(963)</b>

Unrealised exchange rate gains included under Exchange rate gains amount to €1,513 thousand in the first six months of 2018 (76% of exchange rate

gains of the period) and € 819 thousand in the first six months of 2017 (63% of exchange rate gains of the period).

Unrealised exchange rate losses included under Exchange rate losses amount to €1,024 thousand in the first six months of 2018 (49.9% of exchange rate losses of the period) and €1,733 thousand in the first six months of 2017 (76,5% of exchange rate losses of the year). The Group recognised net exchange rate losses of € 69 thousand in the first six months of 2018, with a significant improvement compared to the prior period. In fact, 2017 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, which generated an exchange rate loss of €325 thousand in the first six months of 2017, 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.

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

A fair value gain of €12 thousand was recognised for the six months of 2018, compared to a gain of €1,129 thousand for the first six months of 2017.

The caption relates to the fair value measurement of the put options of non-controlling investors in Penta S.r.l., Reference should be made to note [18] for more details.

#### **[36] PROFIT (LOSS) FROM EQUITY INVESTMENTS CARRIED AT EQUITY**

This caption amounted to a net loss of € 126 thousand in the first six months of 2018 and relates to equity investments valued using the equity method. Reference should be made to note [3] for more details.

#### **[37] INCOME TAXES**

This caption amounted to €5,037 thousand for the first six months of 2018 compared to €3,316 for the same period of 2017. Taxes for the six month period of 2018 were determined considering the best estimate of the average annual effective tax rate expected for the full year in accordance with IAS 34. Reference should be made to note [5] for information about changes in deferred tax assets and liabilities and their composition.

### [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 [24].

### [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 IFRS 9, and their fair value:

30.06.2018	IFRS 9 categories	Carrying amount	Level 1	Level 2	Level 3
Current accounts and post office deposits	Financial assets at amortised cost	28,886		28,886	
Cash	Financial assets at amortised cost	31		31	
<b>Cash and cash equivalents</b>		<b>28,917</b>	-	<b>28,917</b>	
<b>Trade receivables</b>	Financial assets at amortised cost	<b>60,930</b>	-		<b>60,930</b>
<b>Total financial assets</b>		<b>89,847</b>	-	<b>28,917</b>	<b>60,930</b>
Bank loans and borrowings	Financial Liabilities at amortised cost	13,714		13,714	
Other loans and borrowings	Financial Liabilities at amortised cost	748		748	
<b>Non-current financial liabilities</b>		<b>14,462</b>	-	<b>14,462</b>	-
Short-term bank borrowings	Financial Liabilities at amortised cost	10,243		10,243	
Short-term bank loans	Financial Liabilities at amortised cost	6,083		6,083	
Other loans and borrowings	Financial Liabilities at amortised cost	473		473	
<b>Current financial liabilities</b>		<b>16,799</b>	-	<b>16,799</b>	-
<b>Trade payables</b>	Financial Liabilities at amortised cost	<b>35,642</b>	-		<b>35,642</b>
<b>Advance from customers</b>	Financial Liabilities at amortised cost	<b>15,579</b>			<b>15,579</b>
<b>Liabilities for put options</b>	Financial liabilities at fair value through profit and loss	<b>9,671</b>			<b>9,671</b>
<b>Total financial liabilities</b>		<b>92,153</b>	-	<b>31,261</b>	<b>60,892</b>

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

For more information regarding the fair value of Liabilities for put options captions see note [18].

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

The Group recognised guarantees issued to third parties totalling €761 thousand at 30 June 2018, specifically:

- guarantees issued to third parties for advances received for contract work in progress (€490 thousand);
- a guarantee issued to third parties by the parent, Piovan S.p.A. (€271 thousand).

### Related party transactions

The Group carried out commercial transactions with some related parties in 2017 and 2018.

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



Transaction at 30.06.2018	Nature of relationship	Note	Trade receivables	Other current assets	Trade payables	Current financial liabilities	Other current liabilities	Expenses
Pentafin S.p.A. (*)	Parent company of Piovan S.p.A.	[8] [10] [23]	1	786			3.010	
CMG S.p.A.	Associate company	[15] [20] [26]			158	47		577
Studio Ponte S.r.l.	Associate company	[26]			94			217
Penta Auto Feeding India Ltd.	Subsidiary	[8]	79					
Nicola Piovan	Chairman of the BoD of Piovan S.p.A. and Sole shareholder of Pentafin S.p.A.	[27]						657
Filippo Zuppichin	Chief executive officer and shareholder of Piovan S.p.A.							9
Carsil S.r.l.	Company owned by Nicola Piovan's relatives	[28]						144
Spafid S.p.A.	Trustee of Nicola Piovan	[33]						68
<b>TOTAL</b>			<b>80</b>	<b>786</b>	<b>252</b>	<b>47</b>	<b>3,010</b>	<b>1,672</b>

(\*) During 2018, non-depreciable assets were sold for € 988 thousand to the parent company Pentafin S.p.A. as better explained in the note [2].

Transactions at 31.12.2017	Nature of relationship	Note	Other current assets	Non-current financial liabilities	Trade payables
Pentafin S.p.A.	Parent company of Piovan S.p.A.	[10]	786		-
CMG S.p.A.	Associate company	[20] [26]	-		117
Spafid S.p.A.	Trustee of Nicola Piovan	[15]		2,500	
<b>TOTAL</b>			<b>786</b>	<b>2,500</b>	<b>117</b>

Transaction at 30.06.2017	Nature of relationship	Note	Revenues	Expenses
Studio Ponte S.r.l.	Associate company	[26]		120
CMG S.p.A.	Associate company	[26]		178
Nicola Piovan	Chairman of the BoD of Piovan S.p.A. and Sole shareholder of Pentafin S.p.A.	[27]		807
Filippo Zuppichin	Chief executive officer e azionista di minoranza di Piovan S.p.A.			7
Carsil S.r.l.	Company owned by Nicola Piovan's relatives	[28]		143
Spafid S.p.A.	Trustee of Nicola Piovan	[33]		73
Altre				10
<b>TOTALE</b>			<b>0</b>	<b>1,338</b>

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 office	Country	Currency	Share/ quota capital at	Investment %	Investor	Consolidation method
				31/12/2017	31/12/2017	Share/quotaholder	
Parent:							
Piovan S.p.A.	Santa Maria di Sala	Italy	EUR	6,000,000			
Investments in subsidiaries:							
Piovan India Private Limited	Mumbai	India	INR	350,000	100.00%	Piovan S.p.A.	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	CZK	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	THB	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
P i o v a n 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.l.	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	THB	9,000,000	100%	Piovan S.p.A.	Equity
<b>Investments in associates:</b>							
CMG S.p.A.	Budrio (BO)	Italy	EUR	1,250,000	20%	Piovan S.p.A.	Equity

(\*) 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 and statutory auditors for the period presented were as follows:

	30/06/2018	30/06/2017
Directors	675	750
Key management personnel	395	405
Statutory auditors	22	21

### 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**

## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the accompanying half-year condensed consolidated financial statements of Piovan S.p.A. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months period then ended, and notes to the half-year condensed consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying half-year condensed consolidated financial statements of the Piovan Group as at 30 June 2018 are prepared, in all material respects, in accordance with the International Accounting Standard 34, *Interim Financial Reporting* (IAS 34) 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 Half-Year Condensed 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

The half-year condensed consolidated financial statements have been prepared for inclusion in the Prospectus related to the offering and listing of ordinary shares of Piovan S.p.A. on the Mercato Telematico Azionario organized and managed by Borsa Italiana S.p.A.

Figures as at 30 June 2017 and for the period then ended presented for comparative purposes have not been audited.

### Responsibilities of the Directors and the Board of Statutory Auditors for the Half-Year Condensed Consolidated Financial Statements

The Directors are responsible for the preparation of half-year condensed consolidated financial statements in accordance with the IAS 34 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 half-year condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the half-year condensed 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 Half-Year Condensed Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the half-year condensed 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 half-year condensed 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 half-year condensed 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the half-year condensed 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  
3 August 2018

*This report has been translated into the English language solely for the convenience of international readers and inclusion in the Offering Circular prepared by Piovan S.p.A. for the offering of its shares (1) in the United States only to investors who are Qualified Institutional Buyers (QIBs) within the meaning of Rule 144A under the U.S. Securities Act of 1933, as amended (the "Act") or (2) outside the United States in accordance with Regulation S under the Act.*



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