ANNUAL FINANCIAL REPORT
AT 31 DECEMBER 2017

IMA SPA
Sustain Ability

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NOTICE OF CALL

Published on the Company's website www.ima.it (investor relations section) on 14 March 2018 and in MF on 15 March 2018 to convene the Ordinary Shareholders' Meeting on 27 April 2018, at a single call, at 12.15 p.m. at the offices of the Company in Via Emilia no. 237, Ozzano dell'Emilia - Bologna, to resolve the following:

AGENDA

1. Approval of the financial statements for the year ended 31 December 2017. Allocation of the profit for the year; related and consequent resolutions. Presentation of the consolidated financial statements at 31 December 2017.
2. Proposed purchase, sale and/or disposal of treasury shares; related and consequent resolutions.
3. Appointment of the Board of Directors:
   - number of members of the Board of Directors;
   - appointment of the directors;
   - term of office of the Board of Directors;
   - annual remuneration of the directors.
4. Remuneration report: resolution pursuant to art. 123-ter, para. 6 of Legislative Decree 58/1998.

Right to attend the Shareholders' Meeting

Pursuant to art. 83-sexies of Legislative Decree no. 58/1998, persons entitled to attend the Shareholders' Meeting and exercise their right to vote are those with voting rights at the end of the accounting day on 18 April 2018 ("record date"), that is, the seventh market trading day prior to the date of the Shareholders' Meeting. Those registered as shareholders after that date will not be entitled to attend the Shareholders' Meeting. The communication from the intermediary must be received by the Company by the end of the third trading day prior to the date fixed for the Shareholders' Meeting i.e. by 24 April 2018. Shareholders are nevertheless entitled to attend and vote if the communications are received after that deadline, but before the start of the Shareholders' Meeting.

Proxy

Those entitled to vote can have themselves represented at the Shareholders' Meeting by means of a written proxy, bearing in mind any situations of incompatibility and the limits set by current regulations. The form that is available at the registered office and on the Company's website (www.ima.it - Investor Relations section) can be used for this purpose. Proxies should be sent to the Company to the administrative offices in Via Tosarelli 184, Castenaso (Bologna) to the attention of the Company's legal department by registered mail or by certified e-mail to ima@legalmail.it.

If the representative delivers or transmits, even in an electronic format, to the Company a copy of the proxy, he/she must certify, assuming full responsibility, that the proxy corresponds to the original and must also certify the identity of the delegator.

There is no provision for postal or on-line voting.

Right to ask questions

In accordance with art. 127-ter of Legislative Decree 58/1998, shareholders can also ask questions about the matters on the agenda prior to the Shareholders' Meeting. The questions, accompanied by the personal details of the requesting shareholder and the certification attesting to the ownership of the shareholding, must be in writing and be received by the deadline of 24 April 2018, either hand-delivered or sent by post, to the administrative offices in Via Tosarelli 184, Castenaso (BO), or even by electronic notification to the certified mail address ima@legalmail.it. Questions that arrive by that date will be answered at the Shareholders' Meeting at latest.

Right to add to the agenda or to submit further proposed resolutions concerning topics already on the agenda

In accordance with art. 126-bis of Legislative Decree 58/1998, within ten days of publication of this notice, i.e. by 24 March 2018, shareholders who, individually or jointly, represent at least 1/40th of the share capital can ask for the matters under discussion to be integrated, indicating the topics that they would like to add to the agenda or present proposals on topics already on the agenda. The requests, accompanied by the personal details of the requesting shareholder and the certification attesting to the ownership of the shareholding, must be in writing and be either hand-delivered or sent by post, to the administrative offices in Via Tosarelli 184, Castenaso (BO), or even by electronic notification to the certified mail address ima@legalmail.it.

Any additions to the list of topics that the Shareholders' Meeting has to address or the submission of further proposed resolutions concerning topics already on the agenda have to be notified in the same manner prescribed for the publication of the notice of calling at least 15 days prior to the date set for the Shareholders' Meeting.

Within that time frame, the shareholder proponents must submit a report stating the reasons for the proposed resolutions on new topics to be added to the agenda or the reasons for the further proposed resolutions concerning topics already on the agenda.

At the same time that this notice of integration or presentation is published, the report prepared by the shareholder(s) making the proposal will be made available to the public in the same ways as for the AGM documentation, accompanied by any comments that the Board of Directors would like to make. Additions to the agenda are not permitted if they concern matters which the law requires to be resolved upon at the Shareholders’ Meeting based on a proposal from the directors or on a project or a report prepared by them.

Appointment of the Board of Directors

As per art. 15 of the Articles of Association, the directors are appointed at the Shareholders' Meeting with reference to lists presented by the Shareholders. The rules and procedures applying to the lists of candidates and the necessary accompanying documentation are specified in art. 15 of the articles of association.

The lists of candidates, accompanied by the professional curriculum of each person nominated and signed by the shareholders submitting them, must be sent by post and filed at the company's office Via Tosarelli 184, Castenaso (Bologna), or sent by electronic notification to the certified mail address ima@legalmail.it by 3 April 2018.

The right to present lists of candidates is reserved to those shareholders who alone or together with others represent at least 1% of the share capital, as set out in the Company's articles of association and Consob resolution 20273 of 24 January 2018.

Shareholders must submit, together with the list, the appropriate documentation showing the identity of the shareholder or shareholders who have submitted the list and the percentage of shares held at the time of submission of the list.

The certification of intermediaries proving ownership of the shares as of the date on which the list was filed should reach the Company no later than 6 April 2018, i.e. not less than twenty-one days before the date set for the meeting. By the same date, the Company will publish the lists of candidates on the basis established in the current regulations.

Each list must comprise 15 candidates, listed in numerical order; each list must be filed together with declarations from each candidate accepting their nomination and declaring, under their own responsibility, that there are no reasons for ineligibility or incompatibility and that they satisfy the requirements specified by law or in the related regulations.

Each list must contain at least the candidatures of

- one-third of candidates of the least represented gender;

- two candidates meeting the independence requirements established by law.

Lists presented without complying with the above requirements will be treated as though not presented.

Information and documentation

The Company's share capital, fully subscribed and paid-in, amounts to Euro 20,415,200, split into 39,260,000 shares with a par value of Euro 0.52, each of which gives the right to one vote at the Shareholders' Meeting. Note that as of today the Company holds 5,500 own shares; by law, the voting rights on these shares are suspended. This information is also available on the Company's website www.ima.it in the Investor Relations section, where the Articles of Association and the Regulations for Shareholders' Meetings can also be found.

The Shareholders' Meeting documentation required under current regulations, including reports on the agenda items and related proposals, as well as the Annual Report and other documents as per art. 154-ter of Legislative Decree 58/1998, the annual report on corporate governance and the ownership structure, will be made available to the public by the legal deadline at the registered office in Via Emilia 428/442, Ozzano dell'Emilia (Bologna). Shareholders are entitled to view these documents and to obtain a copy of them. This documentation will also be available on the Company's website www.ima.it in the Investor Relations section, as well as on the authorized storage system 1INFO (www.1info.it).

REPORT ON OPERATIONS

AT 31 DECEMBER 2017

(THE CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN TRANSLATED FROM THE ORIGINAL ITALIAN INTO ENGLISH SOLELY FOR THE CONVENIENCE OF INTERNATIONAL READERS)

I.M.A. INDUSTRIA MACCHINE AUTOMATICHE S.P.A.
HEAD OFFICE: OZZANO DELL'EMILIA (BOLOGNA) - SHARE CAPITAL: € 20,415,200
REGISTERED WITH THE BOLOGNA COMPANIES REGISTER AT NO. 00307140376

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

(In office until the Shareholders' Meeting called to approve the financial statements at 31 December 2017)

HONORARY CHAIRMAN AND DIRECTOR

Marco Vacchi

CHAIRMAN AND MANAGING DIRECTOR

Alberto Vacchi

Delegated powers: all powers of ordinary and extraordinary administration, excluding the following powers:

- to transfer or receive for whatever purpose or reason, shares or other equity interests in companies, associations or entities, lines of business, businesses or combinations of businesses and real estate;
- to give secured or other guarantees, and give sureties or letters of patronage, except (in relation to the sureties and letters of patronage) for those given on behalf of direct or indirect subsidiaries of the Company or associates;
- to grant beneficial rights over the assets of the Company.

CHIEF OPERATING OFFICERS

Andrea Malagoli

Delegated powers: the powers associated with responsibility for the Dairy & Food business.

Giovanni Pecchioli

Delegated powers: the powers associated with responsibility for the Pharmaceutical business.

DIRECTORS

Stefano Cataudella, Paolo Frugoni, Marco Galliani, Luca Poggi, Pierantonio Riello, Rita Rolli, Maria Carla Schiavina, Gianluca Vacchi, Valentina Volta.

BOARD OF AUDITORS

(In office until the Shareholders' Meeting called to approve the financial statements at 31 December 2018)

STANDING AUDITORS

Francesco Schiavone Panni - Chairman
Roberta De Simone
Riccardo Pinza

ALTERNATE AUDITORS

Elena Spagnol
Giovanna Bolognese
Federico Ferracini

COMMITTEE (*)

Paolo Frugoni - Chairman - Independent Director
Pierantonio Riello - Independent Director
Maria Carla Schiavina - Non-executive Director

(*) The Committee combines the functions, duties and powers suggested or assigned by the code to the Nominations Committee, the Remuneration Committee and the Internal Control and Risk Committee.

MANAGER RESPONSIBLE FOR PREPARING THE FINANCIAL REPORTS

Sergio Marzo

LEAD INDEPENDENT DIRECTOR

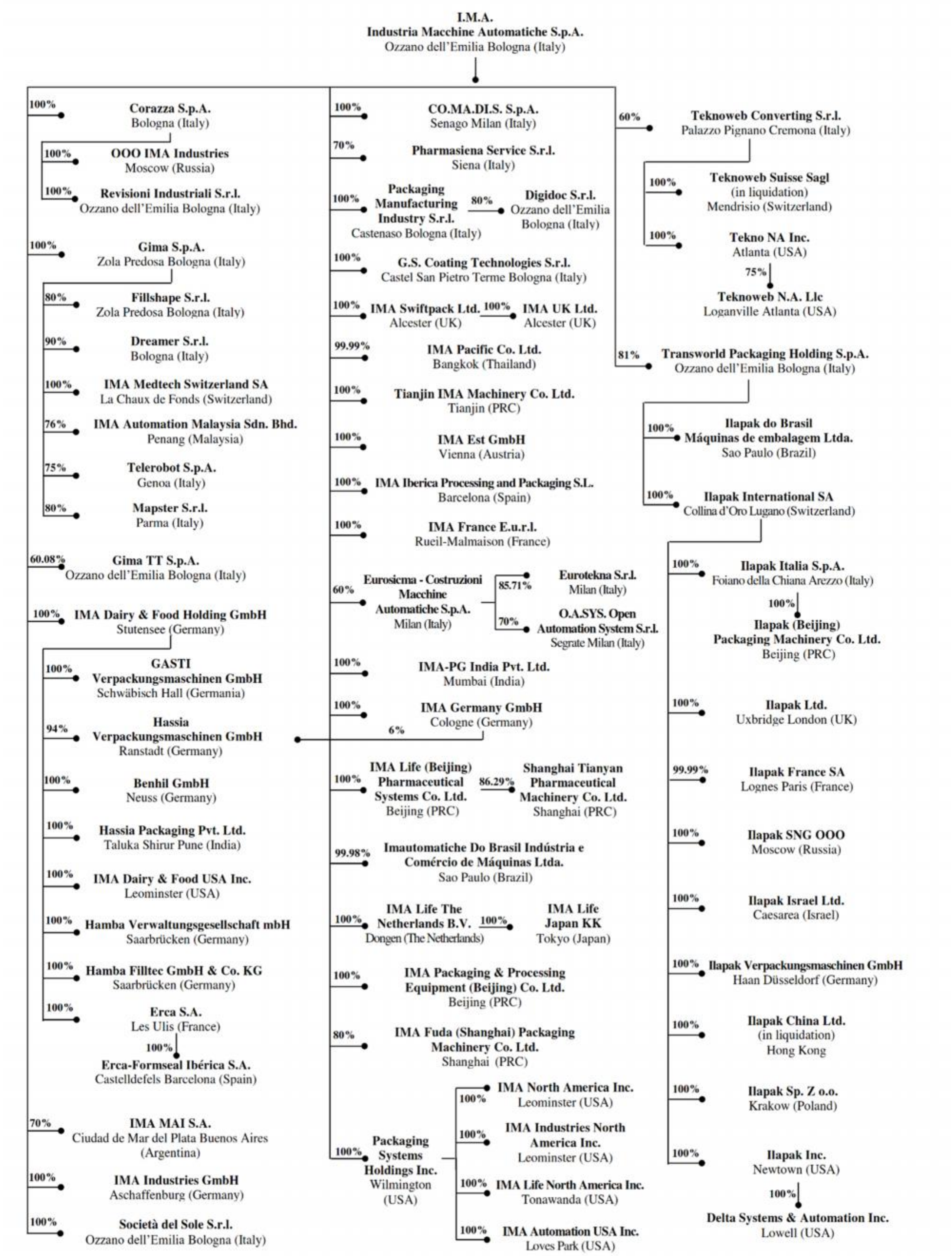
Paolo Frugoni

INDEPENDENT AUDITORS

(In office until the Shareholders' Meeting called to approve the financial statements at 31 December 2021)

EY S.p.A.

GROUP STRUCTURE



GROUP PERFORMANCE

THE ECONOMIC SCENARIO

Shareholders,

the last quarter of 2017 showed positive news in both industrialised and emerging countries, confirming the trend for the entire year. Europe's economic cycle continues to surprise on the upside, as do the economic indicators. The tax reform in the United States suggests expansive effects in the coming years, even if there are doubts about recent declarations on world trade. In China, institutional political developments confirm the objective of macroeconomic stability combined with the continuation of reforms in internal financial markets. Europe continues to surprise for the strength of its domestic demand with household consumption that is maintaining rates of expansion that have not been seen since before the great recession. Italy also benefited from this 2017 with very positive results, some of the best for the last fifteen years. The growth in global trade and institutional political stability in Europe is providing support for the Italian economy, allowing it to achieve the highest growth for the last seven years. Uncertainties about the results of the general election and the time needed to form a stable government clearly remain.

In this context, our Group managed to achieve its objectives for 2017, with a further increase in sales over the previous year and higher profits, confirming the strength of the IMA brand and of our product policies.

The high level of the backlog at 31 December 2017 and the positive trend in new orders during the first few months of the current year enable us to confirm our forecasts of further growth.

CONSOLIDATED INCOME STATEMENT

The Group closed 2017 with net profit of 99.42 million euros, compared with 101.39 million euros in 2016.

The following table sets out on a comparative basis the most significant figures from the Group's reclassified income statement of the previous year:

	2017		2016		
in millions of euros	**Amount**	**%**	**Amount**	**%**	**Change %**
Revenue	**1,444.73**		**1,310.85**		*10.2*
Cost of sales	(903.46)	*62.5*	(830.26)	*63.3*	
Industrial gross profit	**541.27**	*37.5*	**480.59**	*36.7*	*12.6*
R&D costs	(53.99)		(48.15)		
Commercial and sales costs	(142.80)		(128.12)		
General and administrative costs	(164.00)		(157.05)		
Operating profit before writedowns/impairment/ non-recurring items (EBITA)	**180.48**	*12.5*	**147.27**	*11.2*	*22.6*
Writedowns/impairment	(2.01)		–		
Non-recurring items	(13.25)		(5.93)		
Operating profit (EBIT)	**165.22**	*11.4*	**141.34**	*10.8*	*16.9*
Net financial income (expense)	(15.92)		6.28		
Profit (loss) from investments accounted for using the equity method	1.28		1.53		
Profit before taxes	**150.58**	*10.4*	**149.15**	*11.4*	*1.0*
Taxes	(51.16)		(47.76)		
Profit for the year	**99.42**	*6.9*	**101.39**	*7.7*	*(1.9)*
Profit attributable to non-controlling interests	(13.83)		(7.85)		
Profit attributable to equity holders of the parent	**85.59**	*5.9*	**93.54**	*7.1*	*(8.5)*
Gross operating profit (EBITDA) before non-recurring items	**220.52**	*15.3*	**185.08**	*14.1*	*19.1*
Gross operating profit (EBITDA)	**207.27**	*14.3*	**179.15**	*13.7*	*15.7*
Backlog	**866.80**		**766.18**		*13.1*

REVENUE BY SECTOR

	2017		2016		
in millions of euros	Amount	%	Amount	%	Change %
Tea, Food & Other	727.10	50.3	658.77	50.2	10.4
Pharmaceutical	565.87	39.2	551.69	42.1	2.6
Tobacco packaging	151.76	10.5	100.39	7.7	51.2
Total	**1,444.73**	**100.0**	**1,310.85**	**100.0**	**10.2**

Consolidated revenue in 2017 amounted to 1,444.73 million euros, an overall increase of 10.2%, of which 8.3% due to the organic growth, with respect to the previous year.

From 30 June 2017, the Group decided to modify its segment information to highlight the Tobacco packaging segment, which was previously included in Tea, Food & Other. This decision derives from the fact that the Tobacco segment has achieved much greater importance and an independent organisational structure. In accordance with IFRS 8 Operating Segments, the information on prior periods has been appropriately restated to ensure full comparability.

The revenue trend by segment is discussed in detail in the section entitled "Analysis of segment performance". Here we can say that the Tea, Food & Other Sector is showing an increase in revenue of +10.4%, the Pharmaceutical Sector +2.6% and the Tobacco Sector +51.2%.

The following table shows the size of the backlog at the end of the year:

	2017		2016		
in millions of euros	Amount	%	Amount	%	Change %
Tea, Food & Other	254.00	29.3	243.70	31.8	4.2
Pharmaceutical	502.38	58.0	433.88	56.6	15.8
Tobacco packaging	110.42	12.7	88.60	11.6	24.6
Total	**866.80**	**100.0**	**766.18**	**100.0**	**13.1**

REVENUE BY GEOGRAPHICAL AREA

	2017		2016		
in millions of euros	Amount	%	Amount	%	Change %
European Union (excluding Italy)	449.56	31.1	395.45	30.2	13.7
Other European countries	118.81	8.2	97.33	7.4	22.1
North America	247.00	17.1	218.69	16.7	12.9
Asia & Middle East	312.30	21.6	294.65	22.5	6.0
Other countries	151.82	10.5	128.63	9.8	18.0
Total exports	**1,279.49**	**88.5**	**1,134.75**	**86.6**	**12.8**
Italy	165.24	11.5	176.10	13.4	(6.2)
Total	**1,444.73**	**100.0**	**1,310.85**	**100.0**	**10.2**

Export revenue represents more than 88%, with growth in all areas, particularly in Europe, North America and other non-European countries, while the Italian market is shrinking. About 70% of revenue were generated by plant and machines, while 30% came from after-sales activities (support, spares, kits etc.).

In particular:

- revenue from European Union countries, excluding Italy, are growing in Germany, United Kingdom, Romania, Poland and Spain.
- sales in other European countries record an increase compared with the previous year, especially in Russia and Switzerland;
- North America is growing significantly in a context essentially without significant local competition;

- Asia & Middle East grew by 6% overall, confirming the importance of this market that always generates more than 20% of the Group's sales, confirming past trends. The progress in local economies is generating an improvement in production standards closer to those of the West and as a consequence a demand for machinery more in line with what we can offer. In particular, there has been growth in Turkey, Indonesia and Vietnam;
- the revenue from other countries reflects a variety of trends with an increase in Algeria, Argentina, Colombia and South Africa;
- the decrease in Italy is attributable to the lower number of projects compared with the previous year. These fluctuations recur annually since revenue depends on the level of investment projects of the pharmaceutical companies, which is inevitably unstable in a small market like Italy.

INDUSTRIAL GROSS PROFIT

Industrial gross profit comes to 37.5% of revenue, compared with 36.7% in 2016, because of a different product mix which contributed to the improvement.

R&D COSTS

Research and development costs amount to 53.99 million euros, with a rise compared with 48.15 million euros last year, representing 3.7% of revenue.

This item primarily includes the research costs incurred on the technological upgrading and normal revamping of standard products. The balance does not include the cost of development work ordered by specific clients, or the cost of customizing standard products. This expenditure is included in the cost of sales so it is invoiced to the clients concerned.

The scale of this commitment is a concrete confirmation of our strong orientation to be seen as a solution provider rather than a vendor of products. This approach has always been a distinguishing characteristic of our Group and, over the years, has resulted in a strong market leadership position.

Development continued during the year on several entirely new product families, thus expanding the Group's product range. The costs capitalised during the year in relation to the projects for the Tea&Food, Pharmaceuticals and Tobacco segments amounted to 13.0 million euros (10.1 million euros in 2016) and will be amortized once the products are available for sale.

COMMERCIAL AND SALES COSTS

Commercial and sales costs inclusive of commissions paid to sales agents and intermediaries, amounted to 142.80 million euros, up 14.68 million euros with respect to 2016. Part of the change, 2.5 million euros, reflects the contribution of the Maisa, Mapster and Eurosicma businesses. They rise slightly as a percentage of sales at 9.9% compared with 9.8% in 2016, and include commissions paid to commercial intermediaries of 17.8 million euros (16.2 million euros in 2016) with a contribution from the new business of 1.1 million euros.

GENERAL AND ADMINISTRATIVE COSTS

General and administrative costs increased by 6.95 million euros, from 157.05 million euros in 2016 to 164.00 million euros in 2017, with the Maisa, Mapster and Eurosicma businesses contributing 1.8 million euros. The increase is linked to the rise in unit labour costs and higher general costs.

OPERATING PROFIT (EBIT)

Consolidated EBITA comes to 180.48 million euros, which is 12.5% of sales, up compared with the previous year (11.2%).

The operating profit (EBIT) of 165.22 million euros (141.34 million euros in 2016) was affected by non-recurring expenses mainly for the restructuring of the Dairy&Food business and the acquisition of the Maisa, Mapster and Eurosicma businesses for 1.7 million euros.

NET FINANCIAL INCOME (EXPENSE)

Net financial expense, as explained in detail in the notes to the financial statements, was 15.92 million euros compared with income of 6.28 million euros in 2016.

The change is mainly due to the financial income of 18.70 million euros generated the previous year by early exercise of the option to purchase 20% of the Dairy&Food business and exchange losses of 3.93 million euros.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The profit attributable to the shareholders of the parent company amounts to 85.59 million euros, compared with 93.54 million euros in the previous year, net of taxes of 51.16 million euros (47.76 million euros in 2016).

PROFITABILITY RATIOS

The principal profitability parameters are presented below:

Ratio	Breakdown	2017	2016
Return on sales (ROS)	Operating profit (EBIT) / Revenue	11.4%	10.8%
Return on investment (ROI)	Operating profit (EBIT) / Net invested capital	37.5%	38.2%
Return on equity (ROE)	Profit attributable to equity holders of the parent / Equity	23.2%	36.6%

The variance in ROE between 2017 and 2016 is mainly due to the effect on shareholders' equity of the sale of 9.916% of GIMA TT S.p.A. as a result of its listing in the STAR segment of the screen-traded equities market (MTA).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The following table summarizes the Group's balance sheet and financial position at 31 December 2017:

	31.12.2017		31.12.2016		
in millions of euros	Amount	%	Amount	%	Change %
Trade receivables	325.23	73.8	308.91	83.4	5.3
Inventories	309.69	70.3	278.91	75.4	11.0
Trade payables	(502.61)	(114.1)	(476.82)	(128.8)	5.4
Other, net	(105.49)	(23.9)	(107.58)	(29.1)	(1.9)
Net working capital	**26.82**	**6.1**	**3.42**	**0.9**	**n.s.**
Property, plant and equipment	95.09	21.6	88.17	23.8	7.8
Intangible assets	362.16	82.2	332.77	89.9	8.8
Investments	44.03	10.0	26.02	7.1	69.2
Non-current assets	**501.28**	**113.8**	**446.96**	**120.8**	**12.2**
Provision for severance indemnities and other provisions	(87.52)	(19.9)	(80.26)	(21.7)	9.0
Net invested capital	**440.58**	**100.0**	**370.12**	**100.0**	**19.0**
FINANCED BY:					
Net debt	**50.05**	**11.4**	**99.94**	**27.0**	**(49.9)**
Non-controlling interests	21.31	4.8	14.64	4.0	45.6
Group equity attributable to equity holders of the parent	**369.22**	**83.8**	**255.54**	**69.0**	**44.5**
Total sources of financing	**440.58**	**100.0**	**370.12**	**100.0**	**19.0**

Other payables, net, mainly includes the amounts due to employees, income tax payable and provisions for risks and charges.

NET WORKING CAPITAL

Net working capital at 31 December 2017 amounted to 26.82 million euros. It has increased compared with 3.42 million euros in 2016.

The change includes the consolidation of the Maisa, Mapster and Eurosicma businesses for a total of 7.28 million euros and a simultaneous increase in other net working capital items linked to the growth in sales volumes. Management remains strongly committed to the structural control of net working capital.

The changes in the main balances are discussed below:

- net trade receivables, increased by 16.32 million euros, because of the effect of the consolidation of the Maisa, Mapster and Eurosicma businesses of 8.86 million euros;
- inventories increased by 30.78 million euros with the contribution of the Maisa, Mapster and Eurosicma businesses of 8.74 million euros, due to the higher backlog achieved at the end of 2017. In terms of rotation, this figure is in line with the previous year thanks to the efforts to further improve inventory levels through innovation in production scheduling processes and by improving management of the supply chain to reduce lead times;
- trade payables, which include advances from customers, have increased by 25.79 million euros, thanks to the contribution of the Maisa, Mapster and Eurosicma businesses of 8.35 million euros and to advances from customer due to the growth in the backlog;
- "Other, net" decreased slightly to 105.49 million euros versus 107.58 million euros in 2016, with the Maisa, Mapster and Eurosicma businesses contributing 2.07 million euros.

NON-CURRENT ASSETS

In total, non-current assets have increased by 54.32 million euros since 31 December 2016, principally due to the acquisition of the Maisa, Mapster and Eurosicma businesses (+43.64 million euros) and to investments carried out net of depreciation and amortization.

The following note analyses the changes in property, plant and equipment and intangible fixed assets:

	Non-current assets		
in millions of euros	Property, plant and equipment	Intangibles	Total
Increases	21.13	20.13	41.26
Sales and eliminations	(1.48)	(0.11)	(1.59)
Change in scope of consolidation	1.97	0.30	2.27
Acquisition business divisions/companies	–	41.83	41.83
Amortization and depreciation charges	(13.15)	(26.89)	(40.04)
Writedowns/impairment	–	(2.94)	(2.94)
Exchange rate differences and other changes	(1.55)	(2.93)	(4.48)
Total	**6.92**	**29.39**	**36.31**

For more information refer to note 29 of the consolidated financial statements on business combination.

NET INVESTED CAPITAL

Compared with 31 December 2016, net invested capital net of operating liabilities has increased by 70.46 million euros to 440.58 million euros as a result of the matters explained above.

NET DEBT

Net debt at 31 December 2017 amounts to 50.05 million euros and comprises:

in millions of euros	31.12.2017	31.12.2016
A. Cash and cash equivalents	(206.68)	(201.08)
B. Other cash equivalents	(4.79)	(3.90)
C. Investments in securities	(6.66)	(3.51)
D. Liquidity (A)+(B)+(C)	**(218.13)**	**(208.49)**
E. Current financial receivables	**(6.50)**	**(2.15)**
F. Current payables to banks	50.55	35.49
G. Current portion of non-current payables	57.20	57.02
H. Other current financial payables	0.71	1.02
I. Current financial debt (F)+(G)+(H)	**108.46**	**93.53**
J. Net current financial debt (D)+(E)+(I)	**(116.17)**	**(117.11)**
K. Non-current portion of non-current bank payables	60.49	108.37
L. Bonds issued	105.54	110.50
M. Other non-current financial payables	1.45	2.32
N. Non-current financial assets	(1.26)	(4.14)
O. Net non-current financial debt (K)+(L)+(M)+(N)	**166.22**	**217.05**
P. Net financial debt (J)+(O)	**50.05**	**99.94**

The items included in net debt are analyzed in notes 5, 12 and 15 to the consolidated financial statements.

The reduction in debt compared with 31 December 2016 of 49.89 million euros is mainly due to the sale of almost 10% of the subsidiary GIMA TT, which took place when it was listed on the Stock Exchange, giving proceeds of 102.5 million euros, less the cost of purchasing the Maisa, Mapster and Eurosicma businesses and the exercise of the Medtech option for a total of 31.6 million euros, the acquisition of the minority interests in ATOP for a total of 16.0 million euros and the dividends distributed by the Parent Company (62.8 million euros paid in May 2017). This result is thanks to the Group's strong cash generation, once again confirming effective management of net working capital.

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Equity totalled 369.22 million euros at year end. The increase of 113.68 million euros since 31 December 2016, was due to the following movements:

Distribution of dividends	(62.81)
Purchase and sale of treasury shares	–
Exchange rate differences on the translation of foreign currency financial statements	(10.19)
Measurement of financial instruments recognised in equity	0.89
Remeasurement of defined benefit plans	1.03
Changes in non-controlling interests	99.17
Profit attributable to equity holders of the parent	85.59
Total	**113.68**

The change in minority interests reflects the effects on shareholders' equity of the sale of the shares in the subsidiary GIMA TT S.p.A., as explained above.

RECONCILIATION OF SHAREHOLDERS' EQUITY AND PROFIT FOR THE YEAR OF THE PARENT COMPANY WITH THE CORRESPONDING CONSOLIDATED FIGURES

The following table reconciles equity and net profit for the year reported in the Parent Company's financial statements with the corresponding consolidated figures pertaining to the Group at 31 December 2017:

in millions of euros	Shareholders' equity	Profit for the year
Equity and Profit for the year of IMA S.p.A.	**398.85**	**187.83**
Elimination of book value of consolidated investments and related dividends	(611.61)	(69.27)
Elimination of writedowns of consolidated investments	–	2.35
Equity and Result for the year of consolidated companies and measurement of investments using the equity method	396.73	76.77
Recognition of differences arising from purchase of investments	188.62	(12.97)
Elimination of intercompany profit/loss on inventories and fixed assets and other adjustments	(3.37)	1.08
Elimination of capital gains on the sale of shares of GIMA TT S.p.A.	–	(100.20)
Equity and Profit attributable to equity holders of the parent	**369.22**	**85.59**

ANALYSIS OF PERFORMANCE BY SECTOR

The following table analyzes consolidated performance by business segment in 2017:

in millions of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Not allocated	Total
Revenue	727.10	565.87	151.76	–	1,444.73
Gross operating profit (EBITDA) before non-recurring items	62.56	95.00	62.96	–	220.52
Gross operating profit (EBITDA)	50.57	95.00	61.70	–	207.27
Operating profit (EBIT)	20.07	83.92	61.23	–	165.22
Net invested capital (*)	340.17	83.89	2.57	13.95	440.58
R&D costs	23.03	28.66	2.30	–	53.99
Average personnel	2,758	2,577	113	–	5,448
Backlog	254.00	502.38	110.42	–	866.80

(*) Not allocated assets and liabilities mainly relate to investments, income tax receivables and payables and net deferred tax assets not directly attributable to the operating sectors.

Net invested capital includes 191.64 million euros of goodwill, attributed to the Tea, Food & Other Sector for 130.51 million euros and to the Pharmaceutical Sector for 61.13 million euros.

TEA, FOOD & OTHER

in millions of euros	2017	2016	Change %
Revenue	727.10	658.77	10.4
Gross operating profit (EBITDA) before non-recurring items	62.56	61.00	2.6
Gross operating profit (EBITDA)	50.57	55.52	(8.9)
Operating profit (EBIT)	20.07	28.32	(29.1)
Net invested capital (*)	340.17	274.11	24.1
R&D costs	23.03	19.49	18.2
Average personnel	2,758	2,505	
Backlog	254.00	243.70	4.2

(*) Net invested capital includes goodwill of 130.51 million euros (90.39 million euros at 31 December 2016).

Tea, Food & Other segment: it produces machines for the packaging of tea and herbal teas in filter bags and the packaging of coffee in pods for the food & beverage sector, for the personal care sector, for end-of-line equipment, for the cheese sector and for stock cubes and for primary packaging in the food sector with the use of flexible material (horizontal and vertical flow packs) for assembling medical products, plus related services.

The Tea, Food & Other Sector comprises activities carried out by the Tea & Herbs and BFB divisions of IMA S.p.A., GIMA S.p.A., Corazza S.p.A., Revisioni Industriali S.r.l., Telerobot S.p.A., IMA MAI S.A., Mapster S.r.l. and Eurosicma S.p.A., and by the Ilapak, Teknoweb, Dairy&Food and Medtech businesses.

Product sales and the related after-sales support are handled by IMA's branches operating in the countries covered by them, while all other locations are covered by the Company, either directly or through agents.

Sector revenue has increased by 10.4% (+68.33 million euros) over the previous year, thanks to the contributions made by the Maisa, Mapster and Eurosicma businesses (25.32 million euros), generally confirming the strong leadership position held by the Group in these niche markets. Gross operating profit before non-recurring charges came to 62.56 million euros (8.6% of revenue) compared with 61.00 million euros in 2016 (9.3% of revenue). The backlog has risen by 4.2% compared with the previous year, providing good visibility for the coming year.

Net invested capital increased mainly thanks to the Maisa, Mapster and Eurosicma businesses as mentioned above.

PHARMACEUTICAL

in millions of euros	2017	2016	Change %
Revenue	565.87	551.69	2.6
Gross operating profit (EBITDA) before non-recurring items	95.00	83.85	13.3
Gross operating profit (EBITDA)	95.00	83.51	13.8
Operating profit (EBIT)	83.92	73.37	14.4
Net invested capital (*)	83.89	103.19	(18.7)
R&D costs	28.66	26.44	8.4
Average personnel	2,577	2,523	
Backlog	502.38	433.88	15.8

(*) Net invested capital includes goodwill of 61.13 million euros (62.11 million euros at 31 December 2016).

The Pharmaceuticals sector produces machines for the packaging of pharmaceutical capsules and tablets in blisters and bottles, machines for filling bottles and vials with liquid and powdered products in sterile and non-sterile environments, machines for freeze-drying, tube-filling and cartoning, systems for the production of tablets and capsules and for coating and fluid-bed granulation, as well as related services.

It also includes the activities of the following divisions: Active, Safe and Life of IMA S.p.A., and of the following companies: CO.MA.DI.S. S.p.A., G.S. Coating Technologies S.r.l., Pharmasiena Service S.r.l., IMA-PG India Pvt Ltd., Shanghai Tianyan Co. Ltd., IMA Swiftpack Ltd., IMA North America Inc., IMA Life The Netherlands B.V., IMA Life North America Inc. and IMA Life (Beijing) Pharmaceutical Systems Co. Ltd. This segment's products are sold through IMA's network of branches in the countries concerned, which also provides after-sales service. The rest of the world is covered by an established network of agents.

The revenue of the Pharmaceutical Sector shows an increase of 2.6% (+14.18 million euros). The sector has seen a sharp increase over the previous year, achieving a gross operating profit (EBITDA) of 95.00 million euros (16.8% of sales) compared with 83.51 million euros in 2016 (15.1% of sales) as a result of higher profitability of contracts due to an improved sales margins of certain products that have achieved the expected levels of profitability.

Net invested capital fell to 83.89 million euros (103.19 million euros at the end of 2016), despite the growth in revenue. The difference comes mainly from the reduction in net working capital. The backlog, which is growing rapidly, is the result of an ongoing process of acquiring more and more new orders during the year, a reflection of the success of this segment's product range.

TOBACCO PACKAGING

in millions of euros	2017	2016	Change %
Revenue	151.76	100.39	51.2
Gross operating profit (EBITDA) before non-recurring items	62.96	40.23	56.5
Gross operating profit (EBITDA)	61.70	40.12	53.8
Operating profit (EBIT)	61.23	39.65	54.4
Net invested capital (*)	2.57	(13.02)	(119.7)
R&D costs	2.30	2.22	3.6
Average personnel	113	81	
Backlog	110.42	88.60	24.6

The Tobacco segment designs, manufactures and markets machines and plants for tobacco packaging and related services. Activities of this sector are carried out by GIMA TT S.p.A. The revenue of the Tobacco sector shows strong growth of 51.2% (51.37 million euros) compared with the previous year, confirming the success of the product. Gross operating profit before non-recurring charges also increased sharply compared with the previous year (+56.5%), reaching a total of 62.96 million euros in 2017 compared with 40.23 million euros in 2016, mainly due to sales volumes.

Net invested capital increased to 2.57 million euros at 31 December 2017, compared with -13.02 million euros at 31 December 2016 as a result of the increase in net working capital due to higher revenue.

The backlog, which is growing strongly thanks to a significant order intake during 2017, confirms the success of the product.

INVESTMENTS

Capital expenditure on intangible assets amounted to 20.13 million euros (15.51 million euros in 2016) and related mainly to the capitalization of development costs incurred on totally new products for market segments not previously occupied.

The acquisitions carried out during the period involved taking on 44.1 million euros of property, plant and equipment and intangible assets on a provisional basis, as detailed in Note 29 of the consolidated financial statements.

Capital expenditure on property, plant and equipment during 2017 amounted to 21.13 million euros (20.29 million euros in 2016) and refers mainly to the charges incurred for the expansion and adaptation of buildings leased by IMA SpA, completion of the new production site in Arkansas (USA) by Delta Systems & Automation Inc. and the purchase of plant, machinery and electronic machines.

Depreciation and amortisation for the year amounted to 40.04 million euros (37.81 million euros the previous year), whereas write-downs of intangible assets came to 2.94 million euros.

ALTERNATIVE PERFORMANCE INDICATORS

This report on operations also includes some performance indicators to give a better picture of the Group's operations and financial position.

On 3 December 2015, Consob issued its Communication no. 92543/15 rendering applicable the Guidelines issued on 5 October 2015 by the European Securities and Markets Authority (ESMA) as regards the presentation of these indicators in regulated information issued to the market or in financial statements published from 3 July 2016 onwards. These guidelines, which update the previous CESR Recommendation (CESR/05-178b), are designed to promote the usefulness and transparency of alternative performance indicators included in regulated information or in financial statements falling within the scope of Directive 2003/71/EC, in order to improve their comparability, reliability and ease of understanding. In line with the Communications mentioned above, we provide below the criteria used in preparing these indicators.

The income statement classified by purpose as and prepared according to the following criteria:

- cost of sales: represents costs incurred directly by the Group to generate revenue. For example, it includes materials, labour, the technical offices' costs involved in customizing products and production overheads;
- research and development costs: these include, by function, costs relating to the research and development of new products or to the maintenance of existing products. They also include costs relating to technical personnel, materials used for trials and technical departments' overheads;
- commercial and sales cost: these include costs connected with commercial operations, such as staff, commissions paid to agents, promotional and advertising costs and associated overheads;
- general and administrative costs: these include all the costs associated with general operations such as administrative offices in the broadest sense, the management of sectors or divisions, production planning and all depreciation and amortization not directly related to the foregoing functions;
- gross operating profit (EBITDA): this corresponds to the sum of operating profit, depreciation and amortization for the period and write-downs. EBITDA is an indicator used as a financial target in internal and external presentations and is a useful measure for evaluating the Group's performance.

The following main items in the reclassified income statement are equivalent to the corresponding items in the consolidated income statement forming part of the "Consolidated financial statements": revenue, operating profit, financial income and expense, profit before taxes, income taxes and profit for the year.

The statement of financial position is structured so that assets and liabilities are classified to show the net capital invested. The following main items in the statement of financial position are equivalent to the corresponding items in the consolidated statement of financial position included in the "Consolidated financial statements": inventories, property, plant and equipment and intangible assets, equity pertaining to the parent company's shareholders and minority interests.

Lastly, when preparing the analysis of net debt, we took account of Consob Communication DEM/6064293 dated 28 July 2006, while including financial receivables, mainly classified as non-current financial assets. The figure for non-current financial assets differs from that reported in the balance sheet as it does not include equity interests in other companies.

HUMAN RESOURCES, TRAINING AND INDUSTRIAL RELATIONS

For our clients, the IMA Group is not merely a supplier of products, albeit incorporating highly sophisticated technology, but rather a solver of complex problems via specially designed solutions that are custom-tailored to meet their individual requirements. This means that all our business processes, from preparing bids, to sales, from production/design to after-sales support, including contractual and administrative matters, have to be conducted with an extremely low level of repetitiveness. Accordingly, the proper functioning of these processes depends on the initiative and pro-active approach of the individuals who work within them, and on their ability to work together with everyone else in the organization, in teamwork at its best. As such, although it is true for every firm that the quality of its human resources represents a critical success factor, this is even more true for the IMA Group where our people represent our principal asset, incorporating all our knowledge and skill. Knowledge and skill that cannot easily be documented and codified, for the very reason that it is non-repetitive. In line with this vision, the Group dedicates considerable attention to the proper management of employees, investing heavily and continually in their professional development, adopting an organisational model with a high degree of participation and applying a bonus system based on the rigorous identification and assessment of the skills acquired by each employee.

EMPLOYEES

In 2017, the average number of Group employees came to 5,448, compared with 5,109 in 2016.

The geographical breakdown of the workforce is as follows:

	2017	2016	Change
Italy	2,694	2,496	198
India	554	547	7
Germany	506	539	(33)
USA	453	427	26
Switzerland	285	234	51
China	273	265	8
France	222	212	10
Eastern Europe	108	103	5
UK	102	100	2
Argentina	82	n.a.	82
Malaysia	56	41	15
Spain	32	62	(30)
The Netherlands	31	31	–
Brazil	25	26	(1)
Japan	9	10	(1)
Israel	9	9	–
Thailand	7	7	–
Total	**5,448**	**5,109**	**339**

The excellent educational standard of the human resources employed by the Group is demonstrated by the fact that more than 87% have a high-school diploma or university degree.

With reference to the Group's organisational structure, around 21.1% of employees work in the commercial area, including pre-sales and after-sales, 23.6% in our R&D laboratories, 15.1% in central functions (Administration, IT, Procurement, Quality, Human Resources, etc.) and 40.2% in production/ logistics.

This distribution of the workforce is a good reflection of the Group's business model, which is designed to retain the activities that represent critical and distinctive skills and outsource all other activities. The high degree of professionalism is also reflected in the fact that over 71% of employees occupy clerical and managerial grades.

PERSONNEL COSTS

Personnel costs amounted to 409.94 million euros, compared with 371.49 million euros in the prior year, absorbing 28.4% of net revenue.

The personnel costs attributable to Medtech business and Telerobot SpA, which were included in the scope of consolidation for part of the previous year for 19.36 million euros, come to 26.65 million euros. The personnel costs attributable to the newly acquired IMA MAI S.A., Mapster Srl and the Eurosicma business total 7.39 million euros.

In addition, the higher level of costs compared with the prior year is mainly due to the labour cost of the Italian employees: taking the main elements of remuneration into account, this has increased by 6.4%, triggered by pay rises under the National Collective Bargaining Agreement for Metalworkers, pay rises under the various Company Supplementary Agreements, bonuses linked to local company bargaining, as well as the Group's bonus policy. Personnel costs have also risen in line with an increase in the number of employees and collaborators during the year.

Lastly, personnel costs include 3.42 million euros of non-recurring charges relating to the reorganisation of the Dairy&Food business (2.44 million euros in 2016).

HUMAN RESOURCES POLICY

The IMA Group continued to focus on the individual within the organisation. This is confirmed by:

- the continual improvement of the selection process for more strategic roles;
- the age of new recruits is still less than 30 in most cases;
- most of the staff recruited were engaged with permanent or trainee contracts that guarantee certification of the training process followed;
- closer ties with national and international universities and centres of excellence, as well as traditional partnerships with local technical institutes;
- extensive training and orientation programs for new recruits that are structured to facilitate entry and communicate the company's values.

In general, the contractual conditions offered to employees by all IMA Group companies are better than average for the sector as a whole.

Comprehensive health and accident coverage, agreements for discounted purchases and the best terms for numerous aspects of the employment contract (salaries, maternity leave, advances against severance pay, use of part-time work, etc.) are just some of tools used by the Italian companies within the IMA Group to create favourable conditions for the expression of individual talent, founded on our business culture with its system of strongly shared values. In this light, we also provide a psychological counselling service, backed up by the role of Employee Representative, which confirms the importance to us of our people. We take action to promote conditions of well-being in the workplace, especially with reference to phenomena that might result in social exclusion. This attention to the Group's human resources is tangibly demonstrated by our low turnover of less than 3% and absenteeism, which remains at a level that can be considered normal.

TRAINING

During the year, more than 66% of employees were involved in training designed to improve the expertise of the Group's technical, administrative and commercial personnel. Specialized training, the updating of professional skills, work safety and managerial development continue to be the main topics.

INDUSTRIAL RELATIONS

On the industrial relations front, we pursued our ongoing and constructive relationship with the trade unions. This consolidated relationship allows a substantial absence of disputes.

HEALTH, SAFETY AND THE ENVIRONMENT

The IMA Group takes care of safety and the working environment via full compliance with current legislation, not least through specific training designed to create a "culture of safety".

These principles are applied in full by all Group companies throughout the world.

As confirmation of the above, during 2017 we further increased our commitment and investment in staff training and information, which is considered the fulcrum of the safety management system currently in use. Above all, we can confirm that a culture of safety has to be pursued by involving all those who are in charge of the various production structures.

Then it is a matter of providing specific information on a timely basis to all of our employees about the risks to which they may be exposed, together with training designed to inculcate the use of safe working practices.

The Company pays great attention to the assessment of all sources of risk for the health of employees. This includes periodic analyses and measurements of the working environment, which have been found to comply in full with current standards; similar care is dedicated to determining how to handle any emergency situations that arise.

Wanting to focus on specific activities carried out in 2017, we would highlight the achievement of the BS OHSAS 18001 certification of the Safety at Work Management System by GIMA S.p.A; this certification had been already obtained by the Parent Company IMA S.p.A. in 2014 and by CORAZZA S.p.A. and GIMA TT S.p.A. in 2016.

On the topics of corporate social responsibility and responsibility versus the local community, we confirm our commitment to maintain high levels of safety and environmental protection. In fact, during the year no events took place that had a damaging effect on the environment.

RELATED-PARTY TRANSACTIONS

The "Regulation on related-party transactions", adopted by Consob Resolution 17221 of 12 March 2010 and subsequently amended by Consob Resolution 17389 of 23 June 2010 implemented art. 2391-bis of the Italian Civil Code.

By a resolution adopted on 1 December 2010, the Board therefore implemented the procedure on related parties, which takes account of the additional instructions on how to apply the new rules provided in Consob Communication DEM/10078683 of 24 September 2010.

The purpose of this procedure, which is published on the Company's website (www.ima.it), is to lay down the approach to be taken in identifying, reviewing and approving transactions to be carried out by IMA, or by its subsidiaries, with related parties to ensure that they are transparent and fair from both a substantial and procedural point of view.

Related-party transactions are identified in accordance with the guidelines of the Consob regulation.

The IMA Group carries on business with related parties, mainly persons who are responsible for administration and management within IMA S.p.A., or entities controlled by them. Such transactions include commercial and real estate activities (leased premises) carried out on an arm’s-length basis in the ordinary course of business and participation in the consolidated tax mechanism.

Significant related-party transactions are submitted for advance approval by the Board, which in turn has to obtain consent from a special committee made up solely of independent directors; to express their opinion, this committee can make use of outside experts, who also have to be independent.

Note that during the period:

- there were no significant transactions, as defined in the Consob regulation;
- there were no individual related-party transactions that have significantly impacted the balance sheets or results of Group companies;
- there have been no changes or developments in related-party transactions as disclosed in the last annual report that have had a significant effect on the companies' balance sheets or results;

Transactions with related parties are described more completely in Note 32 to the consolidated financial statements.

PERFORMANCE OF IMA S.P.A.

The commentary on Group performance has implicitly covered the activities of the Parent Company.

INCOME STATEMENT

The income statement reclassified by use as shown below was prepared applying the same criteria as those used to prepare the Group's income statement. For a breakdown of the various items (cost of sales, research and development costs, selling costs, general and administrative costs and gross operating margin) reference is made to the Report on Operations covering the consolidated financial statements.

The following main items in the reclassified income statement are equivalent to those reflected in the income statement presented in the section entitled "Financial statements": revenue, operating profit, financial income and charges, profit before taxes, income taxes and profit for the year.

The Parent Company's reclassified income statement for 2017, along with 2016 comparatives, is set out as follows:

	2017		2016		
in millions of euros	**Amount**	**%**	**Amount**	**%**	**Change %**
Revenue	**620.08**		**591.72**		**4.8**
Cost of sales	(373.84)	60.3	(362.09)	61.2	
Industrial gross profit	**246.24**	**39.7**	**229.63**	**38.8**	**7.2**
R&D costs	(32.76)		(31.20)		
Commercial and sales costs	(67.77)		(63.71)		
General and administrative costs	(72.46)		(64.95)		
Operating profit before writedowns/impairment/ non-recurring items (EBITA)	**73.25**	**11.8**	**69.77**	**11.8**	**5.0**
Writedowns/impairment	(1.04)		–		
Non-recurring items	(1.16)		(1.06)		
Operating profit (EBIT)	**71.05**	**11.5**	**68.71**	**11.6**	**3.4**
Net financial income (expense)	138.29		25.53		
Profit before taxes	**209.34**	**33.8**	**94.24**	**15.9**	**122.1**
Taxes	(21.51)		(21.89)		
Profit for the year	**187.83**	**30.3**	**72.35**	**12.2**	**159.6**
Gross operating profit (EBITDA) before non-recurring items	**83.99**	**13.5**	**79.35**	**13.4**	**5.8**
Gross operating profit (EBITDA)	**82.83**	**13.4**	**78.29**	**13.2**	**5.8**
Backlog	**499.95**		**398.50**		**25.5**

REVENUE BY GEOGRAPHICAL AREA

	2017		2016		
in millions of euros	**Amount**	**%**	**Amount**	**%**	**Change %**
European Union (excluding Italy)	194.86	31.4	173.87	29.4	12.1
Other European countries	43.82	7.1	48.64	8.2	(9.9)
North America	62.81	10.1	54.31	9.2	15.7
Asia & Middle East	146.52	23.6	142.99	24.1	2.5
Other countries	57.69	9.3	54.80	9.3	5.3
Total exports	**505.70**	**81.5**	**474.61**	**80.2**	**6.6**
Italy	114.38	18.5	117.11	19.8	(2.3)
Total	**620.08**	**100.0**	**591.72**	**100.0**	**4.8**

More than 80% of revenue was generated outside Italy, substantially confirming the 2016 result. About 70% of revenue was generated by plant and machines, whereas the other 30% came from after-sales activities (support, spares, kits etc.). In terms of the geographical distribution of sales, there has been growth in North America, the European Union and other countries and a decrease in other European countries.

INDUSTRIAL GROSS PROFIT

The increase in industrial gross profit reflects the higher volume of sales, with an improvement in the profit margin to 39.7% from 38.8% in 2016, due to a different sales mix.

R&D COSTS

The R&D costs incurred during the year amounted to 32.76 million euros (31.20 million euros in 2016). This amount only relates to costs incurred to develop new products or update the technology of products already in distribution. The balance therefore excludes the cost of development work ordered by specific clients and the cost of customizing products that are already being distributed. Such expenditure is included in the cost of sales since it is invoiced to the clients concerned.

The Company has submitted an application to the Ministry of Economic Development under the Sustainable Industry Major Projects Call for Tenders entitled "MaXima - Multiple Actions for Innovation Machine Automation". It has been approved and the Company has received and signed the Concession Decree.

COMMERCIAL AND SALES COSTS

Commercial and sales cost, including commissions paid to agents and intermediaries, totalled 67.77 million euros, compared with 63.71 million euros in 2016 and include 25.68 million euros of commissions paid to agents (23.94 million euros in 2016). Management is nevertheless working to improve the efficiency of the commercial structure all this will increase unit labour costs.

GENERAL AND ADMINISTRATIVE COSTS

General and administrative costs amounted to 72.46 million euros on 64.95 million euros in 2016. This increase is linked to the rise in personnel costs and general expenses.

OPERATING PROFIT (EBIT)

EBITA is consequently higher compared with the previous year, with operating profit rising to 71.05 million euros versus 68.71 million euros in 2016.

NET FINANCIAL INCOME (EXPENSE)

Net financial income, described further in the notes to the financial statements, amounted to 138.29 million euros (25.53 million euros in 2016).

The principal captions and changes are discussed below:

- the capital gain realised in 2017 on the sale of 10% of GIMA TT at the time of its listing on the stock market amounted to 101.38 million euros.
- dividends received from subsidiaries amounted to 48.44 million euros in 2017 compared with 34.17 million euros in the previous year; the difference is due to higher dividends received from subsidiary companies in 2017;

- the interest paid to service debt, including discount interest, amounts to 9.03 million euros (10.20 million euros in 2016);

PROFIT FOR THE YEAR

The profit for the year was 187.83 million euros (72.35 million euros in 2016), net of income taxes of 21.51 million euros (21.89 million euros in 2016).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The following main items in the statement of financial position are equivalent to the corresponding items reported in the statement of financial position included in the financial statements: inventories, property, plant and equipment, intangible assets and equity.

Other payables, net, mainly includes the amounts due to employees, income tax payable and provisions for risks and charges.

The company's balance sheet and financial position at 31 December 2017 are summarized below:

	31.12.2017		31.12.2016		
in millions of euros	Amount	%	Amount	%	Change %
Trade receivables	133.03	29.4	144.48	35.8	(7.9)
Inventories	147.18	32.5	132.03	32.7	11.5
Trade payables	(288.56)	(63.7)	(266.46)	(66.0)	8.3
Other, net	(45.85)	(10.1)	(50.98)	(12.6)	(10.1)
Net working capital	**(54.20)**	**(12.0)**	**(40.93)**	**(10.1)**	**32.4**
Property, plant and equipment	38.47	8.5	32.61	8.1	18.0
Intangible assets	46.25	10.2	43.90	10.9	5.4
Investments	417.65	92.3	367.24	90.9	13.7
Non-current assets	**502.37**	**111.0**	**443.75**	**109.9**	**13.2**
Provision for severance indemnities and other provisions	4.55	1.0	0.97	0.2	n.s.
Net invested capital	**452.72**	**100.0**	**403.79**	**100.0**	**12.1**
FINANCED BY:					
Net debt	**53.87**	**11.9**	**130.42**	**32.3**	**(58.7)**
Equity	**398.85**	**88.1**	**273.37**	**67.7**	**45.9**
Total sources of financing	**452.72**	**100.0**	**403.79**	**100.0**	**12.1**

NET WORKING CAPITAL

Net working capital at 31 December 2017 was negative at -54.20 million euros, a further decrease on 2016 (-40.93 million euros) due to the decrease in trade receivables, the increase in trade payables and advances from customers, which more than offset the increase in inventories related to higher sales volumes. It is made up of:

- trade receivables have decreased by 11.45 million euros, from 144.48 million euros as of 31 December 2016, to 133.03 million euros at 31 December 2017, despite the increase in volume;
- inventories are up by 15.15 million euros (from 132.03 million euros at 31 December 2016 to 147.18 million euros at 31 December 2017) due to higher sales volumes;
- trade payables, including advances from customers, are up by 22.10 million euros (from 266.46 million euros at 31 December 2016 to 288.56 million euros at 31 December 2017), because of the growth in the backlog at the end of the year, resulting in higher purchases and advances from customers.

NON-CURRENT ASSETS

Overall, non-current assets have increased by 58.62 million euros since 31 December 2016. As part of this aggregate, equity investments have increased by 50.41 million euros and non-current assets by 8.21 million euros.

The changes in tangible and intangible assets, net of depreciation and amortization, are as follows:

	Non-current assets		
in millions of euros	Property, plant and equipment	Intangible	Total
Increases	11.72	8.87	20.59
Sales and eliminations	(0.55)	(0.05)	(0.60)
Amortization and depreciation charges	(5.31)	(5.43)	(10.74)
Writedowns/Impairment	–	(1.04)	(1.04)
Total	**5.86**	**2.35**	**8.21**

The change in Investments is mainly due to the purchase of IMA MAI S.A., Eurosicma S.p.A. and Atopbi S.p.A. For changes in individual items, see Note 3 of the separate financial statements.

NET INVESTED CAPITAL

Compared with 31 December 2016, net invested capital net of operating liabilities has increased by 48.93 million euros to 452.72 million euros for the reasons described above.

NET DEBT

Net debt at 31 December 2017 amounts to 53.87 million euros and comprises:

in millions of euros	31.12.2017	31.12.2016
A. Cash and cash equivalents	(64.92)	(62.60)
B. Other cash equivalents	–	–
C. Investments in securities	(6.65)	(3.51)
D. Liquidity (A)+(B)+(C)	**(71.57)**	**(66.11)**
E. Current financial receivables	**(126.24)**	**(105.52)**
F. Current payables to banks	19.88	26.92
G. Current portion of non-current payables	56.52	56.14
H. Other current financial payables	15.05	9.59
I. Current financial debt (F)+(G)+(H)	**91.45**	**92.65**
J. Net current financial debt (D)+(E)+(I)	**(106.36)**	**(78.98)**
K. Non-current portion of non-current bank payables	60.42	108.05
L. Bonds issued	105.54	110.50
M. Other non-current financial payables	–	–
N. Non-current financial assets	(5.73)	(9.15)
O. Non-current financial debt (K)+(L)+(M)+(N)	**160.23**	**209.40**
P. Net financial debt (J)+(O)	**53.87**	**130.42**

A breakdown of the items comprising net debt is given in Notes 4, 11 and 14.

The net debt of 53.87 million euros has decreased by 76.55 million euros compared with the figure at 31 December 2016, when it amounted to 130.42 million euros, mainly thanks to the proceeds of selling 10% of GIMA TT at the time of its listing on the stock market of 103.7 million euros, net of the dividends paid of 62.8 million euros. Since we plan to maintain the same level of investment and continue to hold down net working capital, good cash generation can be expected in 2018 in view of the improved results that we are looking for.

SHAREHOLDERS' EQUITY

Equity totalled 398.85 million euros at year end. The increase of 125.48 million euros since 31 December 2016, was due to the following movements:

Distribution of dividends	(62.81)
Purchase and sale of treasury shares	–
Measurement of financial instruments recognised in equity	0.65
Remeasurement of defined benefit plans	(0.19)
Profit for the year	187.83
Total	**125.48**

INVESTMENTS

During 2017, the Company invested 8.87 million euros (7.08 million euros in 2016) in intangible assets and 11.72 million euros (8.75 million euros in 2016) in property, plant and equipment, for a total of 20.59 million euros (15.83 million euros in 2016).

Capital expenditure on intangible assets refers mainly to software and licences related to the commercial, sale, logistics and technical area for 3.45 million euros and to the capitalisation of development costs incurred on totally new products for market segments not previously occupied for 4.75 million euros.

With regard to expenditure on tangible assets, they are mainly for leasehold improvements (4.45 million euros), plant and equipment (2.11 million euros) and electronic equipment (1.83 million euros).

HUMAN RESOURCES, TRAINING AND INDUSTRIAL RELATIONS

The policies and guidelines for the management of human resources are discussed in relation to the IMA Group.

EMPLOYEES

In 2017, the average number of IMA employees came to 1,872, compared with 1, 810 in 2016.

The breakdown of the workforce by grade is summarized below:

	31.12.2017	31.12.2016
Management	49	49
Office workers	1,463	1,430
Production workers	360	331
Total	**1,872**	**1,810**

The excellent educational standard of the human resources employed by the Company is demonstrated by the fact that around 86% possess a high-school diploma or a university degree.

In terms of the organizational structure, employees work in the following main professional areas:

	% Total employees	of which: men	of which: women
Sales and marketing, including pre-sales and post-sales	17.8%	56.2%	43.8%
Research and development	27.4%	93.7%	6.3%
Production	39.6%	95.0%	5.0%
Central and administrative functions	15.2%	46.4%	53.6%
Total	**100.0%**	**80.3%**	**19.7%**

This distribution of the workforce is a good reflection of IMA's business model, which is designed to retain the activities that represent critical and distinctive skills and outsource all other activities. The high degree of professionalism is partly reflected in the fact that clerical and managerial grades occupy 81.1% of our employees.

Women, who make up 19.7% of total human resources, work mainly in sales and marketing and administrative functions. In the production areas, women are mostly employed in production logistics and planning.

PERSONNEL COSTS

Personnel costs totalled 161.79 million euros, compared with 149.97 million euros in the prior year.

Taking into account the principal elements of remuneration, personnel costs have risen by 5.5% on the previous year due to pay rises established by the National Collective Labour Contract for Metalworkers, as well as bonuses under the Supplementary Agreement and the Company's policy on bonuses. Personnel costs have also risen in line with an increase in the number of employees in the year.

Lastly, personnel costs in 2016 included 1.06 million euros of non-recurring charges relating mainly to the reorganisation of the Tea, Food & Other business.

TRAINING

IMA, like all organisations that wish to tackle the market’s competitive challenges, considers continuous training to be a strategic area.

Investment is not only intended for initial training but is maintained over time, increasingly using training as a lever for employee growth and motivation, and consequently for the business’ competitive development.

Complex organizations, in continuous evolution, like IMA, require employees equipped with enterprise and initiative, driven by the desire to learn and improve continuously, questioning their own skills and ready for continuous assessment.

From this point of view, IMA is also a point of reference for the district system to which it belongs, working hard to adapt its organisational and management models to the "knowledge economy", in which professional careers - which are increasingly discontinuous and multidisciplinary – require “generalist” skills that accompany the high standard of professionalism required to work in an international context, in contact with innovative technologies and in a competitive market.

In 2017, IMA S.p.A. provided more than 61,000 hours of training.

INDUSTRIAL RELATIONS

On the industrial relations front, we pursued our ongoing and constructive relationship with the trade unions. This long-standing relationship continues to allow a substantial absence of disputes. The renewal of the 2nd level Company Supplementary Agreement was signed in July 2017 together with the local Trade Unions and union representatives; it is worth noting that there was not a single hour of strikes or other industrial action.

HEALTH, SAFETY AND THE ENVIRONMENT

For IMA, the safety and health of workers and the working environment involves full compliance with current legislation and a management system focused on continuous improvement, also through specific training designed to create a "culture of safety".

These principles are applied in full by all Group companies throughout the world.

As confirmation of the above, during 2017 we further increased our commitment and investment in staff training and information, which is considered the fulcrum of the safety management system currently in use. Overall, in 2017 around 10,288.50 hours of staff training was carried out on specific aspects of safety and hygiene in the workplace, an increase compared with the previous year.

In particular, among the various training activities, it is important to remember the specific training courses held to teach correct and safe working methods to all technicians exposed to this type of risk.

The Company pays great attention to the assessment of all sources of risk for the health of employees. This includes periodic analyses and measurements of the working environment, which have been found to comply in full with current standards; similar care is dedicated to determining how to handle any emergency situations that arise.

Focusing on specific activities carried out in 2017, we performed a technical assessment for the selection of new detergent products used in support of mechanical processing, above all ensuring that they were not classified as hazardous according to current regulations (for both the health and safety of workers). This research was carried out with the aim of replacing the products previously used for these activities: in particular, the aim was to eliminate the use of industrial solvents from the production cycle.

We have maintained BS OHSAS 18001 certification of our Safety at Work Management System. For this purpose, a certification renewal audit was performed in January 2017 by an independent certification company which confirmed full compliance with all applicable regulations and full and correct implementation and effectiveness of IMA's Safety at Work Management System. This system is applied at all sites in which IMA S.p.A. operates.

The main indicators of the effectiveness and quality of the action taken are the statistics for injury frequency and seriousness, respectively 3.78 (IF) and 0.07 (IS), are still low and in line with the previous year. They are determined with reference to the accident experience within the Company based on the UNI 7249 Standard.

On the topics of corporate social responsibility and responsibility versus the local community, we confirm our commitment to maintain high levels of safety and environmental protection. Specifically, the Company did not cause any damage to the environment during 2017.

In 2017, IMA S.p.A. also achieved certification of its Environmental Management System according to ISO 14001, the most accredited standard in the world; at present, the scope of application of this system includes the Company's main production sites, i.e. the head office in via Emilia 428/442, Ozzano dell'Emilia, and the site in via 1° Maggio 14/16, Ozzano dell'Emilia. This result was achieved through specific audits conducted by an external certification company, which confirmed full compliance with all applicable environmental regulations and the complete and correct implementation and effectiveness of the Company's Environmental Management System.

TRANSACTIONS WITH PARENT, SUBSIDIARY, ASSOCIATED COMPANIES AND JOINT VENTURE

There were numerous intercompany transactions during the year, all carried out within the framework of ordinary operations and on an arm's-length basis.

Intercompany transactions are in fact a part of the Group's organisational structure. They involve commercial activities (companies owned by IMA S.p.A. in various countries that market the Group's products as agents or dealers) and the manufacturing phase (subsidiaries of IMA S.p.A. that make certain types of machines and supplement the range supplied of IMA S.p.A. or their own range, by selling machines to or buying machines from IMA S.p.A.), as well as participation in the consolidated tax mechanism.

Transactions also include financial transactions among the Group companies, carried out within the framework of ordinary operations and on an arm's-length basis; none of these transactions can be considered atypical.

Further information is provided in Note 30 to the Company's financial statements.

RELATED-PARTY TRANSACTIONS

The "Regulation on related-party transactions", adopted by Consob Resolution 17221 of 12 March 2010 and subsequently amended by Consob Resolution 17389 of 23 June 2010 implemented art. 2391-bis of the Italian Civil Code.

By a resolution adopted on 1 December 2010, the Board therefore implemented the procedure on related parties, which takes account of the additional instructions on how to apply the new rules provided in Consob Communication DEM/10078683 of 24 September 2010.

The purpose of this procedure, which is published on the Company's website (www.ima.it), is to lay down the approach to be taken in identifying, reviewing and approving transactions to be carried out by IMA, or by its subsidiaries, with related parties to ensure that they are transparent and fair from both a substantial and procedural point of view.

Related-party transactions are identified in accordance with the guidelines of the Consob regulation.

In addition to the intercompany transactions described above, the Company enters into transactions with other related parties, mainly persons responsible for administration and management at IMA S.p.A., or entities controlled by such persons. The transactions concerned mostly involve real estate (premises rented for operational purposes) and commercial activities and are carried out in the ordinary course of business on arm's-length terms as well as the tax consolidation.

Significant related-party transactions are submitted for advance approval by the Board, which in turn has to obtain consent from a special committee made up solely of independent directors; to express their opinion, this committee can make use of outside experts, who also have to be independent.

Transactions with related parties are described more fully in Note 30 to the Company's financial statements.

HEADQUARTERS AND LOCAL UNITS OF IMA S.P.A.

The activities of the Company are carried out at the following locations:

Via Emilia, 428-442 Ozzano dell'Emilia (Bologna) Registered offices

Via Tosarelli, 184 Castenaso (Bologna) Head office

Via 1 Maggio, 14/16 Ozzano dell'Emilia (Bologna) Factory

Via 1 Maggio, 93 Ozzano dell'Emilia (Bologna) Factory

Via 1 Maggio, 99/107 Ozzano dell'Emilia (Bologna) Warehouse

Via Emilia, 217/219 Ozzano dell'Emilia (Bologna) Factory

Via Emilia, 237 Ozzano dell'Emilia (Bologna) Offices

Via della Libertà, 1/15 Ozzano dell'Emilia (Bologna) Factory

Via Nobel, 1 Ozzano dell'Emilia (Bologna) Factory

Via Piave, 16 Ozzano dell'Emilia (Bologna) Factory

Via Tolara di Sotto, 51/A Ozzano dell'Emilia (Bologna) Offices

Via Tolara di Sotto, 121/A Ozzano dell'Emilia (Bologna) Factory

Via Romagnoli, 11 Bentivoglio (Bologna) Warehouse

Via Francesco Petrarca, 34/38/40 Calenzano (Florence) Factory

Via Francesco Petrarca, 35/37 Calenzano (Florence) Warehouse

Via J.F. Kennedy, 17 Zola Predosa (Bologna) Offices

Via Nobel 32/B Ozzano dell'Emilia (Bologna) Factory

Via Romagnoli, 11/2 Bentivoglio (Bologna) Factory

Via Nobel, 28/B Ozzano dell'Emilia (Bologna) Warehouse

Via Romagnoli, 2 Bentivoglio (Bologna) Factory

Via Bertella, 24 Ozzano dell'Emilia (Bologna) Factory

Via Piero della Francesca, 26 Trezzano sul Naviglio (Milan) Offices

Via Gabba Fratelli, 6 Milan Offices

Via dei Billi, 13 Ozzano dell'Emilia (Bologna) Warehouse

Via Rinascita, 25 Ozzano dell'Emilia (Bologna) Factory

The Company does not have any secondary offices.

OTHER INFORMATION

OUTLOOK FOR THE CURRENT YEAR

After turning in very good results, the Group closed 2017 with a backlog that is excellent in terms of both quantity and quality, giving good visibility for the current year. The positive trend of the acquisition of new orders is continuing into the early months of this year in all sectors. Thanks to this situation, it is reasonable to assume that 2018 will have revenue of more than 1.55 billion euros and a gross operating profit (EBITDA) of around 250 million euros.

PRINCIPAL RISKS AND UNCERTAINTIES TO WHICH IMA S.P.A. AND THE GROUP ARE EXPOSED

In carrying on its business, the IMA Group is exposed to various types of risk which could have an impact on its economic and financial situation:

- competition: the market in which the Group operates is extremely dynamic and the success of the Group's business depends on its ability to maintain and increase market share and to expand into new markets with innovative products. To counter the risk of new competitors entering the market, the Group maintains a high level of investment in R&D, has a wide array of registered trademarks and a strong sales team with a direct presence in the countries where it operates, which ensures a high level of customer service;
- exchange rate fluctuations: exposure to exchange risk is primarily due to the geographic distribution of production and sales, which results in exports denominated in currencies different from those of production. In particular the IMA Group is primarily exposed to exchange risk for exports from the Euro area to that of the US Dollar. The Group uses currency hedging to limit exchange risk. For a more detailed analysis of financial risk, please refer to the paragraph below entitled "Financial risk management policy and objectives";
- personnel skills: for the IMA Group, human resources are a critical success factor. The Group therefore considers proper HR management as a matter of the highest importance. In order to increase its ability to attract and keep highly qualified staff, the Group constantly refines its recruitment process for its strategically important positions and rewards staff with contractual conditions that are better than those offered on average in the sector;
- technology protection: the Group's market sector is characterised by the planning and production of products with a high technological content which run the risk that competitors might try to replicate the technologies used. In order to counter such risk the Group invests heavily in intellectual property and holds a large number of registered patents.

FINANCIAL RISK MANAGEMENT POLICY AND OBJECTIVES

The following information is provided on the objectives and policies adopted for financial risk management, as they relate to the statutory financial statements pursuant to articles 2428 of the Italian Civil Code, and to the consolidated financial statements pursuant to article 40 of Legislative Decree 127/1991:

Financial risk factors

The Group is exposed to financial risks connected with its business activities, particularly the following:

- Credit risk arising from commercial transactions or financing activities;
- Liquidity risk related to the availability of financial resources and access to the credit market;
- Market risk, specifically:
    a) Exchange rate risk, relating to operations in areas using currencies other than the functional currency;
    b) Interest rate risk, relating to the Group's exposure to interest-bearing financial instruments;
    c) Price risk, associated with changes in the listed price of capital instruments held as financial assets and in commodity prices.

The objectives and policies of the Company and the Group concerning financial risk management and exposure to risk are more fully described in the "Financial Risk Management" sections of the Parent Company's financial statements and the consolidated financial statements; specifically in Notes 4, 6, 11 and 14 of the Parent Company's financial statements and in Notes 5, 7, 12 and 15 of the consolidated financial statements.

Hedging instruments

The Company and the Group mainly use derivatives to hedge exchange rate and interest rate risk and do not hold any speculative financial instruments, as required by the procedure approved by the Executive Committee.

All further details are duly provided in the "Accounting policies" section in the paragraphs on hedging instruments: specifically in Note 6 to the Parent Company's financial statements and in Note 7 to the consolidated financial statements.

ATYPICAL AND/OR UNUSUAL TRANSACTIONS

No significant atypical and/or unusual transactions have been carried out by IMA S.p.A. or the IMA Group.

TREASURY SHARES

At 31 December 2017 treasury shares total 0.07 million euros, represented by 5,500 shares with a par value of 3 thousand euros. The Parent Company did not carry out any transactions in its own shares during the year.

The official market value at 31 December 2017 amounted to 0.44 million euros (0.32 million euros at 31 December 2016).

LEGISLATIVE DECREE 231/2001

At a meeting held on 27 March 2008, the Board of Directors adopted the organisation, management and control model envisaged by Decree 231 of 8 June 2001 concerning the administrative responsibility of legal persons.

IMA's Organisation, Management and Control Model (OMC) consists of several special parts and a general part; essentially, it explains IMA's corporate governance structure, the way that the Supervisory Board is established and functions, along with an explanation of the system of sanctions.

The types of crimes that the model is designed to avoid are (by way of example):

a) crimes against the public administration;
b) corporate crimes;
c) market abuse;
d) computer crimes;
e) crimes against the person;
f) crimes against industry and commerce and copyright;
g) hygiene, health and safety at work;
h) transnational crimes;
i) receiving, laundering and using money, goods or assets of illicit origin, as well as self-laundering;
j) employing illegal immigrants;
k) environmental crimes.

Following the adoption of the OMC, a number of Company procedures have been drawn up or modified.

At the same time as adopting the OMC, a Code of Ethics was adopted and a Supervisory Board was appointed.

The Supervisory Board comprises:

- Maria Lucia Sireci – Chairman, a professional with a legal background, who has a particular knowledge of the Company's organisational structure;
- Gerardo Diamanti, an independent professional with an economics background and particular experience in cash flow management;
- Mario Panzeri, a professional with a background in company law, specific experience of supervisory boards and particularly knowledgeable about protocols and procedures.

The Supervisory Board is responsible for supervision of the Organisation, Management and Control Model, monitoring compliance and taking care of updates, reporting periodically to the Board of Directors.

The members of this body do not hold any positions in the Company and satisfy the requirements of autonomy and independence needed to perform their duties.

Over the years, the Organisation, Management and Control Model has been updated to reflect the results of its application and changes in the regulatory framework.

The Company's Model pursuant to Legislative Decree 231/2001 in force at 31 December 2017 was approved by the Board by resolution of 14 March 2017; after a detailed review to adapt the Model to the Company's existing organisational, administrative and accounting structure and to subsequent regulatory, jurisprudential and doctrinal changes involving Legislative Decree 231/2001.

IMA's OMC Model and Code of Ethics are available on the Company's website: http://www.ima.it.

The tendency in the IMA Group is to move gradually towards the implementation, also by the subsidiaries, of OMC Models pursuant to Legislative Decree 231/2001 that are autonomous, even if coordinated with the Company's:

(i) Corazza S.p.A. (model adopted by resolution of 23 April 2012);

(ii) GIMA S.p.A. (model adopted by resolution of 23 April 2012);

(iii) CO.MA.DI.S. S.p.A. (model adopted by resolution of 13 March 2013);

(iv) GIMA TT S.p.A. (model adopted by resolution of 27 April 2015);

(v) Revisioni Industriali S.r.l. (model adopted by resolution of 13 March 2014);

(vi) Fillshape S.r.l. (model adopted by resolution of 27 April 2015);

(vii) Pharmasiena Service S.r.l. (model adopted by resolution of 27 April 2015).

CONSOLIDATED NON-FINANCIAL REPORT

In compliance with article 5, paragraph 3, letter b, of Legislative Decree 254/2016, the Company has prepared a consolidated non-financial statement that constitutes a separate report. The consolidated non-financial statement for 2017, prepared according to GRI Standards, is available on the Company's website: www.ima.it.

CORPORATE GOVERNANCE AND CODE OF CONDUCT

IMA subscribes to and enforces the Code of Conduct for Listed Companies approved in July 2016 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, ANIA, ASSOGESTIONI, ASSONIME and CONFINDUSTRIA, with the exceptions mentioned in the Report on Corporate Governance and Ownership Structure prepared in accordance with art. 123 bis CFA. The Code can be viewed on the website of Borsa Italiana (http://www.borsaitaliana.it).

A description of the Company's corporate governance system and its ownership structure can also be viewed, as can adoption of the individual items of the Code of Conduct in the Company's report on corporate governance and its ownership structure.

The Board discloses the positions of director or auditor held by its members in listed companies, including foreign companies, financing companies, banks, insurance companies and other large companies, on the basis of their own declarations:

Marco Galliani

- Cassa di Risparmio di Ravenna (Director)

Andrea Malagoli

- SO.FI.M.A. S.p.A. (Director)

Luca Poggi

- Boato Holding S.p.A. (Director)
- Boato International S.p.A. (Director)
- Fariniundici S.p.A. (Chairman)
- Eolo Partecipazioni S.r.l. (Chief Operating Officer)
- Finanziaria del Vetro (Director)
- SO.FI.M.A. S.p.A. (Director)
- Atoptbi S.p.A. (Director)
- Stator S.p.A. (Director)
- Rotor S.p.A. (Director)

Rita Rolli

- Cassa dei Risparmi di Forlì e della Romagna (Independent Director)
- Trevi Finanziaria S.p.A. (Independent Director)

Maria Carla Schiavina

- Eredi Schiavina S.r.l. (Chairman)
- Immobiliare Schiavina S.r.l. (Deputy Chairman)
- Murazzi Ecostruttura-Mecos S.r.l. (Deputy Chairman)
- MEFA S.r.l. (Sole Director)
- QUADRICA S.r.l. (Chairman)
- SO.FI.M.A. S.p.A. (Director)

Alberto Vacchi

- Alva S.p.A. (Chairman)
- Etrusco S.r.l. (Sole Director)
- Maestrale Investimenti S.r.l. (Sole Director)
- Nemo Investimenti S.r.l. (Chairman)
- SO.FI.M.A. S.p.A. (Director)

Gianluca Vacchi

- Boato Holding S.p.A. (Chairman)
- Boato International S.p.A. (Chairman)
- Cofiva S.A. (Director)
- Eleven Finanziaria S.r.l. (Sole Director)
- First Investment S.p.A. (Sole Director)
- SO.FI.M.A. S.p.A. (Director)

Marco Vacchi

- Lopam Fin S.p.A. (Chairman)
- Alva S.p.A. (Chief Operating Officer)
- SO.FI.M.A. S.p.A. (Chairman)

Valentina Volta

- Datalogic S.p.A. (Director)

The Directors with delegated powers must provide to the Board of Directors and the Board of Statutory Auditors, at least every quarter, at the time of Board meetings or in a written communication, the information on related-party transactions required by art. 150 of the CFA and art. 2381 of the Italian Civil Code.

During 2017 the Delegated Committees reported to the Board of Directors about the activities which were delegated to them at the first available Board meeting.

In compliance with the recommendation of Consob no. 97001574 of 20 February 1997, note that certain members of IMA's Board of Statutory Auditors have also held Board positions in certain subsidiaries, thereby facilitating the acquisition by the Parent Company's Board of Statutory Auditors of the information needed to perform their duties.

As regards the information on the remuneration of directors, statutory auditors and managers with strategic responsibilities, specific reference should be made to the Remuneration Report prepared in accordance with art. 123 ter CFA, which is published separately.

Pursuant to art. 3 of Consob Resolution no. 18079/2012, the Board of Directors of IMA S.p.A. decided to adopt, as of 3 December 2012, the opt-outs envisaged in arts. 70, paragraph 8, and

71, paragraph 1-bis of Consob's Issuers' Regulations. This means being able to choose not to prepare the prospectuses normally required in connection with significant transactions such as mergers, demergers, increases in capital by means of contributions in kind, acquisitions and disposals.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE IN COMPLIANCE WITH ART. 123 BIS OF THE CONSOLIDATED FINANCE ACT (CFA)

In accordance with the provisions of article 123 bis, paragraph 3, of CFA, the Company has prepared the Report on Corporate Governance and Ownership Structure separately from the Report on Operations. It has therefore been made public by posting it on the Company's website (http://www.ima.it).

The following are some of the major items of information published in the said Report:

-a- Capital structure (article 123 bis, paragraph 1, (a), CFA)

The share capital at 31 December 2017 amounts to 20,415,200 euros represented by 39,260,000 ordinary shares with a par value of 0.52 euros each.

The composition of the share capital is shown in Table 1:

Declarant	Direct shareholder	Percent share of ordinary capital	Percent share of voting capital
Lopam Fin S.p.A.	SO.FI.M.A. S.p.A.	57.00%	57.00%

The Company's shares are listed in the STAR segment of the screen-traded market (MTA) organised and managed by Borsa Italiana S.p.A.

The Company has not issued other financial instruments that grant the right to subscribe for newly-issued shares.

The Company has not approved a stock-based incentive plan (stock options, stock grants, etc.).

-b- Restrictions on the transfer of securities (article 123 bis, paragraph 1, (b), CFA)

At the date of this Report, there are no restrictions on the transfer of the Company's shares.

-c- Significant shareholdings (article 123 bis, paragraph 1, (c), CFA)

At the date of this Report, based on the shareholders' register and the communications pursuant to article 120 of the CFA – as amended by article 1 of Legislative Decree 25 dated 15 February 2016 – and other information received, the parties listed in Table 1 directly or indirectly hold at least 3% of the Company's share capital.

-d- Securities that entitle holders to special rights (article 123 bis, paragraph 1, (d), CFA)

As of the date of this Report, no securities have been issued by the Company entitling holders to special rights of control or to exercise special powers.

By resolution of 21 April 2017, the extraordinary shareholders' meeting of IMA approved the amendment of certain provisions of the articles of association to provide for the increase in voting rights pursuant to article 127 quinquies CFA (similar to the concept of loyalty shares).

Specifically, each ordinary IMA share entitles the holder to 2 (two) votes, if the following conditions are met: (i) the share has belonged to the same person, by virtue of a legitimate right to exercise the right to vote (full ownership, bare ownership with voting rights and beneficial right to vote), for a continuous period of at least 24 (twenty-four) months, and (ii) that this is attested by the inclusion in the special list established by the Company pursuant to this article for a continuous period of at least 24 (twenty-four) months and by a notice issued by the intermediary with whom the shares are deposited, making reference to the date on which this continuous period was completed.

At the date of this Report, there are five shareholders who have asked to be entered on this special list, one of whom has a significant stake.

-e- Shares held by employees: exercise of voting rights (article 123 bis, paragraph 1, (e), CFA:

As of the date of this Report, no employee shareholding system is envisaged.

-f- Restrictions on voting rights (article 123 bis, paragraph 1, (f), CFA)

As of the date of this Report, no restrictions on voting rights are envisaged.

-g- Shareholders’ agreements (article 123 bis, paragraph 1, (g), CFA)

As of the date of this Report, the Company is not aware of any agreement among significant shareholders pursuant to article 122 of the CFA.

-h- Change of control clauses (article 123 bis, paragraph 1, letter h), CFA) and provisions concerning takeover bids (article 104, paragraph 1 ter and 104 bis, paragraph 1, CFA)

At the date of this Report, neither IMA or its subsidiaries are party to material agreements that would become effective, be changed or terminate in the event of a change of control of the contracting party, with the sole exception of the contract underlying the bond loan placed with US institutional investors ("US Private Placement”) and certain financing contracts that could oblige the Company to repay the loan if there is a change in the majority shareholders.

IMA's Articles of Association do not make any exceptions to the passivity rule laid down in article 104, paragraphs 1 and 1-bis of the CFA and does not envisage application of the neutralisation rules laid down in article 104 bis, paragraphs 2 and 3, of the CFA.

-i- Authority to increase the share capital and authorisations to purchase treasury shares (article 123 bis, paragraph 1 (m), CFA)

The Shareholders' Meeting on 27 April 2016 granted a mandate to the Board of Directors, for a period of five years from the resolution, in accordance with article 2443, paragraph 2, of the Italian Civil Code, to increase the share capital on a cash basis in one or more tranches by up to a maximum of Euro 1,950,520 at par by issuing a maximum of 3,751,000 ordinary shares of par value Euro 0.52 each, to be placed exclusively with qualified third-party investors excluding current shareholders' option rights, in accordance with article 2441, paragraph 4, second part, of the Civil Code and/or article 2441, paragraph 5, of the Civil Code.

In partial execution of the mandate granted to the Board by the Extraordinary Shareholders' Meeting of 27 April 2016, at the board meeting on 6 June 2016, the Board of Directors resolved to increase the share capital for payment, in one or more tranches, by a maximum nominal amount of Euro 910,000 corresponding to 4.67% of the IMA's existing share capital by issuing up to 1,750,000 new ordinary shares, with a par value of Euro 0.52 each, excluding shareholders' option rights pursuant to article 2441, para. 4, part 2, of the Civil Code, offered for subscription to qualified investors in Italy and institutional investors abroad, as defined in Regulation S and Rule 144A, issued pursuant to the US Securities Act of 1933 and excluding any country or jurisdiction in which offers or sales of the shares being offered are prohibited by law or in the absence of exemptions.

The Shareholders' Meeting, held on 21 April 2017, approved the purchase of treasury shares pursuant to article 2357 of the Civil Code, under a mandate with a duration of 12 months.

The Shareholders’ Meeting thus authorized the Board of Directors to purchase the Company’s treasury shares up to the maximum permitted by law and within the limits of the available reserves and distributable profits as reported in the most recent approved financial statements, as well as to sell or make use of such treasury shares.

The Shareholders' Meeting authorized the purchase and/or sale and/or disposal of treasury shares to stabilise the stock price and, more generally, for share buy-back programs to increase the stock price to the advantage of shareholders.

However, the Company did not exercise its right to carry out transactions in its own shares.

At the date of this report, IMA owns 5,500 treasury shares; this holding derives from purchases made under shareholders' resolutions dating back many years.

-j- Management and coordination activity (article 2497 of the Italian Civil Code)

Although it is controlled by SO.FI.M.A. Società Finanziaria Macchine Automatiche S.p.A. ("SO.FI.M.A."), IMA is not subject to its management or coordination pursuant to articles 2497 et seq. of the Italian Civil Code.

In compliance with article. 16, paragraph 4, of CONSOB's Market Regulations, below we explain the reasons why we believe that IMA is not subject to management and coordination on the part of the Parent Company SO.FI.M.A.: the decision-making process, management decisions and operations of IMA are not influenced in any way by its parent company, which is also ensured by the fact that IMA's Board of Directors includes a sufficient number of independent directors to make a significant contribution to any of the Board's resolutions.

Further evidence of IMA's decision-making independence is that fact that the Company enjoys full negotiating power with all customers, suppliers and banks and that there is no centralized treasury mechanism involving IMA or its subsidiaries and SO.FI.M.A.

It is worth pointing out that:

a) the information required under article 123-bis, paragraph 1, (i) ("agreements between the company and its directors [...] which provide for compensation in the event of retirement or dismissal without just cause, or if their employment contract is terminated as the result of a takeover bid") is contained in the remuneration report published in accordance with article 123 ter CFA;

b) the information required under article 123-bis, paragraph 1 (l) ("the rules applicable for the appointment or replacement of directors [...] and for amendments to the Articles of Association, if different from any additional rules of law or regulations that may be applicable") is provided in the section of the Report devoted to the Board of Directors.

CERTIFICATION UNDER ART. 2.6.2 OF THE ISSUERS' REGULATIONS

In connection with foreign subsidiaries incorporated and regulated by the law of States that do not belong to the European Union, Consob's Market Regulations lay down the conditions that have to exist for IMA, as their parent company, to maintain its listing on an organized market.

The conditions laid down by Consob's Market Regulations that IMA has to comply with are as follows:

- making available to the general public the subsidiaries' accounts prepared for consolidation purposes, including at least a balance sheet and an income statement;
- obtaining from the subsidiaries a copy of their Articles of Association and the composition and powers of their corporate bodies;
- checking the fact that the subsidiaries provide IMA's auditors with all of the information that they need to perform their audit on IMA's annual and interim accounts, as well as to have a suitable administrative and accounting system to provide IMA's management and auditors the economic and financial data to prepare the consolidated financial statements.

The Board of Directors identified the companies to which these rules apply.

The scope of application of these rules involves thirty-one companies of the Group, located in eleven countries outside the EU.

With regard to these companies, IMA has therefore drawn up suitable procedures to comply with all of the matters laid down in the regulations.

This is the reason for the certification that all of the conditions foreseen in Consob's Market Regulations on "Conditions for the listing of shares of companies with control over companies established and regulated under the law of non-EU countries" exist at all of IMA's non-EU subsidiaries that are considered relevant for the purposes of these rules.

CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2017

(THE CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN TRANSLATED FROM THE ORIGINAL ITALIAN INTO ENGLISH SOLELY FOR THE CONVENIENCE OF INTERNATIONAL READERS)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(THOUSANDS OF EUROS)

ASSETS	Note	31 December 2017	31 December 2016
NON-CURRENT ASSETS			
Property, plant and equipment	2	95,092	88,175
Intangible assets	3	362,162	332,773
Investments accounted for using the equity method	4	40,325	23,014
Financial assets	5	4,969	7,138
Receivables from others	6	3,433	3,234
Deferred tax assets	8	67,879	64,916
TOTAL NON-CURRENT ASSETS		573,860	519,250
CURRENT ASSETS			
Inventories	9	309,693	278,909
Trade and other receivables	10	389,332	359,421
Income tax receivables	11	9,396	7,985
Financial assets	5	17,946	9,567
Derivative financial instruments	7	173	218
Cash and cash equivalents	12	206,681	201,081
TOTAL CURRENT ASSETS		933,221	857,181
TOTAL ASSETS		**1,507,081**	**1,376,431**

EQUITY AND LIABILITIES	Note	31 December 2017	31 December 2016
EQUITY			
Share capital		20,415	20,415
Reserves and retained earnings		263,210	141,586
Profit for the year		85,590	93,536
Equity attributable to equity holders of the parent	13	369,215	255,537
Non-controlling interests	14	21,309	14,647
TOTAL EQUITY		390,524	270,184
NON-CURRENT LIABILITIES			
Borrowings	15	167,480	221,186
Employee defined benefit liabilities	16	55,961	57,926
Provisions for risks and charges	17	5,814	5,867
Other payables	18	35,266	20,092
Derivative financial instruments	7	1,943	2,280
Deferred tax liabilities	8	61,528	62,135
TOTAL NON-CURRENT LIABILITIES		327,992	369,486
CURRENT LIABILITIES			
Borrowings	15	108,459	93,538
Trade and other payables	18	635,739	596,753
Income tax liabilities	11	11,574	14,418
Provisions for risks and charges	17	32,585	30,916
Derivative financial instruments	7	208	1,136
TOTAL CURRENT LIABILITIES		788,565	736,761
TOTAL LIABILITIES		1,116,557	1,106,247
TOTAL EQUITY AND LIABILITIES		**1,507,081**	**1,376,431**

THE EFFECTS OF TRANSACTIONS WITH RELATED PARTIES ON THE ITEMS IN THE CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION ARE SHOWN IN NOTE 32 - RELATED-PARTY TRANSACTIONS.

CONSOLIDATED INCOME STATEMENT

(THOUSANDS OF EUROS)

	Note	2017	2016
REVENUE	1	1,444,730	1,310,846
OTHER REVENUE	19	28,323	22,747
OPERATING COSTS			
Change in work in progress, semifinished and finished goods		18,676	36,312
Change in inventory of raw, ancillary and consumable materials		5,537	2,475
Cost of raw, ancillary and consumable materials and goods for resale	20	(540,770)	(520,625)
Services, rentals and leases	21	(328,140)	(285,775)
Personnel costs	22	(409,937)	(371,489)
Depreciation, amortization and write-downs	23	(42,457)	(39,554)
Provisions for risks and charges		(680)	(3,825)
Other operating costs	24	(10,064)	(9,771)
TOTAL OPERATING COSTS		(1,307,835)	(1,192,252)
- of which: effect of non-recurring items	33	*(13,245)*	*(5,925)*
OPERATING PROFIT	1	165,218	141,341
- of which: effect of non-recurring items	33	*(13,245)*	*(5,925)*
FINANCIAL INCOME AND EXPENSE			
Financial income	25	27,062	36,236
Financial expense	26	(42,977)	(29,950)
TOTAL FINANCIAL INCOME AND EXPENSE		(15,915)	6,286
PROFIT (LOSS) FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		1,281	1,526
PROFIT BEFORE TAXES		150,584	149,153
TAXES	27	(51,159)	(47,761)
PROFIT FOR THE YEAR		**99,425**	**101,392**
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE PARENT		85,590	93,536
NON-CONTROLLING INTERESTS		13,835	7,856
		99,425	**101,392**
BASIC/DILUTED EARNINGS PER SHARE (in euros)	**28**	**2.18**	**2.43**

THE EFFECTS OF TRANSACTIONS WITH RELATED PARTIES ON THE CONSOLIDATED INCOME STATEMENT ARE SHOWN IN NOTE 32 - RELATED-PARTY TRANSACTIONS.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(THOUSANDS OF EUROS)

	Note	2017	2016
Net profit for the year		99,425	101,392
Other comprehensive income to be reclassified to profit or loss in subsequent year:			
Exchange rate gains (losses) on the translation of foreign currency financial statements		(10,269)	(327)
Gains (losses) on financial assets available for sale	13	226	–
Gains (losses) on cash flow hedges	13	995	(729)
Tax effect		(285)	165
Net other comprehensive income to be reclassified to profit or loss in subsequent year		**(9,333)**	**(891)**
Other comprehensive income not being reclassified to profit or loss in subsequent year:			
Actuarial gains (losses) on post employment benefit obligations	13	1,625	(3,096)
Tax effect		(615)	1,080
Net other comprehensive income not being reclassified to profit or loss in subsequent year		**1,010**	**(2,016)**
Gains and losses recognized in equity		**(8,323)**	**(2,907)**
Total comprehensive income		**91,102**	**98,485**
Attributable to:			
Equity holders of the parent		77,316	90,780
Non-controlling interests		13,786	7,705
		91,102	**98,485**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(THOUSANDS OF EUROS)

	Share capital	Share premium reserve	Treasury shares	Trans-lation reserve	Fair value reserve	Other reserves and retained earnings	Profit attributable to equity holders of the parent	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balances at 01.01.2016	**19,505**	**32,591**	**(71)**	**9,736**	**(1,693)**	**29,012**	**69,915**	**158,995**	**16,784**	**175,779**
Distribution of dividends	–	–	–	–	–	–	(52,506)	(52,506)	(7,537)	(60,043)
Allocation of earnings for 2015	–	–	–	–	–	17,409	(17,409)	–	–	–
Capital increases	910	90,227	–	–	–	–	–	91,137	42	91,179
Change of non-controlling interests	–	–	–	–	–	(32,869)	–	(32,869)	(2,347)	(35,216)
Total comprehensive income	–	–	–	(277)	(520)	(1,959)	93,536	90,780	7,705	98,485
Balances at 31.12.2016	**20,415**	**122,818**	**(71)**	**9,459**	**(2,213)**	**11,593**	**93,536**	**255,537**	**14,647**	**270,184**
Distribution of dividends	–	–	–	–	–	–	(62,807)	(62,807)	(10,583)	(73,390)
Allocation of earnings for 2016	–	–	–	–	–	30,729	(30,729)	–	–	–
Capital increases	–	–	–	–	–	–	–	–	87	87
Change of non-controlling interests	–	–	–	–	–	99,169	–	99,169	3,372	102,541
Total comprehensive income	–	–	–	(10,187)	889	1,024	85,590	77,316	13,786	91,102
Balances at 31.12.2017	**20,415**	**122,818**	**(71)**	**(728)**	**(1,324)**	**142,515**	**85,590**	**369,215**	**21,309**	**390,524**

AS REGARDS THE ITEMS IN CONSOLIDATED EQUITY, SEE NOTES 13 AND 14.

CONSOLIDATED STATEMENT OF CASH FLOWS

(THOUSANDS OF EUROS)

	Note	31 December 2017	31 December 2016
OPERATING ACTIVITIES			
Profit attributable to equity holders of the parent		85,590	93,536
Adjustments for:			
- Depreciation and amortization	23	40,038	37,815
- (Writebacks) or write-downs of non-current assets	23	2,011	–
- Capital (gains) losses on disposal of non-current assets	19-24	(1,281)	(476)
- Proceed from exercise of option on non-controlling interests	25	–	(18,699)
- Changes in provisions for risks and charges and employee defined benefit liabilities		(1,079)	1,924
- Unrealized losses (gains) on exchange rate differences	26	3,004	248
- Other changes		(882)	(751)
- Taxes	27	51,159	47,761
- Non-controlling interests		13,835	7,856
- Result from investments accounted for using the equity method		(1,281)	(1,526)
Operating profit before changes in working capital		191,114	167,688
(Increase) decrease in trade and other receivables	10	(21,581)	(51,000)
(Increase) decrease in inventories	9	(20,575)	(38,968)
Increase (decrease) in trade and other payables	18	24,551	97,476
Taxes paid		(58,424)	(46,769)
CASH FLOW PROVIDED BY OPERATING ACTIVITIES (A)		115,085	128,427
INVESTING ACTIVITIES			
Investments in property, plant and equipment	2	(21,134)	(20,293)
Investments in intangible assets	3	(20,134)	(15,506)
Acquisition business divisions/companies	29	(26,283)	(8,256)
Amounts paid as earn-out		(3,826)	–
Purchase of investments	4	(18,508)	(2,266)
Sale of subsidiaries and joint venture		–	8,000
Sale of non-current assets		2,874	935
Other changes		(4,437)	(15)
CASH FLOW USED IN INVESTING ACTIVITIES (B)		(91,448)	(37,401)
FINANCING ACTIVITIES			
Granting of loans	15	1,186	50,000
Repayment of borrowings	15	(49,144)	(45,731)
Bonds	15	(5,229)	–
Repayment of finance lease debts		(225)	(207)
Increase (decrease) in other financial payables		19,001	(30,377)
Capital increases		–	90,513
Change in non-controlling interests	14	103,641	(35,378)
Consideration for excercise of option on non-controlling interests		–	(4,000)
Net change in financial assets and other non-current receivables		(5,537)	(920)
Dividends paid to equity holders of the parent	13	(62,807)	(52,506)
Dividends paid to non-controlling interests	14	(10,583)	(7,537)
Payment of interest		(8,439)	(10,004)
Receipt of interest		99	124
CASH FLOW USED IN FINANCING ACTIVITIES (C)		(18,037)	(46,023)
NET CHANGE IN CASH AND CASH EQUIVALENTS (D=A+B+C)		**5,600**	**45,003**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (E)	**12**	**201,081**	**156,078**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (F=D+E)	**12**	**206,681**	**201,081**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2017

(THE CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN TRANSLATED FROM THE ORIGINAL ITALIAN INTO ENGLISH SOLELY FOR THE CONVENIENCE OF INTERNATIONAL READERS)

A) OVERVIEW

IMA Group is a world leader in the design and production of automatic machines for the processing and packaging of pharmaceuticals, cosmetics, tea, coffee, tobacco and other food products.

The Parent Company of the IMA Group is I.M.A. Industria Macchine Automatiche S.p.A. (referred to as “IMA”, “IMA S.p.A.” or the "Parent Company"), with registered offices at Via Emilia 428/442, Ozzano dell’Emilia (Bologna). IMA is listed on the S.T.A.R. segment of Borsa Italiana S.p.A.’s electronic stock exchange.

At 31 December 2017, IMA S.p.A. is 57% held by SO.FI.M.A. Società Finanziaria Macchine Automatiche S.p.A., which is a subsidiary of Lopam Fin S.p.A. The latter, with registered office in Via Tosarelli 184, Castenaso (Bologna), draws up consolidated financial statements for a majority of the companies in the Group. This consolidated financial statements are available at the Bologna company register.

IMA S.p.A. has dealings mainly of a commercial nature with the Group's manufacturing companies, involving the purchase and sale of machines required for the assembly of complete product lines. It also provides these companies with services. IMA's dealings with the Group's marketing companies relate to the sale, distribution and related customer service activities in their respective territories of products manufactured by IMA's various divisions. IMA's manufacturing subsidiaries also have similar relationships with these marketing companies.

These financial statements for the year ended 31 December 2017 were prepared by the Board of Directors on 14 March 2018 and have been audited by EY S.p.A.

B) GENERAL PREPARATION POLICIES

General principles

In compliance with Regulation (EC) no. 1606/2002, the consolidated financial statements were prepared in accordance with the IAS/IFRS International Accounting Standards issued by the International Accounting Standards Board (IASB) currently in force and the related interpretations issued to date by the Standing Interpretations Committee and the International Financial Reporting Interpretations Committee (SIC/IFRIC), as endorsed by the European Union.

The IMA Group adopted IFRS in 2005, whereas the Parent Company, I.M.A. S.p.A., adopted them for its separate financial statements from 1 January 2006, as permitted by Legislative Decree 38 of 28 February 2005.

The consolidated financial statements of the IMA Group have been prepared on a going-concern basis, since there are no significant doubts or uncertainties about its ability to continue in business for the foreseeable future.

Financial statements

The statement of financial position has been classified on the basis of the operating cycle, distinguishing between current and non-current items. With this distinction, assets and liabilities are considered current if they are expected to be realized or settled as part of the Group’s normal operating cycle or within twelve months. Non-current assets held for sale and related liabilities, if any, are shown in the appropriate items.

The costs and revenue for the year are presented in two statements: a consolidated income statement, which analyses costs according to their nature, and a consolidated statement of comprehensive income. The result deriving from discontinued assets and/or disposal groups, if any, is shown under an appropriate item of the consolidated income statement.

The statement of cash flows has been prepared using the indirect method for determining cash flows from operating activities. Under this method, the net profit for the period is adjusted for the effects of non-monetary transactions, any deferral of operational collections and payments already made, any accrued cash movements, the revenue or costs deriving from cash flows attributable to investment or financing activities. The Group classifies interest and dividends as cash flows from financing activities.

The figures contained in the consolidated financial statements as of 31 December 2017 are expressed in thousands of euros, except where otherwise indicated.

C) ACCOUNTING POLICIES AND PRINCIPLES

The most significant accounting policies are as follows:

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognized at purchase or construction cost, including directly attributable ancillary expenses. Property, plant and equipment are depreciated each year on a straight-line basis over their estimated remaining useful life, as follows:

Buildings and light constructions	10-40 years
Plant and machinery	5-10 years
Industrial and commercial equipment	4 years
Other assets	4-9 years

The residual value and the estimated useful lives of property, plant and equipment are reviewed at the end of each financial year, if not more frequently.

Land is not depreciated since it has an unlimited useful life.

Leasehold improvements, that meet the recognition requirements, are depreciated over their expected useful life or the term of the lease, if this is shorter.

Ordinary maintenance costs are expensed as incurred. When property, plant and equipment need to be replaced at regular intervals, the cost of the part replaced is reversed from the book value of the asset and the cost of the replacement is capitalised in its place.

The carrying amount of property, plant and equipment is checked periodically for impairment losses, in the manner described in the section on impairment of assets.

LEASES

Finance lease contracts are accounted for in accordance with IAS 17. This provides that:

- the cost of the leased assets is recognized under property, plant and equipment and depreciated on a straight-line basis over the assets' estimated useful life; the financial liability to the lessor is recognized for an amount equal to the value of the leased asset;
- the recognition of lease instalments separates the interest element from the principal, which is deemed to represent repayment of the liability to the lessor.

Lease contracts under which the lessor retains substantially all of the risks and benefits of ownership are classified as operating leases, and the related instalments are charged to the income statement on a straight-line basis over the duration of the contract.

INTANGIBLE ASSETS

Bought-in or internally generated intangible assets are recognized when it is likely that their use will generate economic benefits in the future and when their cost can be reliably determined. These assets are recognized at their purchase or production cost.

Intangible assets with finite useful lives are amortised each year on a straight-line basis over their estimated useful lives, as follows:

- Industrial patents and intellectual property rights 3-15 years
- Software, licences and similar rights 5-15 years
- Trademarks 10-20 years
- Development costs 5-15 years

Assets with indefinite useful lives are not amortised but are tested for possible impairment of value on an annual basis, or more frequently if evidence suggests an impairment has occurred.

Research costs are charged to the income statement as soon as they are incurred. Development costs that qualify for capitalization as assets under IAS 38 (in relation to their technical feasibility, the intention and ability of the enterprise to complete, use or sell the assets, the availability of the resources required for the completion of the development project and the ability to measure the expenditure reliably) are generally amortised in relation to their future economic utility. Amortisation begins from the moment the products become available for economic use.

The estimate of useful life is reviewed and adjusted to reflect changes in projected future utility.

Goodwill is the excess of the cost of a business combination over the Group's share of the net fair value of those purchased assets, liabilities and contingent liabilities that can be identified individually and recognized separately. Goodwill is an intangible asset with an indefinite useful life.

Goodwill is not amortised. It is allocated to the related cash-generating units (CGUs) and, pursuant to IAS 36 (Impairment of Assets), undergoes impairment testing annually, or more frequently if events or changed circumstances indicate a probable impairment of value. Subsequent to initial recognition, goodwill is recognized at acquisition price net of any accumulated impairment.

IMPAIRMENT OF ASSETS

A tangible or intangible asset is impaired if its carrying value is greater than the amount that can be recovered from its use or sale. The impairment test required by IAS 36 ensures that tangible and intangible assets are not carried at a value exceeding their recoverable value, which is the higher of their net selling price or their value in use.

Value in use is defined as the present value of the future cash flows expected to be generated from the continuing use of an asset or by the related CGU. The present value of future cash flows is estimated using a pre-tax discount rate that reflects the current estimated market cost of borrowing, which is calculated in relation to the time value of money and the specific risks associated with the asset.

If the carrying amount exceeds recoverable value, the asset or CGU is written down to reflect such recoverable value. This impairment is charged to the income statement.

Impairment tests are carried out when factors internal or external to the company suggest that the value of an asset may have been impaired. In the case of goodwill and other intangible assets with an indefinite useful life, the impairment test must be carried out at least once a year.

If the conditions that led to an impairment cease to apply, the proportional reinstatement of the value of assets previously written down must not exceed the depreciated historical cost that would have been reported had such earlier impairment not been recognized. Writebacks are recognized in the income statement.

International accounting standards prohibit the reversal of impairment losses recognized in relation to goodwill.

FINANCIAL ASSETS

According to IAS 39 financial assets are split into four categories: financial assets at fair value through profit and loss, investments held to maturity, loans and receivables, and financial assets available for sale.

The IMA Group holds available-for-sale securities and equity investments in other companies and financial receivables. Financial assets available for sale are measured at fair value and financial receivables are measured at fair value on initial recognition and subsequently at amortised cost.

At 31 December 2017, the Group did not possess financial instruments measured at fair value in the income statement or investments held to maturity.

HEDGING INSTRUMENTS

The fundamental characteristics of financial instruments are described in the preceding section with regard to financial assets and in the section "Borrowings" with regard to financial liabilities.

The Group mainly uses derivative financial instruments to hedge exchange rate and interest rate risk. The Group does not hold any speculative financial instruments, in accordance with the procedure approved by the Executive Committee.

The Group has opted to account for financial instruments under the hedge accounting rules when:

- at the inception of the operation, the instrument is formally designated as a hedge and the hedging relationship is documented;
- the hedge is expected to be highly effective;
- the effectiveness can be reliably measured and the hedge itself remains highly effective throughout the designated periods.

The Group recognizes cash flow hedges when it is formally documented that they hedge fluctuations in the cash flows deriving from an asset, liability or highly probable forecast transaction (the hedged underlying) that could affect the income statement.

Hedging instruments are measured at their fair value at the reporting date as estimated by independent third parties.

The fair value of foreign exchange derivatives used to hedge future cash flow is calculated in relation to their intrinsic value and their time value; the intrinsic element is recognized in the statement of comprehensive income, whereas the time element is booked directly to income as financial income or expense.

When the underlying element being hedged becomes manifest, the fair value reserve is reversed to the income statement and attributed to the carrying value of the underlying.

The fair value of interest rate derivatives is determined by their market value at the date of designation when it refers to hedging instruments of future cash flows. This is recognized in the fair value reserve in equity and reversed to income when the event associated with the underlying financial charge/income occurs.

Changes in the fair value of instruments that do not satisfy the requirements for hedge accounting under IAS 39 are recognized in the income statement as financial income/expense.

INVENTORIES

Inventories are booked at the lower of cost or their estimated net realizable value. Cost is determined using the weighted average cost method for raw, ancillary and consumable materials and semi-finished products, whereas actual cost is used for other inventory items.

CONTRACT WORK

Contract work is defined in IAS 11 ("Construction Contracts") as a contract specifically negotiated for the construction of an asset or a group of interrelated assets, having regard for their design, technology, function or final use.

Contract costs are recognized in the year they are incurred.

Contract revenue is recognized on a stage-of-completion basis at the reporting date, if the outcome of the construction contract can be estimated reliably. If the outcome of a construction contract cannot be estimated reliably, revenue is recognized only to the extent of the contract costs incurred that are likely to be recovered. Expected losses on a construction contract are recognized as an expense as soon as it becomes probable that total contract costs will exceed total contract revenue.

Revenue from contract work is recognized on a stage-of-completion basis applying the "cost-to-cost" method, which involves establishing the proportion of costs incurred on work performed to date with respect to the estimated total costs of the contract. The valuation reflects the best estimate of the project costs at the balance sheet date. Directors base their estimates on the information generated by the internal system of reporting, forecasting and accounting for the contract; they also examine and, where necessary, revise their estimates of revenues and costs at the various stages of completion of the contract. Any economic effects are recognized in the period that the updates are made.

To provide better support for management's estimates, the Group has set up contract risk management and analysis tools, designed to identify, monitor and quantify the risks relating to the performance of such contract work.

Contract work is shown net of any provisions for write-downs, losses likely to be incurred to finish the contract and advance payments for contract work in progress. This analysis is carried out contract by contract and their presentation in the statement of financial position is as follows:

- the amount due from customers is classified among Trade receivables if the costs incurred plus recognized margins (less recognized losses) exceed the advances received;
- the amount due to customers is classified among Advances if the advances received exceed the costs incurred plus recognized margins (less recognized losses).

TRADE RECEIVABLES AND OTHER RECEIVABLES

Receivables measured at fair value less any impairment loss, the due dates of which are in accordance with normal commercial terms and which accrue interest at market rates, are recorded at their fair value, which is taken to be their nominal value, less a provision for any impairment loss in order to reflect their realisable value.

Receivables falling due beyond a period considered normal commercial practice and not earning explicit interest are recognized at amortised cost using the effective interest rate method, net of any related impairment losses.

Receivables sold without recourse are derecognized from the balance sheet if substantially all of the related risks and rewards have been transferred to the purchaser.

CASH AND CASH EQUIVALENTS

This item includes cash on hand, sight and short-term bank deposits with an original maturity of not more than three months and with no risks. Bank overdrafts repayable on demand are not an integral part of the management of cash and cash equivalents.

TREASURY SHARES

In accordance with IAS 32, treasury shares are classified separately as a direct deduction from shareholders' equity. No gain or loss is recognized in income on the purchase, sale or cancellation of treasury shares.

Any consideration paid or received, including expenses directly attributable to such equity transactions, net of any related tax benefits, is recognized directly in equity.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are set aside to cover current, legal or implicit liabilities deriving from past events, the amount required for the settlement of which can be reasonably estimated at the end of the period.

No provisions are recorded if a liability is considered to be merely potential, although suitable information is provided in the notes to the financial statements.

EMPLOYEE BENEFITS

Employee benefits mainly include the staff severance pay of the Group's Italian companies and pension funds of the Group's German companies.

As a result of the reform of the supplementary pension scheme, introduced by Law 296 of 27 December 2006 (the Finance Act 2007), the Group calculates the actuarial value of severance pay accrued before 2007 without making allowance for any future wage increases. The portion accrued after 31 December 2006 is treated as a defined-contribution plan.

The net liabilities of the Group in relation to the defined-benefit plans are determined separately for each plan, estimating the present value of the future benefits earned by employees during the current and prior years, and deducting the fair value of any assets held to service the plan.

Actuarial gains and losses are recognized in a specific equity reserve. The cost of each plan is determined with reference to demographic and statistical assumptions and on the basis of wage trends.

BORROWINGS

IAS 39 distinguishes between financial liabilities measured at fair value with changes recognized through profit or loss and changes and financial liabilities measured at amortised cost. The Group’s loans are measured at amortised cost using the effective interest method.

At 31 December 2017 the IMA Group does not have financial liabilities at fair value with changes recognized in the income statement.

OTHER PAYABLES

As regards the put & call options on minority interests, the Group recognises a financial liability equal to the current value of the option's strike price, which is classified under Other payables. At the time of initial recognition of the liability, this value is reclassified from equity by reducing minority interests if the terms and conditions of the put & call option already give the Group access to the economic benefits linked to the share of capital under option; the Group therefore accounts for this share as if it had already been purchased. The liability is subsequently remeasured at each closing date in accordance with the provisions of IAS 39.

GOVERNMENT GRANTS

Government grants are recognized when it becomes reasonably certain that the Group will comply with all the conditions established for receipt of the grants, and that such grants will actually be received.

They are recorded using the income method.

TAXES

Income taxes include current and deferred taxes. Income taxes are generally recognized in profit or loss except when they regard items recognized directly in equity. In this case, the related income taxes are also recognized in equity.

Current taxes are taxes which are expected to pay based on the taxable income for the year and are calculated using the tax rate applying in the various countries in which the IMA Group operates.

Deferred tax liabilities are calculated by applying the liability method to temporary differences between the value of consolidated balance sheet assets and liabilities and the corresponding values recognized for tax purposes. Deferred taxes are determined using the tax rate which is expected to apply when the assets are realized or the liabilities settled.

Deferred tax assets are recognized only when it is probable that taxable income in future years will be sufficient to realize them.

Deferred tax assets and liabilities are off-set only when there is a legal entitlement to do so and when they relate to taxes due to the same tax authority.

Provision for taxes that might arise on transferring undistributed earnings of subsidiaries are only made if there is a real intention to transfer such earnings.

Taxes relating to prior periods include revenue and expenses recognized during the year for income tax relating to prior years.

REVENUE RECOGNITION

Revenue is recognized to the extent that the economic benefits are likely to be obtained and the amount concerned can be determined with reasonable accuracy and they are measured at the fair value of the consideration received or receivable, taking into account any discounts. Revenue relating to the sale of products is recognized when substantially all of the risks and rewards of ownership of the goods have been transferred to the purchaser. The moment of transfer of ownership is title or possession of the goods is transferred to the buyer, which generally coincides with shipment. The only exception relates to revenue from construction contracts which, as explained above, are recognized on a percentage-of-completion basis.

DISCONTINUED OPERATIONS/DISPOSAL GROUPS

Non-current assets (or groups of assets being divested) are classified as held for sale if their carrying amount will be recovered essentially through disposal rather than through continued use. These assets are measured at the lower their carrying amount or their fair value, net of selling costs.

Assets and liabilities held for sale are classified separately from other assets and liabilities in the balance sheet. If the assets and liabilities held for sale meet the definition of discontinued operations, their results are reported separately in the income statement, net of tax. In this case, the comparative income statement is restated accordingly.

TRANSLATION OF FOREIGN CURRENCY BALANCES

Functional and presentation currency

The balance sheets, income statements and statements of cash flows of Group companies are prepared using the currency of the primary economic environment in which the companies operate (functional currency). The consolidated financial statements are presented in Euros, the Parent Company's functional and presentation currency.

Transactions and balances

As required by IAS 21, amounts originally denominated in foreign currency are translated into the functional currency and are accounted for as follows:

- monetary items are translated at the spot exchange rate prevailing at the end of the period;
- non-monetary items recognized at historical cost are translated using the exchange rate prevailing at the time of the transaction;
- non-monetary items measured at fair value are translated using the exchange rate prevailing at the time the fair value was determined.

Exchange rate differences realized on the collection of receivables or the settlement of payables denominated in foreign currencies are taken to the income statement. Unrealized exchange differences arising from the translation of monetary items at the year end spot exchange are taken to the income statement.

Group companies

The translation into Euros of the financial statements of foreign companies included within the scope of consolidation is carried out by applying the current exchange rate at the closing date to balance sheet assets and liabilities, and the average exchange rates for the period to items in the income statement.

Exchange rate differences deriving from the translation of initial net equity at the rates current at the end of the period and from the translation of the income statement at the same rates at the end of the period are recognized as a separate component of equity called the translation reserve.

Goodwill arising on the acquisition of a foreign operation is accounted for as an asset of the foreign operation and translated at the spot exchange rate at the balance sheet date, with an opposite entry made to the translation reserve.

The principal exchange rates, as reported by the European Central Bank and used for the translation to Euro of foreign currency amounts, are as follows:

	2017		2016	
Currency	Final exchange rate	Average exchange rate for the year	Final exchange rate	Average exchange rate for the year
US dollar	1.199	1.129	1.054	1.107
GB pound sterling	0.887	0.876	0.856	0.819
Indian rupee	76.605	73.498	71.594	74.372
Chinese yuan	7.804	7.626	7.320	7.352
Swiss franc	1.170	1.111	1.074	1.090

DIVIDENDS

Dividends distributed to shareholders of the Parent Company are recognized as a liability in the consolidated financial statements in the period in which the dividend is approved by the Shareholders' Meeting.

EARNINGS PER SHARE

Basic earnings per share are calculated as the ratio of Group net profit to the weighted average number of ordinary shares outstanding in the period.

USE OF ESTIMATES AND ASSUMPTIONS

When preparing consolidated financial statements, management must use accounting principles and methods which, in some cases, are based on difficult and subjective valuations and estimates, which are based on past experience, and on assumptions that are deemed from time to time as reasonable and realistic on a case-by-case basis.

Application of these estimates and assumptions affects the amounts shown in the financial statements, namely the balance sheet, income statement and cash flow statement, as well as the explanatory notes.

The financial statements items that require a greater subjectivity on the part of the directors in preparing estimates and for which a change in the conditions underlying the assumptions used can have a significant impact on the Group's consolidated financial statements are:

- goodwill and other intangible assets,
- deferred tax assets,
- inventories and contract work,
- liabilities for employee benefits,
- liabilities calculated as the current value of the strike price of options to buy minority interests,
- bad debt provisions,
- provisions for risks and charges.

With reference to goodwill and other intangible assets, the processes and methods for evaluating and determining estimates are based on complex assumptions regarding revenue, operating costs, margins, investments, terminal value growth rates and discount rates, to differentiate for each CGU on the basis of the different markets in which the Group operates.

With reference to contract work, the application of the cost-to-cost method requires a prior estimate of the entire lifetime costs of the individual projects and their updating at each balance sheet date, through the use of assumptions by the directors. These assumptions can be influenced by multiple factors, such as, for example, the time span of several years over which some projects are developed, their high technological level and innovative content, any variances and price revisions, the performance guarantees of the machines, including an estimate of contractual risks, if any. These facts and circumstances make it difficult to estimate the projects' costs to complete and, consequently, to estimate the value of contract work in progress at the balance sheet date.

The parameters used when making estimates are analytically commented on in the section on accounting policies in the notes to the consolidated financial statements.

Estimates and assumptions are regularly revised and the effects of any changes are immediately reflected in the income statement.

SEGMENT INFORMATION

Operating segments have been identified based on the internal reports used by senior management to allocate resources and evaluate the results of each business.

From 30 June 2017, the Group decided to modify its segment information to highlight the Tobacco packaging segment, which was previously included in Tea, Food & Other. This decision derives from the fact that the Tobacco segment has achieved much greater importance and an independent organisational structure; therefore, the Group's segment information pertains to the Tea, Food & Other, Pharmaceutical and Tobacco packaging sectors, aggregated by market. In accordance with IFRS 8 Operating Segments, the information on prior periods has been appropriately restated to ensure full comparability in Note 1, to which reference should be made.

IMPLEMENTATION OF ACCOUNTING STANDARDS

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED ON 1 JANUARY 2017

The accounting standards and amendments effective from 1 January 2017 are as follows:

- IAS 7 Disclosure Initiative – Amendments to IAS 7;
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12;

- annual improvements to IFRSs 2014-2016 Cycle – amendments to IFRS 12 – Disclosure of Interests in Other Entities.

These amendments and changes did not have a significant impact on the Group's balance sheet, income statement and financial position.

ACCOUNTING STANDARDS ISSUED BUT NOT YET IN FORCE

The Group is assessing the impact of the amendments to accounting standards that have been issued but not yet in force. Below are listed the standards and interpretations that were not yet in force at the date of preparation of the Group's consolidated financial statements, even if issued and not adopted early by the Group:

- IFRS 9 - Financial Instruments;
- IFRS 15 - Revenue from Contracts with Customers;
- IFRS 16 - Leases;
- IFRIC Interpretation 22 - Foreign Currency Transaction and Advance Consideration;
- IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments;
- Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions;
- Amendments to IFRS 9 - Payment Features with Negative Compensation;
- Amendments to IAS 40 – Transfer of Investment Property;
- Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement;
- IFRS 1 – First-time Adoption of International Financial Reporting Standards;
- Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures;
- Annual improvements to IFRSs 2015-2017 Cycle.

The Group continued the analysis started in 2016 of the potential impact that adoption of the new standards IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers, and IFRS 16 Leases could have on the balance sheet, financial position, income statement and information contained in the Group's financial statements and notes.

IFRS 15 was issued in May 2014 and introduced a new model for the recognition of revenue deriving from contracts with customers on the basis of the following five steps: (i) identification of the contract with the customer; (ii) identification of performance obligations to be transferred to the customer in exchange for the consideration (iii) identification of the contractual consideration (iv) allocation of the consideration to the individual performance obligations; (v) recognition of revenue when each performance obligation is satisfied.

IFRS 15 provides for the recognition of revenue for an amount that reflects the consideration to which the entity believes to be entitled in exchange for the transfer of goods or services to the customer. The new standard will replace all current requirements found in IFRS regarding the recognition of revenue and is effective for annual periods beginning on or after 1 January 2018. The Group will apply the new standard from the obligatory effective date, using the simplified method of application.

In 2016 and 2017, the Group carried out an assessment of the effects of IFRS 15. This analysis considered the clarifications issued by the IASB in April 2016. As part of the preliminary assessment of the accounting impact of adopting the new standards, we have identified the main revenue streams by analysing IMA S.p.A. and the subsidiaries of the Group:

- machines and contracts in progress;
- change parts;
- spare parts and other materials;
- technical assistance.

From the evaluations carried out, both in terms of quality and quantity, it emerged that the current method of accounting for the revenue stream is substantially consistent with the principles contained in the new standard; therefore, we do not expect any potentially significant impacts on the Group's assets and liabilities, results and financial position.

IFRS 16 was published in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the substance of transactions in the legal form of a lease.

IFRS 16 defines the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize all leases on the balance sheet on the basis of a single model similar to the one used to account for finance leases under IAS 17. The standard will come into force for financial years beginning on or after 1 January 2019. We are not planning to apply the new standards in advance. The Group has begun to carry out an analysis of the potential impact that adoption of the new standard could have on the balance sheet, financial position, income statement and information contained in the Group financial statements and notes. This preliminary assessment may be subject to amendments as a result of a more detailed analysis that is currently underway in 2018. Note that at 31 December 2017 the Group had the following commitments for a total of 148,014 thousand euros, as discussed in Note 31 Commitments:

- future minimum lease payments for non-cancellable operating leases totalling 3,227 thousand euros which mainly relate to cars, with 1,629 thousand euros falling due within one year and 1,598 thousand euros between 1 and 5 years;
- commitments to rent property for 144,787 thousand euros relating to industrial plants, warehouses and offices with 19,999 thousand euros falling due within one year, 69,017 thousand euros between 1 and 5 years and 55,771 thousand euros over 5 years.

Fees paid during the year for operating lease contracts and rentals were 515 thousand euros and 21,072 thousand euros respectively.

IFRS 9 was issued in its final version in July 2015 and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the project on accounting for financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. With the exception of hedge accounting, retrospective application of the standard is required, but it is not obligatory to provide comparative information. As regards hedge accounting, the standard generally applies prospectively, with some limited exceptions. Based on a preliminary assessment of a qualitative nature, we do not expect there to be any potentially significant impacts on the Group's assets and liabilities, results and financial position.

IFRS 2 was amended by the IASB in June 2016 with the aim of clarifying the accounting treatment of certain share-based payment transactions. These changes are applicable from 1 January 2018.

IFRIC 23, issued in June 2017 by the IASB and in force since 1 January 2018, provides indications on how to reflect in the accounting for income taxes the uncertainties regarding the tax treatment of a given situation.

The amendments to IAS 28, issued by the IASB in October 2017, with effect from 1 January 2019, have the purpose of clarifying how companies must use IFRS 9 to represent long-term interests in associates or joint ventures for which the equity method is not applied.

The amendments to IAS 19, issued by the IASB in February 2018, are intended to specify the way in which companies must determine pension costs when changes to a pension plan occur. IAS 19 "Employee Benefits" specifies how a company should account for a defined benefit pension plan. When a change is made to a plan - an adjustment, a reduction or a regulation - IAS 19 requires a company to re-measure the net asset or liability with defined benefits. The changes require a company to use the updated assumptions from this recalculation to determine the current servicing cost and the net interest for the remainder of the reference period after the plan has been changed. The changes will come into force from 1 January 2019.

D) FINANCIAL RISK MANAGEMENT

RISK FACTORS

The Group is exposed to various types of financial risk connected with its business activities, the following in particular:

- Credit risk arising from commercial transactions or financing activities;
- Liquidity risk related to the availability of financial resources and access to the credit market;
- Market risk, specifically:
    a) Exchange rate risk, relating to operations in areas using currencies other than the functional currency;
    b) Interest rate risk, relating to the Group's exposure to interest-bearing financial instruments;
    c) Price risk, associated with changes in the listed price of capital instruments held as financial assets and in commodity prices.

CREDIT RISK

The Credit Management unit is responsible for the operational management of these risks. It is centralized with the Administration, Finance and Control department and operates based on a credit policy that governs:

- the assessment of the customer's credit standing, taking into account the corporate and country credit rating when allowing extended payment terms, including positions backed by adequate bank or insurance guarantees;
- monitoring the related expected cash flows;
- appropriate payment solicitation actions;
- recovery actions.

Writedowns are made by percentage of past due positions, based on times series of insolvency, except for any writedowns of specific receivables. With respect to a breakdown of trade receivables by due date, reference should be made to Note 10.

Financing activities are primarily directed towards Group companies and thus are not considered to be at risk.

It should be noted that at 31 December 2017 the Group was not party to any sovereign debt positions with redemption risks.

Sureties and other non-bank guarantees are given mainly on behalf of wholly-owned subsidiaries to back loans and financing extended by banks or commitments to pay lease instalments.

In the case of financing activities linked to temporary excess liquidity or of the use of financial instruments (derivatives), the Group operates solely with counterparties with high credit standing.

The Group's maximum theoretical credit risk exposure at 31 December 2017 is represented by the carrying amount of the financial assets stated in the financial statements, and by the nominal value of the guarantees given as described in Note 30.

LIQUIDITY RISK

Current difficult conditions in the financial markets make it fundamentally important to maintain adequate liquidity available to meet Group requirements.

The two main factors that determine the Group's liquidity position are, on the one hand, the resources generated or absorbed by operating or investment activities, and on the other, the maturity and renewal characteristics of the debt or the liquidity of the financial instruments used and market conditions.

The treasury units of the individual companies are responsible for managing this risk, based on the guidelines set out by the finance department, under the coordination of the Parent Company's treasury unit.

The Group has adopted a series of policies and processes designed to optimise the management of financial resources, thus reducing liquidity risk. These include:

- maintaining an adequate level of available liquidity;
- obtaining sufficient lines of credit;
- monitoring forecast liquidity conditions in relation to the corporate planning process.

With regard to this type of risk, the Group tends to configure its net debt by financing investments with medium/long-term loans, while meeting current commitments out of the cash flow generated by operations and by using short-term lines of credit.

The following tables shows the composition and maturity of financial and trade payables and commitments:

in thousands of euros	Within 1 year	From 1 to 5 years	Over 5 years	Total
31.12.2017				
Borrowings	108,459	162,259	5,221	275,939
Commitments	31,079	70,956	55,771	157,806
Trade Payables	358,137	–	–	358,137
Total	**497,675**	**233,215**	**60,992**	**791,882**
31.12.2016				
Borrowings	93,538	210,758	10,428	314,724
Commitments	32,305	64,536	62,799	159,640
Trade Payables	327,801	414	–	328,215
Total	**453,644**	**275,708**	**73,227**	**802,579**

Further information on the composition of the above items is provided in Notes 15, 18 and 31.

At 31 December 2017 the Group had about 363 million euros available in unused lines of credit (374 million euros at 31 December 2016) and cash and cash equivalents of 207 million euros (201 million euros at 31 December 2016). As to the balancing of net working capital, especially the coverage of payables to suppliers, net trade receivables came to 325 million euros at 31 December 2017 (309 million euros at 31 December 2016).

MARKET RISK

Exchange rate risk

The current business activities of companies of the Group whose functional currency is the euro, which actively operate in markets outside the euro area, are exposed to exchange rate risk, mainly with respect to sales in the US dollar area.

The Group's policy on exchange-rate risk provides for the use of forward contracts to hedge between 70% and 90% of future transactions denominated in foreign currencies, depending on whether they consist of budgeted flows of sales in foreign currencies or flows from the backlog acquired.

Changes in exchange rates between the date of invoicing and the date of receipt of funds are managed separately, without recourse to hedge accounting, by offset against similar payment flows.

Group investments in foreign subsidiaries are not hedged since the foreign currency positions are considered to be long term.

The following tables contains an analysis of the effects of exchange-rate risk:

			Exchange rate risk (ERR)			
			Increase effect		Decrease effect	
in thousands of euros	Carryng value	Of which subject to ERR	Profits (Losses)	Other changes in FVR	Profits (Losses)	Other changes in FVR
Financial assets:						
Cash and cash equivalents	206,681	56,207	(1,125)	–	1,172	–
Trade and other receivables	389,332	93,007	(1,825)	–	1,587	–
Available for sale and financial receivables	22,915	–	–	–	–	–
Derivative financial instruments	173	173	–	62	–	44
Tax effect			708	(15)	(662)	(11)
			(2,242)	**47**	**2,097**	**33**
Financial liabilities:						
Borrowings	162,671	25,526	334	10	(348)	(11)
Bonds	113,268	35,735	–	–	–	–
Trade and other payables	671,005	109,130	2,169	–	(2,261)	–
Derivative financial instruments	2,151	22	–	(44)	–	(63)
Tax effect			(601)	8	626	18
			1,902	**(26)**	**(1,983)**	**(56)**
Total increases (decreases) for 2017 (*)			**(340)**	**21**	**114**	**(23)**
Total increases (decreases) for 2016 (**)			**217**	**442**	**(534)**	**(456)**

(*) 2017 variability parameters: +/-2% €/$, +/-2% €/£ and +/-2% €/CNY
(**) 2016 variability parameters: +/-2% €/$, +/-2% €/£ and +/-2% €/CNY
Further information on the composition of the above items is provided in Notes 5, 7, 10, 12, 15 and 18.

The variability parameters applied fall within the range of reasonably possible changes in the exchange rate, all other factors being equal.

The following tables show the breakdown by currency of trade and other receivables and payables at 31 December 2017 and 31 December 2016:

in thousands of euros	Net trade receivables	Advances, taxes and other receivables	Trade payables	Advances received	Tax, employee and other payables
Euro	245,247	46,780	331,992	131,405	126,371
US dollar	50,645	2,687	7,324	20,471	7,305
Swiss franc	13,352	1,593	5,399	5,747	4,796
Indian rupee	3,059	2,309	3,080	1,627	1,671
GB Pound sterling	1,524	177	1,663	22	1,111
Thai baht	3,540	2,580	925	4,571	305
Polish zloty	841	32	1,001	326	620
Chinese yuan	3,901	971	4,530	785	2,544
Japanese yen	674	134	250	111	135
Brazilian real	515	193	697	–	487
Russian ruble	259	79	329	560	515
Other	1,668	728	947	436	947
Total at 31 December 2017	**325,225**	**58,263**	**358,137**	**166,061**	**146,807**
Euro	216,287	32,649	297,974	130,920	93,082
US dollar	55,876	2,611	10,289	33,158	5,948
Swiss franc	19,348	1,434	5,458	1,353	10,676
Indian rupee	3,575	2,309	3,698	1,259	1,858
GB Pound sterling	3,336	678	959	2,152	1,782
Thai baht	1,111	3,073	270	608	331
Polish zloty	1,510	64	572	251	676
Chinese yuan	5,762	1,038	6,685	511	2,197
Japanese yen	462	21	407	255	133
Brazilian real	632	194	854	23	513
Russian ruble	304	245	7	171	295
Other	709	205	1,042	9	469
Total at 31 December 2016	**308,912**	**44,521**	**328,215**	**170,670**	**117,960**

Note that, at 31 December 2017, financial receivables and financial assets available for sale are mainly denominated in Euro.

Interest rate risk

In order to conduct its business, the Group raises financing from the market, borrowing primarily at floating interest rates, and is thus exposed to risks relating to rising interest rates.

The objective of interest rate risk management is to contain and stabilize the outflow of interest payments on mainly medium-term debt so as to achieve close correlation between the underlying and the hedging instrument.

Hedging, which is decided on a case-by-case basis, is arranged using derivative contracts, typically the purchase of caps and the sale of floors which, at a certain level, transform the floating rate into a fixed rate.

The following tables contains an analysis the effects of these risks:

			Interest rate risk (IRR)			
			+ 50 bp on € IRR + 50 bp on $ IRR		- 50 bp on € IRR - 50 bp on $ IRR	
in thousands of euros	Carrying value	Of which subject to IRR	Profits (Losses)	Other changes in FVR	Profits (Losses)	Other changes in FVR
Financial assets:						
Cash and cash equivalents	206,681	37,285 (**)	124	–	(6)	–
Trade and other receivables	389,332	–	–	–	–	–
Available for sale and financial receivables	22,915	2,934	16	–	(16)	–
Derivative financial instruments	173	–	–	–	–	–
Tax effect			(34)	–	5	–
			106	**–**	**(17)**	**–**
Financial liabilities:						
Borrowings	162,671	167,452 (**)	(933)	–	933	–
Bonds	113,268	–	–	–	–	–
Trade and other payables	671,005	–	–	–	–	–
Derivative financial instruments	2,151	2,151	–	296	–	(332)
Tax effect			224	(71)	(224)	79
			(709)	**225**	**709**	**(253)**
Total increases (decreases) for 2017			**(603)**	**225**	**692**	**(253)**
Total increases (decreases) for 2016 (*)			**(407)**	**(67)**	**566**	**(568)**

(*) 2016 variability parameters +/- 50 bp €/$
(**) Annual average.
Further information on the composition of the above items is provided in Notes 5, 7, 10, 12, 15 and 18.

The variability parameters applied fall within the range of reasonably possible changes in the interest rate, all other factors being equal. Exchange rate and interest rate risk management is carried out in line with the risk management policy approved by the Executive Committee of the Parent Company.

Price risk

At 31 December 2017 the Group is not exposed to price risk on investments in listed capital instruments classified in the financial statements as "available for sale". The Group is not exposed to significant price risk in relation to commodities.

CAPITAL RISK MANAGEMENT

The Group manages capital with the goal of supporting its core business and optimising value for shareholders by maintaining an appropriate capital structure and reducing its cost.

The Group monitors its capital with reference to the gearing ratio, which is the ratio between its net debt and its equity:

in thousands of euros	2017	2016
Net debt (A)	50,053	99,940
Equity (B)	390,524	270,184
Total capital (A)+(B)=(C)	440,577	370,124
Gearing ratio (A)/(C)	**11%**	**27%**

In relation with the change in net debt, please read Note 15.

FAIR VALUE

IFRS 13 establishes the following fair value hierarchy to be used when measuring the financial instruments shown in the balance sheet:

- Level 1: quoted prices in active markets;
- Level 2: inputs other than the quoted prices of Level 1 that are observable on the market, either directly (prices) or indirectly (derived from prices);
- Level 3: inputs that are not based on observable market data.

The following table shows the assets and liabilities measured at fair value at 31 December 2017 and 31 December 2016 by fair value hierarchy level:

in thousands of euros	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets available for sale	–	–	10,370	10,370
Derivative financial instruments	–	173	–	173
Total assets at 31 December 2017	**–**	**173**	**10,370**	**10,543**
Liabilities:				
Payables for acquisitions	–	–	34,269	34,269
Derivative financial instruments	–	2,151	–	2,151
Total liabilities at 31 December 2017	**–**	**2,151**	**34,269**	**36,420**

in thousands of euros	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets available for sale	–	14	6,512	6,526
Derivative financial instruments	–	218	–	218
Total assets at 31 December 2016	**–**	**232**	**6,512**	**6,744**
Liabilities:				
Payables for acquisitions	–	–	18,998	18,998
Derivative financial instruments	–	3,416	–	3,416
Total liabilities at 31 December 2016	**–**	**3,416**	**18,998**	**22,414**

Investments in other companies and investments in securities held as financial assets available for sale are measured at fair value and the related unrealized gains and losses are recognized as part of other comprehensive income, except as discussed in Note 5 in relation to Mint Street Holding S.p.A. (formerly InterMedia Holding S.p.A.).

During 2017, there were no transfers between the three levels of the fair value hierarchy laid down in IFRS 13. There have not been any significant changes in the commercial or economic circumstances which affect the fair value of financial assets and liabilities.

The following table shows the changes in level 3:

in thousands of euros	Assets	Liabilities
Balance at 01.01.2016	4,471	32,314
Profits / (losses) recognized in the income statement	–	69
Acquisition of Medtech business	–	7,449
Acquisition of Telerobot S.p.A.	45	2,625
Early exercise of the option purchase of 20% of Dairy&Food business	–	(22,959)
Increases / (decreases)	1,996	(500)
Balance at 31.12.2016	**6,512**	**18,998**
Profits / (losses) recognized in the income statement	(364)	159
Measurement at fair value recognized in OCI	226	–
Acquisition of MAI S.A.	–	2,481
Acquisition of Eurosicma S.p.A.	–	18,218
Acquisition of Mapster S.r.l.	11	–
Amounts paid as earn-out	–	(5,587)
Increases / (decreases)	3,985	–
Balance at 31.12.2017	**10,370**	**34,269**

Information about the methods used to calculate fair value is provided in Note 5 on financial assets, in Note 15 on borrowings and Note 29 on payables for acquisitions, essentially represented by options for the purchase of the residual quotas of the Teknoweb and Medtech businesses and of the companies Telerobot S.p.A., IMA MAI S.A. and Eurosicma S.p.A.

E) CONSOLIDATION PRINCIPLES

Subsidiaries

Companies are subsidiaries when the Group is exposed or has the right to variable returns deriving from its relationship with the investee and, at the same time, is able to influence such returns by exercising its power over that entity. The general presumption is that the ability to exercise the majority of voting rights represents control. In support of this presumption and when the Group holds less than the majority of voting (or similar) rights, the Group considers all significant facts and circumstances in order to determine if it controls the investee, including contractual agreements with other holders of voting rights, rights deriving from contractual agreements and potential voting rights.

The financial statements of subsidiaries are consolidated on a line-by-line basis from the date on which control is acquired until the date such control ceases. Under IFRS 3, the subsidiaries acquired by the Group are accounted for using the purchase method, which establishes that:

- the consideration transferred in a business combination is measured at fair value, calculated as the sum of the fair value of assets transferred and liabilities assumed by the Group at the date of acquisition and equity instruments issued in exchange for control of the acquiree. The charges relating to the transaction are recognized in the income statement when they are incurred;
- the excess of purchase cost over the fair value of net assets attributable to the Group is accounted for as goodwill;
- should purchase cost be lower than the fair value of the subsidiary's net assets attributable to the Group, such difference is directly recognized in the income statement.

Minority (or "non-controlling") interests in equity and net profit are shown as separate items in the consolidated balance sheet and income statement, respectively.

If a subsidiary is not wholly owned, the minority interest in equity is determined with reference to its portion of the fair value of assets and liability at the time control was acquired, excluding any attributable goodwill (partial goodwill method). Alternatively, the entire amount of the goodwill generated by the acquisition is recognized, taking account of the portion attributable to the minority interest (full goodwill method); in this last case, the minority interest is stated at its total fair value, including the goodwill attributable to it. The choice of method for determining the amount of goodwill (partial goodwill method or full goodwill method) is decided on a case-by-case basis for each business combination.

Payables, receivables, costs and revenue between the companies included in the scope of consolidation, as well as the effects of all material transactions between them, have been eliminated on consolidation.

Specifically, unrealized gains with third parties deriving from transactions between Group companies have been eliminated, including those from the valuation of inventories at the reporting date.

Associated companies

An associate is a company over which the Group exercises significant influence. Significant influence means the power to participate in the determination of financial and operating policies, without exercising control or joint control.

Such influence is presumed to exist when the Group holds an interest of between 20% and 50% of voting rights. The consolidated financial statements include the share of the net profits and losses of associated companies, valued using the equity method, from the date on which significant influence begins until the date that it ends.

Profits and losses pertaining to the Group after the purchase of associates are recognized in the income statement.

Equity investments in associates are initially recorded at purchase cost. Any excess of purchase cost over the Group's proportional share of the fair value of the net assets acquired is included in the value of the investment.

Joint venture

A joint venture is a joint arrangement whereby the parties that exercise joint control have rights to the net assets of the arrangement. Joint control arises under a contractual agreement to share control over an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of all the parties sharing control.

Investments in joint ventures are recognized using the equity method.

F) SCOPE OF CONSOLIDATION

The consolidated financial statements at 31 December 2017 include the financial and operating information of I.M.A. Industria Macchine Automatiche S.p.A. (Parent Company) and of all the companies over which it exercises direct or indirect control.

A list of the companies included in the consolidation is provided in paragraph H of the Notes, with an indication of the consolidation method used.

The following are the main events that took place in 2017:

- on 4 January 2017 IMA SpA completed the closing for the purchase of a 70% stake in MAI S.A., based in Argentina, which manufactures and sells machines for the packaging of tea and herbal teas in filter bags. IMA has also been granted an option to buy 100%, which can be exercised in April 2021;
- on 20 April 2017, IMA, through its subsidiary GIMA S.p.A., completed the acquisition of 80% of Mapster S.r.l. This company, which is based in Parma, is an important player in the design, manufacture and marketing of automatic machines for the filling and packaging of single-serve coffee capsules;
- on 25 July 2017, IMA reached closing for the purchase of 60% of Eurosicma S.p.A., based in Milan, which manufactures and markets automatic machines and systems for horizontal flowpack and fold packaging for the food, cosmetics and pharmaceutical industries. IMA has signed put and call options for the other 40%, to be exercised by April 2027.

See Note 29 "Business combinations" for further information.

It should be noted that on 28 June 2017, GIMA TT S.p.A., a 70% subsidiary of the Parent Company, submitted to Borsa Italiana S.p.A. a request for issuance of an opinion on its eligibility for listing of its shares on the MTA, pursuant to the Regulation of the markets organised and run by Borsa Italiana S.p.A.;together with IMA, it filed a request to the National Commission for Companies and the Stock Exchange for approval of its Registration Document, drawn up pursuant to art. 113 of Legislative Decree no. 58 of 24 February 1998 and art. 52 of the Regulation adopted by Consob with resolution no. 11971 of 14 May 1999. On 15 September 2017, GIMA TT S.p.A. received Consob's approval of the Prospectus for admission to trading of the ordinary shares of GIMA TT S.p.A. on the STAR segment of the Mercato Telematico Azionario (MTA or screen-traded equities market). Consob's approval follows the measure of 14 September 2017 by which Borsa Italiana S.p.A. approved the admission to listing of the shares on the MTA.

The offering, which was addressed exclusively to institutional investors ("Institutional Placement") with a view to admission to trading of GIMA TT S.p.A.'s shares on the STAR segment of the MTA, was concluded successfully with the allocation of the maximum number of shares foreseen, i.e. 33,880,000, equal to 38.5% of the company's share capital.

Trading in its shares began on the STAR segment of the MTA on 2 October 2017. The offering price of the shares was set at Euro 12.5 per share and on this basis GIMA TT S.p.A. was capitalised at 1,100 million euros.

The total gross proceeds from IMA S.p.A.'s exclusive Institutional Placement amounted to approximately 109,085 thousand euros.

At the end of these operations, IMA S.p.A.'s holding in the share capital of GIMA TT S.p.A. has decreased from 70% to 60.084%. See Note 14 for further information.

G) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The changes reported below have been calculated on figures at 31 December 2016 for balance sheet items and on figures for the year 2016 for income statement items.

1. SEGMENT INFORMATION

Operating segments have been identified based on the internal reports used by senior management to allocate resources and evaluate the results of each business.

From 30 June 2017, the Group decided to modify its segment information to highlight the Tobacco packaging segment, which was previously included in Tea, Food & Other. This decision derives from the fact that the Tobacco segment has achieved much greater importance and an independent organisational structure. In accordance with IFRS 8 Operating Segments, the information on prior periods has been appropriately restated to ensure full comparability.

The Group's activities comprise the following operating segments:

Tea, Food & Other segment

It produces machines for the packaging of tea and herbal teas in filter bags and the packaging of coffee in pods for the food & beverage sector, for the personal care sector, for end-of-line equipment, for the dairy sector and for stock cubes and for primary packaging in the food sector with the use of flexible material (horizontal and vertical flow packs) for assembling medical products plus related services.

Operations in this sector are mainly carried out by these companies:

- IMA S.p.A. manufactures:
  - machines for the packaging of tea and herbs in filter bags and the packaging of coffee in pods, through the Tea & Herbs Division;
  - end-of-line machines through the BFB Division;
- Corazza S.p.A. produces machines and plant for the dosing and packaging of cheese portions and stock cubes;
- Eurosicma S.p.A. and Eurotekna S.r.l. manufacture machines and systems for horizontal flowpack and fold packaging for the food and cosmetics industries;
- Hassia Verpackungsmaschinen GmbH, GASTI Verpackungsmaschinen GmbH, Benhil GmbH, Hassia Packaging Pvt. Ltd., Hamba Filltec GmbH & Co. KG, Erca S.A. and Erca-Formseal Ibérica S.A. produce machines for forming, filling and sealing, for containers and sticks, for ultraclean closure and wrappers;
- GIMA S.p.A. produces machines for the coffee, food & beverage and personal care sectors;

- Ilapak International SA, Ilapak Italia S.p.A., Ilapak (Beijing) Packaging Machinery and Delta Systems & Automation Inc. produce automated machines and lines for flexible food and non-food packaging, using horizontal and vertical packaging technologies;
- IMA MAI S.A. manufactures machines for the packaging of tea and herbal teas in filter bags;
- IMA Medtech Switzerland SA, IMA Automation USA Inc. and IMA Automation Malaysia Sdn. Bhd. manufacture machines for assembling medical products for self-medication, such as inhalers, insulin syringes and injection systems;
- Mapster S.r.l. manufactures automatic machines for the filling and packaging of single-serve coffee capsules;
- Revisioni Industriali S.r.l. refurbishes second-hand machines for processed cheese and tea and herbs in filter bags;
- Teknoweb Converting S.r.l. produces machines for the production of wet wipes (converting sector);
- Telerobot SpA manufactures machinery for the assembly of plastic materials in the caps and closures sector.

<u>Pharmaceutical</u>

Machines for the packaging of pharmaceutical capsules and tablets in blisters and bottles, machines for filling bottles and vials with liquid and powdered products in sterile and non-sterile environments, machines for freeze-drying, tube-filling and cartoning, systems for the production of tablets and capsules and for coating and granulation, as well as related services. Operations in this sector are mainly carried out by these companies:

- IMA S.p.A. manufactures:
  - blister-pack machines, machines for the packaging of gelcaps, capsules and tablets and cartoning machines through IMA Safe division;
  - machines for the filling of flacons and vials with liquid products and powders under sterile and non-sterile conditions and freeze-drying systems through IMA Life division;
  - tablet pressing machines, capsule filling machines, coating and granulating machines, machines for the movement of powders and depowdering of tablets through the IMA Active division;
- CO.MA.DI.S. S.p.A. manufactures tube-filling machines for the pharmaceuticals, cosmetics, chemicals and food industries;
- G.S. Coating Technologies S.r.l. manufactures coating machines;
- IMA Life The Netherlands B.V., IMA Life North America Inc. and IMA Life (Beijing) Pharmaceutical Systems Co. Ltd. manufacture freeze-drying plants for the pharmaceutical industry;
- IMA-PG India Pvt Ltd. operates in the production of blister and cartoning machines, mainly for the emerging nations;
- IMA Swiftpack Ltd. and IMA North America Inc. manufacture machines for the bottling of capsules and tablets for the pharmaceutical industry;
- Pharmasiena Service S.r.l. produces filling systems for phials and syringes under sterile conditions;
- Shanghai Tianyan Pharmaceutical Machinery Co. Ltd. produces filling systems under sterile conditions.

<u>Tobacco packaging</u>

It designs, manufactures and markets machines and plants for tobacco packaging and related services. Activities in this sector are carried out by GIMA TT S.p.A.

ANALYSIS BY BUSINESS SEGMENT

Information by business segment for 2017 and 2016 is shown below:

	2017				
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Not allocated (*)	Total
Revenue	727,094	565,875	151,761	–	1,444,730
Segment operating profit	20,071	83,914	61,233	–	165,218
Net financial income (expense) (**)					(15,915)
Profit (loss) from investments accounted for using the equity method	522	789	–	(30)	1,281
Profit before taxes					150,584
Taxes					(51,159)
Profit for the year					99,425

	2016				
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Not allocated (*)	Total
Revenue	658,766	551,686	100,394	–	1,310,846
Segment operating profit	28,322	73,367	39,652	–	141,341
Net financial income (expense) (**)					6,286
Profit (loss) from investments accounted for using the equity method	–	1,576	–	(50)	1,526
Profit before taxes					149,153
Taxes					(47,761)
Profit for the year					101,392

(*) Not allocated amount relate to investments not directly attributable to the operating sectors.

(**) Financial income and expense have not been allocated to the individual operating segments as it is not possible to indicate specific amounts for each segment; this breakdown is not used in internal reporting.

The following table gives a breakdown of revenue by business segment, with changes in revenues over the corresponding period of 2016:

in thousands of euros	2017	2016	Change
Tea, Food & Other	727,094	658,766	68,328
Pharmaceutical	565,875	551,686	14,189
Tobacco packaging	151,761	100,394	51,367
Total	**1,444,730**	**1,310,846**	**133,884**

Consolidated revenue in 2017 amounted to 1,444,730 thousand euros, an overall increase of 10.2%, of which 8.3% due to the organic growth, with respect to the previous year.

Revenue by segment is discussed below:

- the Tea, Food & Other sector recorded a 10.4% increase in revenue over the previous year, thanks to the contribution of the Maisa, Mapster and Eurosicma businesses (25,322 thousand euros) generally confirming the strong leadership position held by the Group in these niche markets;
- the Pharmaceutical sector shows an increase in revenue of 2.6%;
- the Tobacco sector is showing strong growth (+51.2%) compared with the previous year, confirming the success of the product.

No one third-party customer represents 10% or more of consolidated revenue.

The following table shows operating profit by segment:

in thousands of euros	2017	2016	Change
Tea, Food & Other	20,071	28,322	(8,251)
Pharmaceutical	83,914	73,367	10,547
Tobacco packaging	61,233	39,652	21,581
Total	**165,218**	**141,341**	**23,877**

The operating profit of the Tea, Food & Other sector amounted to 20,071 thousand euros (2.8% of revenue) compared with 28,322 thousand euros in 2016 (4.3% of revenue), after having deducted non-recurring charges of 11,986 thousand euro (5,477 thousand euros the previous year).

The Pharmaceutical sector has seen a sharp increase over the previous year as a result of higher profitability of contracts due to an improved sales margins of certain products that have achieved the expected levels of profitability.

The operating profit of the Tobacco sector has grown considerably (+56.5%) compared with the previous year, mainly due to the increase in sales volumes.

The tables below provide other income statement information regarding Group operations by sector for 2017 and 2016:

	2017			
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
Amortization, depreciation, impairment and writedowns	30,497	11,086	466	42,049
Other non-monetary costs (revenues)	2,447	2,663	1,562	6,672

	2016			
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
Amortization, depreciation, impairment and writedowns	27,202	10,144	469	37,815
Other non-monetary costs (revenues)	4,454	7,013	793	12,260

Capital expenditure by operating segment are as follows:

in thousands of euros	2017	2016
Tea, Food & Other	62,098	43,015
Pharmaceutical	17,857	13,760
Tobacco packaging	3,140	492
Total	**83,095**	**57,267**

As regards the allocation of the goodwill recognized in 2017 in connection with the Maisa, Mapster and Eurosicma businesses for 41,827 thousand euros, attributable to the Tea, Food & Other sector, see Note 3.

Balance sheet information at 31 December 2017 is shown below:

	31 December 2017				
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Not allocated (*)	Total
Segment operating assets	700,964	389,590	69,331	–	1,159,885
Investments accounted for using the equity method	17,730	11,936	–	10,659	40,325
Financial assets	–	2,438	–	20,477	22,915
Deferred tax assets					67,879
Income tax receivables					9,396
Cash and cash equivalents					206,681
Total assets					1,507,081

	31 December 2017				
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Not allocated (*)	Total
Segment operating liabilities	378,518	320,078	66,759	–	765,355
Borrowings					275,939
Deferred tax liabilities					61,528
Income tax liabilities and other provision for risks					13,735
Total liabilities					1,116,557

Balance sheet information at 31 December 2016 is shown below:

	31 December 2016				
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Not allocated (*)	Total
Segment operating assets	625,501	388,888	48,341	–	1,062,730
Investments accounted for using the equity method	2,022	11,887	–	9,105	23,014
Financial assets	–	1,500	–	15,205	16,705
Deferred tax assets					64,916
Income tax receivables					7,985
Cash and cash equivalents					201,081
Total assets					1,376,431

	31 December 2016				
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Not allocated (*)	Total
Segment operating liabilities	353,414	299,085	61,356	–	713,855
Borrowings					314,724
Deferred tax liabilities					62,135
Income tax liabilities and other provisions for risks					15,533
Total liabilities					1,106,247

Analysis by geographical area

The revenue of the IMA Group is analyzed below by geographical area:

in thousands of euros	2017	2016	Change
European Union (excluding Italy)	449,563	395,450	54,113
Other European countries	118,812	97,328	21,484
North America	247,003	218,690	28,313
Asia & Middle East	312,300	294,646	17,654
Other countries	151,818	128,633	23,185
Total exports	**1,279,496**	**1,134,747**	**144,749**
Italy	165,234	176,099	(10,865)
Total	**1,444,730**	**1,310,846**	**133,884**

Revenue is allocated according to the geographical area of the invoiced customer. The changes in the breakdown of revenue by geographical area are discussed below:

- revenue from European Union countries, excluding Italy, is growing in Germany, United Kingdom, Romania, Poland, and Spain;
- sales in other European countries are increasing compared with the previous year, especially in Russia and Switzerland;
- North America is growing significantly in a context essentially without significant local competition;
- Asia & Middle East grew by 6% overall, confirming the importance of this market that always generates more than 20% of the Group's sales, confirming past trends. The progress in local economies is generating an improvement in production standards closer to those of the West and as a consequence a demand for machinery more in line with what we can offer. In particular, there has been growth in Turkey, Indonesia and Vietnam;
- revenue from other countries reflects a variety of trends with growth in Algeria, Argentina, Colombia and South Africa;
- the fall in Italy was solely due to the lower number of projects with respect to the prior year. These fluctuations recur annually since revenue depends on the level of investment projects of the pharmaceutical companies, which is inevitably unstable in a small market like Italy.

Non-current assets other than unallocated financial instruments and deferred tax assets of the IMA Group analyzed by geographical area are as follows:

in thousands of euros	31.12.2017	31.12.2016
Italy	253,688	194,946
European Union (excluding Italy)	141,101	147,694
Other European countries	41,011	44,847
North America	35,664	35,604
Asia & Middle East	24,923	26,685
Other countries	8,335	422
Total	**504,722**	**450,198**

Operations are allocated to the geographical areas in which they are located.

REVENUE BY BUSINESS CATEGORY

Lastly, the IMA Group's revenue is analyzed by business category as follows:

in thousands of euros	2017	2016	Change
Machines and change parts	403,522	407,439	(3,917)
Construction contracts	696,930	583,751	113,179
Spare parts and other materials	206,516	202,921	3,595
Technical assistance	115,499	97,276	18,223
Other services	22,263	19,459	2,804
Total	**1,444,730**	**1,310,846**	**133,884**

2. PROPERTY, PLANT AND EQUIPMENT

The changes during the year were as follows:

in thousands of euros	Land	Buildings and leasehold improv.	Plant and machinery	Industrial & comm. equipment	Other assets	Assets under construction and advances	Total
Balances at 01.01.16							
Gross amount	11,109	60,551	52,902	29,287	37,507	2,635	193,991
Accumulated depreciation and write-downs	(18)	(24,694)	(39,354)	(24,501)	(29,926)	–	(118,493)
Balances at 01.01.16	**11,091**	**35,857**	**13,548**	**4,786**	**7,581**	**2,635**	**75,498**
Additions	548	4,650	2,069	2,171	3,591	7,264	20,293
Sales and eliminations	–	(2)	(220)	(25)	(101)	–	(348)
Change in scope of consolidation	–	2,114	592	35	541	232	3,514
Depreciation	–	(4,146)	(3,132)	(1,828)	(2,581)	–	(11,687)
Reclassifications and other changes	1,468	(5)	1,271	289	1	(2,435)	589
Exchange rate difference	(41)	61	–	27	84	185	316
Balances at 31.12.16	**13,066**	**38,529**	**14,128**	**5,455**	**9,116**	**7,881**	**88,175**
Balances at 01.01.17							
Gross amount	13,086	68,760	56,920	31,902	41,661	7,881	220,210
Accumulated depreciation and write-downs	(20)	(30,231)	(42,792)	(26,447)	(32,545)	–	(132,035)
Balances at 01.01.17	**13,066**	**38,529**	**14,128**	**5,455**	**9,116**	**7,881**	**88,175**
Additions	83	6,641	4,172	2,090	5,406	2,742	21,134
Sales and eliminations	(782)	(341)	(266)	(21)	(69)	–	(1,479)
Change in scope of consolidation	31	231	1,470	42	196	–	1,970
Depreciation	–	(4,550)	(3,509)	(2,027)	(3,066)	–	(13,152)
Reclassifications and other changes	–	6,153	1,801	274	(177)	(7,002)	1,049
Exchange rate difference	(324)	(984)	(622)	(88)	(221)	(366)	(2,605)
Balances at 31.12.17	**12,074**	**45,679**	**17,174**	**5,725**	**11,185**	**3,255**	**95,092**
Gross amount	12,094	80,136	62,730	35,124	42,879	3,255	236,218
Accumulated depreciation and write-downs	(20)	(34,457)	(45,556)	(29,399)	(31,694)	–	(141,126)
Balances at 31.12.17	**12,074**	**45,679**	**17,174**	**5,725**	**11,185**	**3,255**	**95,092**

Land and buildings refer to the following Group companies:

	Land		Buildings	
in thousands of euros	31.12.2017	31.12.2016	31.12.2017	31.12.2016
IMA S.p.A.	1,757	1,674	1,588	1,638
Delta Systems & Automation Inc.	1,153	1,312	4,980	–
Erca S.A.	2,000	2,000	1,937	2,108
GIMA S.p.A.	573	573	1,068	1,114
Hassia Packaging Pvt. Ltd.	45	48	641	720
Hassia Verpackungsmaschinen GmbH	111	111	838	889
Ilapak Inc.	158	180	957	1,163
Ilapak Italia S.p.A.	450	450	1,738	1,808
Ilapak Ltd.	–	800	–	339
Ilapak Sp. Z o.o.	459	434	929	908
Ilapak Verpackungsmachinen GmbH	115	115	512	527
IMA France Eurl	183	183	393	412
IMA-PG India Pvt. Ltd.	2,062	2,209	1,379	1,545
Società del Sole S.r.l.	2,977	2,977	–	–
Other	31	–	215	16
Total	**12,074**	**13,066**	**17,175**	**13,187**

Leasehold improvements totalled 28,504 thousand euros (25,342 thousand euros at 31 December 2016).

The increases in buildings and leasehold improvements mainly relate to the costs incurred to expand and improve buildings leased by the Parent Company, 4,452 thousand euros (3,228 thousand euros in 2016), and for the completion of a production site in Arkansas (USA) by Delta Systems & Automation Inc. for 647 thousand euros.

The other increases principally relate to the purchase of plant, machinery and electronic machines.

Disposals during the year included the sale by Ilapak Ltd. of the building in Hayes (UK). This transaction generated a gain of 969 thousand GB pounds sterling.

The change in the scope of consolidation reflects the acquisition of MAI S.A. and of Eurosicma S.p.A., Eurotekna S.r.l. and O.A.SYS. S.r.l., as discussed in Note 29.

The reclassifications and other changes essentially reflect the completion of the above mentioned building in Arkansas (USA).

“Other assets” comprise:

in thousands of euros	31.12.2017	31.12.2016
Electronic office machines	5,821	3,708
Office furniture and fittings	2,956	3,038
Vehicles	1,842	1,715
Other	566	655
Total	**11,185**	**9,116**

The net book value of assets under finance lease is broken down by category as follows:

in thousands of euros	31.12.2017	31.12.2016
Land	335	317
Buildings	935	918
Industrial and commercial equipments	1	19
Other	537	461
Total	**1,808**	**1,715**

At 31 December 2017 leased assets essentially relate to the contract for the factory in Krakow (Poland) used by Ilapak Sp. Z o.o.; this contract was signed with BZ WBK Finanse & Leasing S.A. in 2009 and expires in February 2019.

See Note 15 for information on future minimum payments.

Financial charges directly attributable to property, plant and equipment are generally recognized in the income statement because the Group does not have any assets that normally take a substantial period of time to make ready for use.

There are no restrictions on ownership or tangible assets pledged as security for liabilities. There are no internal or external elements to suggest that assets have suffered an impairment in value.

3. INTANGIBLE ASSETS

The changes during the year break down as follows:

in thousands of euros	Development costs	Industrial patent rights	Software licences, trademarks and similar	Goodwill	Assets under dev. and advances	Total
Balances at 01.01.16						
Gross amount	178,112	21,676	125,773	135,605	10,834	472,000
Accumulated amortization and write-downs	(77,800)	(16,970)	(55,787)	–	–	(150,557)
Balances at 01.01.16	**100,312**	**4,706**	**69,986**	**135,605**	**10,834**	**321,443**
Additions	5,041	2,326	3,083	–	5,056	15,506
Sales and eliminations	–	(108)	(3)	–		(111)
Changes in scope of consolidation	376	178	377	–	–	931
Acquisition of business divisions/companies	4,225	–	–	17,243	–	21,468
Amortization	(16,535)	(1,513)	(8,080)	–	–	(26,128)
Reclassifications and other changes	7,144	–	–	(300)	(7,144)	(300)
Exchange rate difference	(1)	4	9	(46)	(2)	(36)
Balances at 31.12.16	**100,562**	**5,593**	**65,372**	**152,502**	**8,744**	**332,773**
Balances at 01.01.17						
Gross amount	196,064	23,987	130,431	152,502	8,744	511,728
Accumulated amortization and write-downs	(95,502)	(18,394)	(65,059)	–	–	(178,955)
Balances at 01.01.17	**100,562**	**5,593**	**65,372**	**152,502**	**8,744**	**332,773**
Additions	3,605	1,703	5,387	–	9,439	20,134
Sales and eliminations	–	(113)	(1)	–	–	(114)
Changes in scope of consolidation	196	66	36	–	–	298
Acquisition of business divisions/companies	–	–	–	41,827	–	41,827
Amortization	(17,001)	(1,634)	(8,251)	–	–	(26,886)
Write-downs/Impairment	–	(34)	–	–	(2,904)	(2,938)
Reclassifications and other changes	2,598	–	2	(1,710)	(2,600)	(1,710)
Exchange rate difference	(15)	(34)	(101)	(980)	(92)	(1,222)
Balances at 31.12.17	**89,945**	**5,547**	**62,444**	**191,639**	**12,587**	**362,162**
Gross amount	202,060	25,287	134,680	191,639	12,587	566,253
Accumulated amortization and write-downs	(112,115)	(19,740)	(72,236)	–	–	(204,091)
Balances at 31.12.17	**89,945**	**5,547**	**62,444**	**191,639**	**12,587**	**362,162**

Development costs include the costs incurred for unpatented technology, the useful life of which has been estimated to be between 5 and 10 years and is attributable to the following acquisitions:

- the Medtech business, acquired in 2016, 2,746 thousand euros;
- the Dairy&Food business acquired in 2015, 39,521 thousand euros;
- DOSA S.r.l. and G.S. Coating Technologies S.r.l. businesses, purchased in 2014, for 273 thousand euros and 1,150 thousand euros respectively;
- Ilapak Group, which took place in 2013, for 9,371 thousand euros;
- Dairy&Convenience Food business of the Corazza Group, occurred in 2011, for 5,487 thousand euros.

In addition, this caption includes costs of 13,267 thousand euros incurred by the Parent Company on projects related to the Pharmaceutical sector and of 2,452 thousand euros on the development for the Tea sector.

As also mentioned in the report on operations, research and development costs that do not meet the requirements for capitalization were charged to profit and loss for an amount of 53,995 thousand euros (48,147 thousand euros in the previous period).

Industrial patents and intellectual property rights include costs incurred for the acquisition of rights deriving from applications for industrial patents, stated net of related amortisation. The increase is primarily due to the expenses incurred for the extension and maintenance of patents in other countries.

Software, licences, trademarks and other rights primarily include operating and technical software applications and intangible assets linked to the "customer list" of 24,029 thousand euros, 6,422 thousand euros and 4,838 thousand euros respectively. They arose on the acquisition of the Dairy&Food business, the Ilapak Group and the Corazza Group. This caption also includes trademarks totalling 16,937 thousand euros that relate to the Dairy&Food business.

The increases during the year principally related to acquisition by the Parent Company of software and licenses relating to the commercial, marketing, administrative, logistics and technical areas.

Goodwill comprises the following:

in thousands of euros	31.12.2017	31.12.2016
Tea, Food & Other:		
CGU B.F.B. S.p.A.	1,788	1,788
CGU Eurosicma	31,561	n.a.
CGU GIMA S.p.A.	1,658	1,658
CGU Corazza Group	18,863	18,863
CGU Dairy&Food Group	24,717	24,717
CGU Ilapak Group	4,117	4,117
CGU Teknoweb Group	13,281	13,281
CGU MAI S.A.	7,432	n.a.
CGU Mapster S.r.l.	2,834	n.a.
CGU Medtech	9,871	11,581
CGU Naturapack S.r.l.	8,723	8,723
CGU TEAMAC	749	749
CGU Telerobot S.p.A.	4,913	4,913
	130,507	**90,390**
Pharmaceutical:		
CGU CO.MA.DI.S. S.p.A.	3,782	3,782
CGU DOSA S.r.l.	840	840
CGU G.S. S.r.l. Coating System	7,402	7,402
CGU G.S. Coating Technologies S.r.l.	597	597
CGU Edwards Group	23,079	23,079
CGU Nova Group	13,391	14,290
CGU ICO OLEODINAMICI S.p.A.	1,567	1,567
CGU MKCS Inc.	581	662
CGU Pharmasiena Service S.r.l.	2,073	2,073
CGU Precision Gears Ltd.	4,027	4,027
CGU Shanghai Tianyan	854	854
CGU Zanchetta S.r.l.	2,939	2,939
	61,132	**62,112**
Total	**191,639**	**152,502**

The goodwill recognized on acquisitions of MAI S.A., Mapster S.r.l. and Eurosicma is discussed in Note 29.

The reduction in the value of the Medtech CGU goodwill of 1,710 thousand euros refers to the definition of the consideration paid as earn-out and which took place during the valuation period of 12 months as established by IFRS 3.

As mentioned in the section on "Accounting Policies", goodwill, which is an intangible asset with an indefinite useful life, is tested for impairment.

The main assumptions, methods and parameters used in impairment testing are set out below.

The goodwill paid when acquiring companies, firms or business divisions is allocated to the cash generating units (CGUs) of the Group as represented by the individual companies or sub-groups to which they relate. Even if such companies had merged into the acquiring company after the acquisition and had thus lost their legal status, the Group organization into divisions makes it possible to identify the assets and the cash flows of said CGUs, and to check whether allocated goodwill is recoverable through the impairment test. The recoverable value of the CGUs to which goodwill is allocated is tested by determining their value in use, as represented by the present value of expected cash flows discounted using a rate that reflects the risks specific to each CGU at the measurement date.

The formulas used to test impairment and to calculate the terminal value are as follows:

$$V = \frac{\sum_{i=1}^{n} FCF_i}{(1+WACC)_i} + TV$$

$$TV = \frac{FCF_n * (1+g)}{WACC - g}$$

FCF = Free Cash Flow, or cash flow generated by operations
WACC = Weighted Average Cost of Capital
N = Number of years in the discount period
TV = present value of the Terminal Value, i.e. the value of the cash flows generated after the end of the discount period
FCFn = Free Cash Flow sustainable after the end of the discount period
g = Growth rate of the business beyond the assumed period of the plan

Management has assumed an explicit forecast period of 3 years. At the end of the explicit forecast period (2020), a "normalized flow" is also calculated in order to estimate the terminal value.

The CGU's weighted average cost of capital (WACC) is used as the discounting rate, as determined from a detailed analysis of the capital structure of each CGU. The Capital Asset Pricing Model is used. This mathematical model determines the rate by summing the returns from a risk-free asset with the market risk premium. In turn, the market risk premium is found by multiplying the market average risk by the beta for the specific sector. The principal assumptions underlying the application of this method involved estimating the future increases in sales, the gross margin, operating costs, the rate of growth of terminal values, capital investment, operating capital and the weighted-average cost of capital (discount rate). The cash flows are estimated on the basis of the 2018 budget (approved by the Board of Directors on 14 March 2018) and the 2019-2020 business plan (discussed at the Board meeting); they are then discounted at rates that reflect current market valuations of the cost of capital taking account of the specific risk profile of each CGU.

The growth rate *g* used is zero for the sake of prudence. This means that any sensitivity analysis, designed to measure the change in results on a change in the assumptions used for the growth rate, including changes in the other parameters contributing to formation of the WACC, would result in better impairment results. In any case, management has verified the reasonableness of its assumptions and the outcome of the impairment test by analysing its sensitivity to the growth rate, with positive results.

The table shows the detailed growth assumptions used in the forecasts and the discount rates applied in the impairment procedures:

	Goodwill	Average weighted cost of capital employed WACC %	CAGR 2018-2020 Sales %
CGU G.S. S.r.l. Coating System	7,402	6.37	4.00
CGU ICO OLEODINAMICI S.p.A.	1,567	6.37	4.00
CGU CO.MA.DI.S. S.p.A.	3,782	6.37	2.00
CGU Nova Group	13,391	6.66	4.40
CGU Precision Gears Ltd.	4,027	8.54	6.00
CGU Zanchetta S.r.l.	2,939	6.37	4.00
CGU Edwards Group	23,079	6.62	0.50
CGU Naturapack S.r.l.	8,723	6.37	5.00
CGU GIMA S.p.A.	1,658	6.37	3.00
CGU Pharmasiena Service S.r.l.	2,073	6.37	6.00
CGU Corazza Group	18,863	6.37	2.00
CGU Ilapak Group	4,117	6.40	2.00
CGU Dairy&Food Group	24,717	4.84	6.00
CGU Teknoweb Group	13,281	6.37	2.00
CGU Medtech	9,871	6.47	2.00
CGU Telerobot S.p.A.	4,913	6.37	2.00
CGU Eurosicma	31,561	6.37	2.00
CGU MAI S.A.	7,432	12.21	3.00
CGU Mapster S.r.l.	2,834	6.37	2.00

Management has formalised separate impairment tests, indicating:

- the object and reasons for the Group's acquisition;
- identification of the intangibles and their allocation to the CGU;
- the business plan of the CGU;
- the definition of recoverable value.

The assumptions used in calculating the impairment included in the business plan of each CGU and the results achieved have been approved by the Board of Directors of IMA S.p.A., independently and prior to these financial statements.

The impairment tests of goodwill conducted in accordance with IAS 36 did not lead to any writedowns.

In addition, during prior years, the amounts of goodwill of the Nova Group, Zanchetta and ICO OLEODINAMICI CGUs were written down by 757 thousand euros, 2,500 thousand euros and 1,500 thousand euros, respectively.

Assets under development and advances mainly relate to the capitalization of development costs incurred by the Parent Company (6,424 thousand euros), IMA Automation USA Inc. (1,435 thousand euros) and GIMA TT S.p.A. (1,850 thousand euros) and concern new products that were not previously available and are targeted at new market segments. The item write-downs/impairment mainly refers to two projects attributable to the Parent Company for 1,040 thousand euros and to Ilapak Italia SpA for 1,802 thousand euros, offset by the sinking-fund grant of 927 thousand euros. Other construction in progress has been checked and no further adjustments have emerged.

4. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Below is a breakdown:

in thousands of euros	31.12.2017	31.12.2016
Associates:		
Amherst Stainless Fabrication LLC	317	354
Atopbi S.p.A.	15,761	n.a.
B.C. S.r.l.	2,706	2,385
Bacciottini F.lli S.r.l.	751	633
Bolognesi S.r.l.	1,064	1,026
Brio Pharma Technologies Pvt. Ltd.	–	453
Doo Officina-Game East Vrsac	340	342
I.E.M.A. S.r.l.	1,239	1,015
Inkbit LLC	2,274	n.a.
LA.CO. S.r.l.	525	459
Logimatic S.r.l.	775	709
Meccanica Sarti S.r.l.	1,214	1,213
MORC 2 S.r.l.	1,606	1,512
Petroncini Impianti S.p.A.	1,969	2,022
Plasticenter S.r.l.	n.a.	550
Powertransmission.it S.r.l.	174	146
SIL.MAC. S.r.l.	821	783
STA.MA. S.r.l.	119	100
Talea S.r.l.	211	200
Sirio S.p.A. Associazione in partecipazione	3,948	4,598
Other investments	289	227
	36,103	**18,727**
Joint venture:		
CMRE S.r.l.	4,222	4,287
	4,222	**4,287**
Total	**40,325**	**23,014**

During the first half of the year, IMA, in partnership with the Charme III private equity fund, which will act as the controlling shareholder, acquired a minority stake in Atop S.p.A. The company is one of the world's leading manufacturers of innovative machines and automatic lines for manufacturing electric motors and rotors, and operates in the electric traction sectors for sustainable mobility as well as in the automotive sector, household appliances and power tools. Through a vehicle company controlled by the fund, IMA and Charme III acquired an 84% indirect stake in Atop S.p.A., while Atop's founding partners will continue to hold 16% of the capital. The transaction involves an investment of 15,761 thousand euros by IMA for a 25% stake in Atopbi S.p.A., the SPV controlled by Charme III.

In December 2017, the Parent Company acquired 20% of Inkbit LLC, a US start-up that specialises in industrial systems, software design and materials science, for 2,500 thousand US dollars.

Trade payables to associates reflects the Group's constant commitment in pursuing close collaboration with those suppliers that play a key role in production, also by considering the possibility of becoming shareholders in their companies.

Brief information about transactions with associates is given below:

- Amherst Stainless Fabrication LLC operates in the field of mechanical engineering and industrial assembly;
- B.C. S.r.l. manufactures machine parts for the Group and third parties;
- Bacciottini F.lli S.r.l. processes sheet metal for pharmaceutical machinery;
- Bolognesi S.r.l. operates in the field of mechanical engineering and industrial assembly;
- Doo Officina-Game East Vrsa operates in the field of mechanical engineering, specialising in the construction of machines for third parties;
- I.E.M.A. S.r.l. designs and produces equipment for automated machinery;
- LA.CO. S.r.l. manufactures mechanical constructions and repairs machine tools;
- Logimatic S.r.l. operates in the marketing, distribution and testing of automatic machines;
- Meccanica Sarti S.r.l. is active in the construction of mechanical components for machinery;
- MORC 2 S.r.l. operates in the manufacture of industrial handling and automation systems.
- Petroncini Impianti S.p.A. operates the sector of machinery for the coffee production process;
- Powertransmission.it S.r.l. manufactures and sells engineering components, assemblies and complete plant;
- SIL.MAC. S.r.l. operates in the field of mechanical engineering, specialising in the construction of machines for third parties;
- STA.MA. S.r.l. is active in the assembly, construction and overhaul of automated machines;
- Talea Srl operates in the IT sector.

Other investments in associates consist of the following:

- Masterpiece S.r.l. which operates in the field of mechanical engineering;
- Scriba Nanotecnologie S.r.l. specializes in the study of hi-tech solutions against food adulteration and for tracking pharmaceuticals;
- CAIMA S.r.l., Consorzio L.I.A.M., FID S.r.l. Impresa Sociale, Me.Mo. S.r.l. and S.I.Me. S.r.l.

CMRE S.r.l., founded in 2012 and active in the real estate sector, has the following key financial figures at 31 December 2017: assets 12,438 thousand euros, liabilities 3,992 thousand euros, equity 8,446 thousand euros and loss of the year 129 thousand euros.

The following table sets out the goodwill included in the carrying amount of the above equity investments at 31 December 2017:

in thousands of euros	31.12.2017	31.12.2016
Associates:		
Atopbi S.p.A.	13,871	n.a.
Bolognesi S.r.l.	429	429
Bacciottini F.lli S.r.l.	158	158
Brio Pharma Technologies Pvt. Ltd.	–	279
I.E.M.A. S.r.l.	295	295
LA.CO. S.r.l.	129	129
Logimatic S.r.l.	158	158
Meccanica Sarti S.r.l.	1,103	1,103
MORC 2 S.r.l.	1,401	1,401
Petroncini Impianti S.p.A.	1,715	1,715
Scriba Nanotecnologie S.r.l.	123	123
SIL.MAC. S.r.l.	131	131
Talea S.r.l.	145	145
Total	**19,658**	**6,066**

The Group does not have any associated companies that are individually significant; the Group's share of the aggregate amount of profit from associated companies accounted for using the equity method amounts to 1,346 thousand euros (1,594 thousand euros the previous year). The summary data was prepared using the financial statements at 31 December 2016 of the associated companies prepared in accordance with the national accounting standards; on the basis of our analyses, the adjustments to bring these financial statements into line with international accounting standards would not result in significant differences.

During 2017 Packaging Manufacturing Industry S.r.l. recognised dividends from associated companies totalling 865 thousand euros from Bacciottini F.lli S.r.l., Bolognesi S.r.l., I.E.M.A. S.r.l., MORC 2 S.r.l., Plasticenter S.r.l., SIL.MAC. S.r.l., STA.MA. S.r.l. and Talea S.r.l.

The Group does not have any joint ventures that are individually significant; the Group's share of the 2017 result of the CMRE Srl joint venture accounted for using the equity method amounts to -65 thousand euros (-68 thousand euros the previous year).

At the reporting date, the Group assessed whether there is evidence that the investments in associates and joint ventures have suffered an impairment. In this case, the Group calculated the amount of the impairment as the difference between the recoverable value of the associated company or joint venture and their carrying value in its financial statements, recognising this difference in the income statement.

As regards guarantees granted to associated companies and joint ventures please read Note 30.

5. FINANCIAL ASSETS

The item breaks down as follows:

in thousands of euros	31.12.2017	31.12.2016
Non-current:		
· Investments in securities	–	14
· Financial receivables	1,259	4,122
· Investments in other companies	3,710	3,002
	4,969	**7,138**
Current:		
· Investments in securities	6,660	3,510
· Other cash equivalents	4,786	3,904
· Financial receivables	6,500	2,153
	17,946	**9,567**
Total	**22,915**	**16,705**

Non-current financial receivables at 31 December 2017 mainly refer to loans granted to third parties by Ilapak International SA for 457 thousand euros (2,844 thousand euros at 31 December 2016), a loan granted by the Parent Company to the associated company Logimatic Srl at market conditions of 450 thousand euros (540 thousand euros at 31 December 2016) and financial receivables from Telerobot SpA for 252 thousand euros (738 thousand euros at 31 December 2016).

Investments in other companies mainly include shares in Mint Street Holding SpA (formerly InterMedia Holding SpA) for 982 thousand euros (1,346 thousand euros at 31 December 2016) representing 1.31% of the share capital, shares in Continuus Pharmaceuticals Inc. for 1,382 thousand euros (1,382 thousand euros at 31 December 2016) representing 19.8% of the share capital and the shares held by Packaging Manufacturing Industry Srl in Plasticenter Srl for 937 thousand euros representing 18.96 % of the share capital.

In view of the strategic nature of these acquisitions for the IMA Group, these equity investments have been classified as financial assets available for sale and changes in their fair value are recognized in equity. Because of the significant and prolonged decrease in the fair value of the investment in Mint Street Holding in previous years and in the light of objective evidence of impairment, an adjustment of 2,804 thousand euros has been recognized as a financial charge. The change of the year, amounting to 364 thousand euros, reflects impairment adjustment recognised under financial charges.

Note that the parameter for the valuation of investments in current securities, consisting of mutual funds classified in level 3 of the fair value hierarchy, is the Net Asset Value at 31 December 2017.

Other cash equivalents include bank deposits of IMA-PG India Pvt Ltd. with the original maturity of more than three months.

Current financial receivables mainly consist of loans granted by the Parent Company and Packaging Manufacturing Industry S.r.l. to the joint venture CMRE S.r.l. for 1,650 thousand euros and to some associated companies for a total of 1,680 thousand euros and to loans granted by IMA S.p.A., Ilapak International SA and Telerobot S.p.A. to third parties for 370 thousand euros, 2,477 thousand euros and 257 thousand euros.

Movements in financial assets break down as follows:

in thousands of euros	2017	2016
Opening balance	16,705	15,397
Increases	7,677	5,561
Measurement at fair value recognized in OCI	226	–
Impairment adjustment booked to the income statement	(364)	–
Change in scope of consolidation	11	909
Decreases	(1,035)	(5,219)
Exchange rate difference	(305)	57
Closing balance	**22,915**	**16,705**
Of which:		
Non-current financial assets available for sale	3,710	3,016
Current financial assets available for sale	11,446	7,414
Non-current financial receivables	1,259	4,122
Current financial receivables	6,500	2,153
Total	**22,915**	**16,705**

6. RECEIVABLES FROM OTHERS

These mainly include various guarantee deposits.

7. DERIVATIVE FINANCIAL INSTRUMENTS

This item breaks down as follows:

in thousands of euros	Assets 31.12.2017	Assets 31.12.2016	Liabilities 31.12.2017	Liabilities 31.12.2016
Interest rate hedging instruments - cash flow hedges	–	–	2,129	2,280
Exchange rate hedging instruments - cash flow hedges	173	218	22	1,136
Total	**173**	**218**	**2,151**	**3,416**

INTEREST RATE DERIVATIVES

The Group uses interest rate derivatives (cash flow hedges) to manage the risk of changes in the interest rates on the bond and on the borrowings from banks, transforming part of them from floating to a maximum fixed rate via the purchase of a cap and the sale of a floor.

At 31 December 2017, the amount of 2,129 thousand euros in liabilities represents the fair value of options arranged by the Parent Company with leading credit institutions to hedge interest rate risk; such options are linked to the bond and to a portion of medium-term loans, maturing within 2020 and hedging a nominal value of 42.9 million US dollars and 77.9 million euros (50.0 million US dollars and 71.0 million euros at 31 December 2016).

EXCHANGE RATE DERIVATIVES

The Group uses exchange rate derivatives to hedge future cash flows (cash flow hedges). The exposure to exchange rate risk is managed with forward purchase and sale contracts denominated in the billing currency of certain markets in which the Group operates.

At 31 December 2017, the amounts of 173 thousand euros in assets and 22 thousand euros in liabilities represent the fair value of these derivative contracts.

The notional amount of these exchange rate hedges were 4.8 million US dollars, 45.4 million Chinese yuan, 0.7 million GB pounds sterling and 12.85 million Turkish Lire (52.4 million US dollars, 7.8 million Chinese yuan and 1.2 million Canadian Dollars at 31 December 2016). All foreign currency derivatives at 31 December 2017 mature within 12 months.

8. DEFERRED TAX ASSETS AND LIABILITIES

At 31 December 2017, the deferred tax asset of 67,879 thousand euros (64,916 thousand euros at 31 December 2016), mainly relates to taxes recognised in 2012 on the release of the uplift in the carrying amounts of the controlling interests recorded in IMA S.p.A.'s consolidated financial statements and temporary differences arising on provisions; deferred tax liabilities amount to 61,528 thousand euros (62,135 thousand euros at 31 December 2016) and mainly relate to temporary differences between the book values of certain tangible and intangible assets and their values recognised for tax purposes.

The following table shows the net change in deferred tax assets and liabilities:

in thousands of euros	31.12.2017	31.12.2016
Opening balance at the beginning of the year	2,781	(5,537)
Credited / (Charged) to the income statement	4,167	1,856
Credited / (Charged) to equity	(900)	1,869
Change in scope of consolidation	248	4,519
Exchange rate difference and other changes	55	74
Net amount at the end of the year	**6,351**	**2,781**

The main components of deferred tax assets and liabilities are presented below, together with the changes with respect to the prior year:

in thousands of euros	Accrued to provisions	Losses carried forward	Amortiza-tion	Income (losses) from fair value	Actuarial valuation	Other	Total
Balances at 01.01.16	22,195	4,800	(48,002)	535	3,465	11,470	(5,537)
Effect on the income statement	(952)	(1,108)	3,810	–	–	106	1,856
Effect on equity	–	–	–	165	1,080	624	1,869
Change in scope of consolidation	3,279	1,744	(958)	–	454	–	4,519
Exchange rate difference and other changes	1,237	(557)	(287)	(2)	12	(329)	74
Balances at 31.12.16	**25,759**	**4,879**	**(45,437)**	**698**	**5,011**	**11,871**	**2,781**
Effect on the income statement	1,237	17	3,229	–	–	(316)	4,167
Effect on equity	–	–	–	(285)	(615)	–	(900)
Change in scope of consolidation	323	–	–	–	13	(88)	248
Exchange rate difference and other changes	(440)	(167)	1,079	4	2	(423)	55
Balances at 31.12.17	**26,879**	**4,729**	**(41,129)**	**417**	**4,411**	**11,044**	**6,351**

"Other" mainly includes deferred tax assets relating to the franking of revaluations in 2012 and the elimination of unrealized intra-group profits.

At the reporting date, the amount of unused tax losses for which the deferred tax asset is not recognized in the balance sheet is equal to 69,749 thousand euros. This is mainly related to the tax losses of certain companies belonging to the Dairy&Food business (47,182 thousand euros at 31 December 2016).

There are no critical issues that preclude the recoverability of the deferred tax assets.

9. Inventories

Below is a breakdown:

	31.12.2017			31.12.2016		
in thousands of euros	Gross value	Impairment provision	Net value	Gross value	Impairment provision	Net value
Raw, ancillary and consumable materials	72,992	(14,998)	57,994	64,677	(14,339)	50,338
Work in progress and semifinished goods	270,840	(33,344)	237,496	244,688	(28,396)	216,292
Finished products and goods for resale	17,347	(3,144)	14,203	16,062	(3,783)	12,279
Total	**361,179**	**(51,486)**	**309,693**	**325,427**	**(46,518)**	**278,909**

At 31 December 2017, the inventories belonging to IMA MAI SA, Mapster Srl and Eurosicma amounted to 1,557 thousand euros, 1,328 thousand euros and 5,857 thousand euros respectively. The increase in inventories since 31 December 2016 mainly reflects the substantial amount of the backlog at the end of the year.

Movements in these provisions in the period were as follows:

in thousands of euros	
Balances at 01.01.2016	**47,790**
Net provisions (uses)	(3,027)
Change in scope of consolidation	1,695
Exchange rate difference	60
Balances at 31.12.2016	**46,518**
Net provisions (uses)	5,048
Change in scope of consolidation	594
Exchange rate difference	(674)
Balances at 31.12.2017	**51,486**

The net increase in inventories reported in the consolidated cash flow statement differs from the change in the corresponding item of the balance sheet mainly as a result of inventories attributable to business combinations during the period, as commented in Note 29.

10. TRADE RECEIVABLES AND OTHER RECEIVABLES

This item breaks down as follows:

in thousands of euros	31.12.2017	31.12.2016
Trade receivables	325,225	308,912
Advances to suppliers	21,586	22,066
Tax receivables	32,785	16,306
Deferred costs	5,844	5,988
Other receivables	3,892	6,149
Total	**389,332**	**359,421**

TRADE RECEIVABLES

Trade receivables include customer receivables of 161,010 thousand euros (167,566 thousand euros at 31 December 2016), amounts due on construction contracts of 156,942 thousand euros (130,669 thousand euros at 31 December 2016) and trade receivables from associates of 7,273 thousand euros (10,677 thousand euros at 31 December 2016). At 31 December 2017, trade receivables attributable to business combinations carried out during the year came to a total of 8,857 thousand euros.

Trade receivables from customers are carried net of accumulated provisions amounting to 18,908 thousand euros (18,466 thousand euros at 31 December 2016).

The changes in the allowance for doubtful accounts during the year are summarized below:

in thousands of euros	2017	2016
Opening balance	18,466	14,810
Effect to the income statement	408	1,739
Uses	(536)	(1,623)
Change in scope of consolidation	706	3,533
Exchange rate difference and other	(136)	7
Closing balance	**18,908**	**18,466**

Customer receivables falling due beyond 12 months amounted to 722 thousand euros (629 thousand euros at 31 December 2016). Credit facilities granted to customers who reside in countries with particular risks are guaranteed by suitable financial instruments to secure collection.

Receivables assigned without recourse that had not yet fallen due at 31 December 2017 amounted to around 44,087 thousand euros (41,143 at 31 December 2016) of which 40,614 thousand euros is assigned to factoring companies and 3,473 thousand euros to other financial institutions. The period saw the assignment without recourse of receivables with an overall nominal value of around 65,321 thousand euros (61,013 thousand euros in 2016). The requirements for eliminating these receivables exist in accordance with IAS 39.

Amounts due from customers in respect of construction contracts, determined on a percentage-of-completion basis, are shown below net of the advances:

in thousands of euros	31.12.2017	31.12.2016
Construction contracts (costs incurred plus recognized margins)	361,209	300,214
Advances received	(204,267)	(169,545)
Amounts due from customers	**156,942**	**130,669**

Amounts due to customers (included in trade payables and other payables under advances) in respect of construction contracts, determined on a percentage-of-completion basis, are shown below net of the amounts due from customers:

in thousands of euros	31.12.2017	31.12.2016
Advances received	(82,543)	(107,473)
Construction contracts (costs incurred plus recognized margins)	67,628	74,646
Amounts due to customers	**(14,915)**	**(32,827)**

Revenue from contract work in 2017 amounted to 696,930 thousand euros (583,751 thousand euros in 2016).

The breakdown by maturity is as follows:

		Past due		
in thousands of euros	Not yet due	< 12 months	>12 months	Total
31.12.2017				
Gross trade receivables	115,703	45,418	18,797	179,918
Bad debt provision	(2,296)	(1,412)	(15,200)	(18,908)
Net trade receivables	**113,407**	**44,006**	**3,597**	**161,010**
31.12.2016				
Gross trade receivables	120,785	46,634	18,613	186,032
Bad debt provision	(1,757)	(1,791)	(14,918)	(18,466)
Net trade receivables	**119,028**	**44,843**	**3,695**	**167,566**

The high credit standing of our customers, largely multinationals, and the lack of any significant concentration of credit by type or geographic area, reduce credit risk and thus the provision for bad debt is sufficient. In particular, the recoverability of the carrying amount of receivables and the need for recognition of a possible write-down are the result of a process that involves subjective judgements by the Group. The factors taken into consideration principally affect the creditworthiness of the counterparty, the amount and timing of expected future payments and any action taken or to be taken to recover the receivables.

ADVANCES TO SUPPLIERS

At 31 December 2017 these relate to advances paid to suppliers for inventory goods of 16,895 thousand euros (16,512 thousand euros at 31 December 2016) and services of 4,691 thousand euros (5,554 thousand euros at 31 December 2016).

This item also includes advances to associates of 2,667 thousand euros (2,653 thousand euros at 31 December 2016).

TAX RECEIVABLES

Tax receivables mainly consist of VAT recoverable.

The net increase in trade and other receivables reported in the consolidated cash flow statement differs from the change in the corresponding item of the balance sheet as a result of trade receivables attributable to business combinations during the period, as commented in Note 29.

11. INCOME TAX RECEIVABLES AND PAYABLES

At 31 December 2017 income tax receivables and payables amount to 9,396 thousand euros and 11,574 thousand euros (7,985 thousand euros and 14,418 thousand euros respectively at 31 December 2016).

Income tax receivables principally reflect the amounts recorded by the Italian companies in the Group that have presented claims for the reimbursement of IRES. These claims are linked to the previous non-deduction of the IRAP charged on personnel expenses incurred in the period 2007-2011.

Tax payables represent the amount of current taxes on taxable income, to be paid to the consolidating companies SO.FI.M.A. S.p.A. and GIMA S.p.A., which pay taxes to the Italian tax authorities on behalf of the Group's Italian companies which joined the domestic tax group, and to the competent tax authorities for the other Group companies.

The following companies form part of the domestic tax group: IMA S.p.A., CO.MA.DI.S. S.p.A., Corazza S.p.A., Packaging Manufacturing Industry S.r.l. and Revisioni Industriali S.r.l. as consolidated companies and SO.FI.MA. S.p.A. as the consolidating company. Furthermore, GIMA S.p.A. as consolidating company and Fillshape S.r.l. as consolidated company form part of the domestic tax group. At 31 December 2017 receivables from and payables to SO.FI.M.A. S.p.A. amount to 3,643 thousand euros and 2,365 thousand euros respectively (receivables for 3,643 thousand euros and payables for 4,642 thousand euros at 31 December 2016).

12. CASH AND CASH EQUIVALENTS

This item breaks down as follows:

in thousands of euros	31.12.2017	31.12.2016
Bank current accounts	203,264	196,664
Deposits	3,205	4,190
Cheques and cash	212	227
Total	**206,681**	**201,081**

For a better understanding of the trend in net financial indebtedness, reference should be made to Note 15.

13. EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

	Shares in thousands	Share capital	Share premium reserve	Treasury shares
Balance at 01.01.2016	37,504	19,505	32,591	(71)
Capital increases	1,750	910	90,227	–
Distribution of dividends	–	–	–	–
Purchase and sale of treasury shares	–	–	–	–
Balance at 31.12.2016	39,254	20,415	122,818	(71)
Capital increases	–	–	–	–
Distribution of dividends	–	–	–	–
Purchase and sale of treasury shares	–	–	–	–
Balance at 31.12.2017	39,254	20,415	122,818	(71)

Share capital and share premium reserve

Share capital at 31 December 2017 is represented by the share capital issued (fully subscribed and paid up) by the Parent Company, IMA S.p.A., comprising 39,260,000 ordinary shares with a par value of 0.52 euros each.

Treasury shares

During 2017 and 2016, the Parent Company did not carry out any transactions in treasury shares. At 31 December 2017, 5,500 shares were held in portfolio (0.014% of share capital) for a total value of 71 thousand euros.

Dividends

In May 2017, a total dividend of 62,807 thousand euros was paid, equal to 1.60 euros (gross) per ordinary share in circulation (52,506 thousand euros, equal to 1.40 euros gross in May 2016).

In the current year, the Board of Directors of the Parent Company IMA S.p.A. proposes to pay out a dividend of 1.70 euros (gross) per share. As this dividend is subject to approval of the Shareholders' Meeting, it was not recognized as a liability at 31 December 2017.

Fair value reserve

Changes in the fair value reserve break down as follows:

in thousands of euros	
Balance at 01.01.2016	**(1,693)**
Cash flow hedges/Hedging instruments	
Measurement at fair value	(404)
Fair value - tax effect	91
Realization recognized in income - revenues	(213)
Realization recognized in income - costs	68
Realization recognized in income - financial income and expense	(127)
Tax effect - realization in income statement	65
Balance at 31.12.2016	**(2,213)**
Available for sale	
Measurement at fair value	226
Fair value - tax effect	(54)
Cash flow hedges/Hedging instruments	
Measurement at fair value	261
Fair value - tax effect	(62)
Realization recognized in income - revenues	(1,775)
Realization recognized in income - costs	(64)
Realization recognized in income - financial income and expense	2,513
Tax effect - realization in income statement	(156)
Balance at 31.12.2017	**(1,324)**

At 31 December 2017 the fair value reserve essentially relates to the effective component of interest rate swaps.

OTHER RESERVES AND RETAINED EARNINGS

The changes during the year principally reflect the allocation of the net profit for the prior year and the changes in non-controlling interests discussed in Note 14. In addition, this item includes the reserve on the remeasurement of defined benefit plans, the movements of which during the period were as follows:

in thousands of euros	
Balance at 01.01.2016	**(8,200)**
Change in scope of consolidation	(2,362)
Actuarial value	(3,003)
Tax effect	1,054
Exchange rate difference and other changes	(72)
Balance at 31.12.2016	**(12,583)**
Change in scope of consolidation	(36)
Actuarial value	1,429
Tax effect	(559)
Exchange rate difference and other changes	154
Balance at 31.12.2017	**(11,595)**

14. NON-CONTROLLING INTERESTS

The direct and indirect investments held by the Parent Company IMA S.p.A. together with non-controlling shareholders are indicated below:

		31 December 2017		31 December 2016	
	Country	% held by the Group	% held by third parties	% held by the Group	% held by third parties
Direct investments:					
GIMA TT S.p.A.	Italy	60.084%	39.916%	70%	30%
IMA Fuda (Shanghai) Packaging Mach. Co. Ltd.	PRC	80%	20%	80%	20%
Pharmasiena S.r.l.	Italy	70%	30%	70%	30%
Transworld Packaging Holding S.p.A.	Italy	81%	19%	81%	19%
Indirect investments:					
Digidoc S.r.l.	Italy	80%	20%	80%	20%
Dreamer S.r.l.	Italy	90%	10%	90%	10%
Eurotekna S.r.l.	Italy	85.71%	14.29%	n.a.	n.a.
Fillshape S.r.l.	Italy	80%	20%	80%	20%
Mapster S.r.l.	Italy	80%	20%	n.a.	n.a.
O.A.SYS. S.r.l.	Italy	70%	30%	n.a.	n.a.
Shanghai Tianyan Ph. Mach. Co. Ltd.	PRC	86.29%	13.71%	86.29%	13.71%
Teknoweb N.A. Llc	USA	75%	25%	75%	25%

During June 2017, Transworld Packaging Holding BV, a Dutch company, completed the procedure for transferring its headquarters to Ozzano dell'Emilia (BO) and its transformation into a joint stock company. Transworld Packaging Holding S.p.A. controls thirteen companies, either directly or indirectly. For further information, see the list of equity investments provided in section H of the explanatory notes.

At 31 December 2017, non-controlling interests amount to 21,309 thousand euros (14,647 thousand euros at 31 December 2016) and principally relate to GIMA TT S.p.A., 17,808 thousand euros and the Ilapak Group, 2,931 thousand euros.

The dividends paid to minority shareholders in 2017 amounted to 10,583 thousand euros and refer for 8,100 thousand euros to GIMA TT S.p.A. (7,537 thousand euros in 2016, of which 6,032 thousand euros attributable to GIMA TT S.p.A.).

In 2017, GIMA TT S.p.A., a subsidiary of the Parent Company that produces automatic packaging machines in the tobacco sector, was listed on the MTA, as commented on in the "Scope of consolidation" section. This reduced its shareholding from 70% to 60.084, without resulting in a loss of control over GIMA TT by the Group; therefore, the effect of the above transactions has increased equity attributable to the shareholders of the Parent Company by 99,169 million euros, in compliance with international accounting standards.

The amount included in the item Change in minority interests in the Consolidated statement of cash flows, equal to 103,641 thousand euros, represents the total proceeds from IMA S.p.A.'s exclusive Institutional Placement for an amount of 109,085 thousand euros, net of ancillary expenses of 5,444 thousand euros.

GIMA TT S.p.A. is the only company in the IMA Group with significant non-controlling interests. The following is a summary of the key figures of GIMA TT S.p.A. at 31 December 2017, with comparative figures at 31 December 2016:

in thousands of euros	31.12.2017	31.12.2016
Non-current assets	4,940	1,806
Current assets	111,249	92,340
Non-current liabilities	(592)	(130)
Current liabilities	(70,988)	(66,521)
Equity	44,609	27,495

in thousands of euros	2017	2016
Revenue and other revenue	154,219	100,511
Costs	(92,988)	(60,752)
Financial income and expense	(117)	(14)
Taxes	(16,997)	(12,512)
Profit for the year	44,117	27,233

in thousands of euros	31.12.2017	31.12.2016
Cash flows from operating activities	30,791	23,730
Cash flows from investing activities	4,483	(492)
Cash flows from financing activities	(27,110)	10,471
Net change in liquid funds	8,164	33,709

15. BORROWINGS

This item comprises payables to banks of 160,073 thousand euros (192,625 thousand euros at 31 December 2016), payables to other lenders of 2,598 thousand euros (3,753 thousand euros at 31 December 2016) and bonds of 113,268 thousand euros (118,346 thousand euros at 31 December 2016).

PAYABLES TO BANKS

Payables to banks break down as follows:

in thousands of euros	31.12.2017	31.12.2016
Non-current:		
· Applied research and technological innovation loans	3,621	4,069
· Other loans	56,867	104,299
	60,488	**108,368**
Current:		
· Current accounts	22,722	4,171
· Advances on domestic transactions (Italy)	2,456	920
· Advances on export transactions	20,540	30,054
· Advances on export transactions to be carried out	518	346
· Applied research and technological innovation loans	1,436	979
· Other loans	51,913	47,787
	99,585	**84,257**
Total	**160,073**	**192,625**

Applied research and technological innovation loans

During the period, instalments of 1,175 thousand euros were paid regularly as they fell due and new loans of 1,186 thousand euros were received.

Other loans

The principal changes in Other loans relate to the Parent Company and comprise repayments of 47,400 thousand euros.

Payables to banks are analyzed by maturity as follows:

in thousands of euros	31.12.2017	31.12.2016
Due within 1 year	99,585	84,257
Due from 1 to 5 years	60,488	108,368
Due beyond 5 years	–	–
Total	**160,073**	**192,625**

Applied research and technological innovation loans and other loans are analyzed below by currency:

in thousands of euros	31.12.2017	31.12.2016
Euro	109,518	157,134
US dollar	4,169	–
Other	150	–
Total	**113,837**	**157,134**

It is worth pointing out that a loan obtained by the Parent Company in 2014 from the European Investment Bank (EIB), at 31 December 2017 is secured by a SACE guarantee of 7,000 thousand euros. Certain loans and financings are guaranteed by compliance with certain financial covenants calculated on the basis of the following items in the consolidated financial statements:

- ratio between net financial charges and EBITDA;
- ratio of net financial indebtedness to equity;
- ratio between net debt and EBITDA;
- ratio between gross debt and EBITDA.

Non-compliance with these covenants would constitute a material event for the purposes of calling in the related loans.

At 31 December 2017, all covenant requirements have been met.

Interest rates on financial payables are on average less than 5% (less than 5% in 2016).

At 31 December 2017 the Group had around 363 million euros of unutilised borrowing facilities (around 374 million euros at 31 December 2016).

The book value of advances on export transactions reflects a good estimate of their fair value. Determining the fair value of mortgages and other loans as the present value of future capital and interest flows, calculated using the market rate expressed by the zero coupon free risk curve as of the reporting date, would lead to an increase in payables by around 7.8 million euros.

PAYABLES TO OTHER LENDERS

This item breaks down as follows:

in thousands of euros	31.12.2017	31.12.2016
Non-current:		
· Payables to leasing companies	794	813
· Other	661	1,508
	1,455	**2,321**
Current:		
· Payables to leasing companies	245	217
· Payables to factoring companies	54	69
· Other	844	1,146
	1,143	**1,432**
Total	**2,598**	**3,753**

At 31 December 2017, the amount payable to leasing companies principally includes the finance lease for the factory in Krakow (Poland) and other assets used by Ilapak Sp. Zo.o for a total of 908 thousand euros (929 thousand euros at 31 December 2016).

"Other" includes financial payables of Ilapak Italia S.p.A., 850 thousand euros (1,971 thousand euros at 31 December 2016) and of Telerobot S.p.A. for 655 thousand euros.

There are no payables that fall due beyond 5 years.

The total minimum future payments under finance leases at the reporting date are reconciled with their present value below:

in thousands of euros	Due within 1 year	Due from 1 to 5 years	Due beyond 5 years	Total
Year 2017				
Minimum payments of finance leases	315	817	–	1,132
Less future financial charges	(70)	(23)	–	(93)
Present value of finance lease payables	**245**	**794**	**–**	**1,039**
Year 2016				
Minimum payments of finance leases	291	893	–	1,184
Less future financial charges	(74)	(80)	–	(154)
Present value of finance lease payables	**217**	**813**	**–**	**1,030**

BONDS

In May 2014, the Parent Company completed the placement with European institutional investors of a non-convertible bond amounting to 80 million euros, represented by two separate issues of equal amount with 5 and 7 years to maturity, redeemable in lump sums on the respective maturity dates. These bonds bear interest at a fixed rate of 3.875% and 4.375% respectively.

On 19 January 2018 the Bondholders' Meeting resolved on the first issue, postponing the maturity date to 13 May 2024 and reducing the interest due after the original maturity date from 3.875% to 1.637%.

In February 2013 IMA S.p.A. completed the US Private Placement of a non-convertible bond totalling 50 million US dollars with repayment in equal instalments over 10 years, starting from the fourth year. This bond incurs interest at a fixed rate of 6.25%.

The first tranche was repaid in February 2017 for a total of 7.1 million US dollars.

The bonds are not guaranteed, but certain covenants must be met.

At 31 December 2017, outstanding bonds total 113,268 thousand euros, representing their nominal redemption value of 80 million euros and 42.9 million US dollars.

Bonds are made up of:

in thousands of euros	31.12.2017	31.12.2016
Non-current portion	105,537	110,497
Current portion	7,731	7,849
Total book value	**113,268**	**118,346**
Adjustment to fair value and measurement at amortized cost	2,467	9,088
Total nominal redemption value	**115,735**	**127,434**

NET DEBT

The breakdown of net debt, alternative performance indicator, is as follows:

in thousands of euros	31.12.2017	31.12.2016
A. Cash and cash equivalents	(206,681)	(201,081)
B. Other cash equivalents	(4,786)	(3,904)
C. Investments in securities	(6,660)	(3,510)
D. Liquidity (A)+(B)+(C)	**(218,127)**	**(208,495)**
E. Current financial receivables	**(6,500)**	**(2,153)**
F. Current payables to banks	50,554	35,491
G. Current portion of non-current payables	57,196	57,022
H. Other current financial payables	709	1,025
I. Current financial debt (F)+(G)+(H)	**108,459**	**93,538**
J. Net current financial debt (D)+(E)+(I)	**(116,168)**	**(117,110)**
K. Non-current portion of non-current bank payables	60,488	108,368
L. Bonds issued	105,537	110,497
M. Other non-current financial payables	1,455	2,321
N. Non-current financial assets	(1,259)	(4,136)
O. Net non-current financial debt (K)+(L)+(M)+(N)	**166,221**	**217,050**
P. Net financial debt (J)+(O)	**50,053**	**99,940**

When preparing the table of net financial indebtedness, which is not identified as an accounting measurement by international accounting standards, we took into account the requirements of Consob Communication DEM/6064293 of 28 July 2006, even though we included financial receivables classified as non-current financial assets.

Total non-current financial assets differs from that reported in the balance sheet as it does not include equity interests in other companies. For information on the breakdown of the items in net debt, see Notes 5 and 12.

The Group also has payables in respect of acquisitions totalling 36,467 thousand euros (19,898 thousand euros at 31 December 2016), essentially relating to the options agreed for the purchase of the non-controlling interests in subsidiaries. The change with respect to the previous period is mainly due to payment of the earn-out for the Medtech business, net of the payables for the acquisition of MAI S.A., Mapster S.r.l. and Eurosicma S.p.A. See Note 18 for further information.

The reduction in debt compared with 31 December 2016 of 49,887 thousand euros is mainly due to the sale of almost 10% of GIMA TT, which took place when it was listed on the Stock Exchange, giving proceeds of 102,457 thousand euros, less the cost of purchasing the Maisa, Mapster and Eurosicma businesses and the exercise of the Medtech option for a total of 31,604 thousand euros, the acquisition of the non-controlling interests in ATOP for a total of 15,969 thousand euros and the dividends distributed by the Parent Company (62,807 thousand euros paid in May 2017). This result is due to the strong Group cash generation, once again confirming effective management of net working capital.

16. EMPLOYEE DEFINED BENEFIT LIABILITIES

This item includes post-employment benefits valued actuarially by independent actuaries using the project unit credit method under IAS 19. It mainly comprises the pension funds belonging to the newly-acquired companies of the Dairy&Food business and severance indemnity provisions made by the Group's Italian companies.

The changes in the provisions during the year were as follows:

in thousands of euros	
Balance at 01.01.2016	51,184
Service cost	1,164
Financial charges	974
Net actuarial losses (gains) recognized during the year	3,096
Change in scope of consolidation	4,265
Benefit paid out during the year	(2,853)
Exchange rate difference	90
Other changes	6
Balance at 31.12.2016	**57,926**
Service cost	809
Financial charges	1,163
Net actuarial losses (gains) recognized during the year	(1,424)
Change in scope of consolidation	896
Benefit paid out during the year	(2,992)
Exchange rate difference	(417)
Balance at 31.12.2017	**55,961**

The change in scope of consolidation includes the defined benefit plans of the newly acquired companies Mapster S.r.l., Eurosicma S.p.A., Eurotekna S.r.l. and O.A.SYS. S.r.l.

The employee defined benefit liabilities are analyzed below by geographical area:

in thousands of euros	31.12.2017	31.12.2016
Italy	20,276	19,744
Germany	28,181	31,027
Switzerland	3,544	3,751
France	2,509	2,304
North America	660	345
Other countries	791	755
Total	**55,961**	**57,926**

At 31 December 2017 the companies forming part of the Dairy & Food business showed the following key figures:

in thousands of euros	Country	31.12.2017	31.12.2016
Benhil GmbH	Germany	6,439	6,910
Erca S.A.	France	2,198	1,994
GASTI Verpackungsmaschinen GmbH	Germany	3,075	677
Hamba Filltec GmbH & Co. KG	Germany	16,303	20,850
Hassia Verpackungsmaschinen GmbH	Germany	2,203	2,462
Total		**30,218**	**32,893**

The following economic-financial assumptions were adopted in relation to the above companies:

	31.12.2017	31.12.2016
Annual discount rate	1.85%	1.75%
Annual rate of increase of total compensation	2.5-2.2%	2.5-2.2%
Annual rate of increase of pension fund	1.0-0%	1.5-0%

The iBoxx Eurozone Corporates AA 10+ index has been used as a parameter for the discount rate. The demographic assumptions used for the Dairy&Food companies derive from specific demographic tables for the countries in question.

Furthermore, the following economic-financial assumptions were adopted in relation to the Italian companies:

	31.12.2017	31.12.2016
Annual discount rate	1.20%	1.50%
Annual inflation rate	1.50%	1.50%
Annual rate of increase of total compensation	3.00%	3.00%
Annual rate of increase of severance indemnity	2.63%	2.63%

The discounting rate applicable to Italian companies was determined with reference to the iBoxx Eurozone Corporates AA 10+ index.

The main demographic assumptions used by the actuary for the Italian companies are the following:

- life expectancies: those determined by the State General Accounting Office (RG48 split by gender);
- probability of disability: that in the INPS (National Social Security Institute) model for projections at 2010, distinguished by gender;
- pensionable age: the earliest retirement age possible under the Compulsory General Insurance scheme;
- probability of leaving work for reasons other than death: annual frequencies from 2.5% to 12%;
- probability of advance payments: an annual frequency from 3% to 5% for requests for advances of 60/70%.

The details of net assets or liabilities for benefits to employees related to the American company Ilapak Inc. pension plan are the following:

in thousands of euros	
Present value of defined benefit obligations	4,550
Fair value of plan assets	(4,432)
Net defined benefit liabilities at 31 December 2016	**118**
Present value of defined benefit obligations	2,479
Fair value of plan assets	(2,107)
Net defined benefit liabilities at 31 December 2017	**372**

The changes in in the present value of the obligation is the following:

in thousands of euros	2017	2016
Opening balance	4,550	4,277
Financial expense	110	168
Actuarial losses (gains)	330	15
Severance payments made during the year	(2,054)	(57)
Exchange rate difference	(457)	147
Present value of defined benefit obligations	**2,479**	**4,550**
Opening balance	4,432	4,188
Return on plan assets	154	159
Severance payments made during the year	(2,054)	(57)
Exchange rate difference	(425)	142
Fair value of plan assets	**2,107**	**4,432**

The assets servicing the plan consist 95% of US treasury bonds, corporate bonds and insurance policies. The risk profile and volatility associated with this plan are deemed to be low and the average return on the individual types of bonds in 2017 was around 6%. The liquidity that the plan is able to generate depends on fluctuations in the interest rates on the individual securities held.

The revised version of IAS 19 requires sensitivity analysis to be performed on the main actuarial assumptions used for the computational model; separate sensitivity analyses have therefore been performed for the Italian companies and for the companies in the Dairy&Food business versus severance indemnities at 31 December 2017 of 20,035 thousand euros and pension funds of 30,218 thousand euros.

The results are summarized in the following table:

in thousands of euros	Annual discount rate +0.50%	Annual discount rate -0.50%	Annual inflation rate +0.25%	Annual inflation rate -0.25%	Turnover rate +2.00%	Turnover rate -2.00%
Provision for severance indemnities italian companies	19,052	21,101	20,307	19,778	19,644	20,515

in thousands of euros	Annual discount rate +0.25%	Annual discount rate -0.25%	Pension funds increases +0.25%	Pension funds increases -0.25%	Life expectancy + 1 year	Life expectancy - 1 year
Pension funds Dairy&Food companies	29,137	31,366	31,049	29,425	34,211	29,081

The contributions expected to be made in future years in respect of the obligations of the main defined benefit plans involve the following payments:

in thousands of euros	2017	2016
Within 1 year	861	968
From 1 to 5 years	4,539	4,375
From 5 to 10 years	7,009	6,621
Total expected payments italian companies	**12,409**	**11,964**
Within 1 year	1,236	1,299
From 1 to 2 years	1,140	1,117
From 2 to 3 years	1,100	1,139
Total expected payments Dairy&Food business companies	**3,476**	**3,555**

17. PROVISIONS FOR RISKS AND CHARGES

These provisions are analyzed as follows:

in thousands of euros	Balance at 31.12.2016	Net increases	Net decreases	Change in scope of consolidation	Exchange rate differences	Balance at 31.12.2017
Non-current:						
Agency termination indemnities	4,988	219	(573)	64	–	4,698
Other provisions	879	278	(41)	–	–	1,116
	5,867	**497**	**(614)**	**64**	**–**	**5,814**
Current:						
Product guarantee provision	25,720	5,785	(4,033)	150	(587)	27,035
Other provisions	5,196	3,225	(2,823)	–	(48)	5,550
	30,916	**9,010**	**(6,856)**	**150**	**(635)**	**32,585**
Total	**36,783**	**9,507**	**(7,470)**	**214**	**(635)**	**38,399**

The change in scope of consolidation refers to Eurosicma S.p.A and Mapster S.r.l.

The product guarantee provision was established on the basis of estimated expenses for work to be performed under guarantee after 31 December 2017, calculated on the basis of historical costs and expected costs of machines sold and still under guarantee.

Other provisions are made up essentially of provisions for risks and charges made to cover tax liabilities (Note 27) or charges that might arise from contractual obligations; Group companies used experienced tax consultants to quantify the provisions.

During the first half of 2010, the Parent Company was subjected to a tax audit by the Tax Authorities that ended in June 2010. Following the audit, notices of assessment were issued that IMA SpA has appealed against to the competent tax authorities. With reference to these disputes, in October 2017 the Parent Company submitted to the Tax Authorities an Application for the Facilitated Definition of Tax Disputes Pending pursuant to Art. 11 of Legislative Decree 24 April 2017, converted, with amendments, by Law 96 of 21 June 2017, at the same time paying the total amount of 401 thousand euros, which was already accrued in Other provisions, and filed requests for suspension of the related proceedings with the competent authorities.

18. TRADE PAYABLES AND OTHER PAYABLES

This item is analyzed as follows:

in thousands of euros	31.12.2017	31.12.2016
Trade payables	358,137	328,215
Advances from customers	166,061	170,670
Social security and defined-contribution plan payables	13,232	12,084
Tax payables	12,660	12,737
Due to employees	65,966	54,698
Payables in respect of acquisitions	36,467	19,898
Deposits	3,034	3,722
Other payables	15,448	14,821
Total	**671,005**	**616,845**

TRADE PAYABLES

These include trade payables to suppliers of per 263,857 thousand euros (241,843 thousand euros at 31 December 2016), payables to agents of 14,612 thousand euros (11,473 thousand euros at 31 December 2016) and trade payables to associates of 79,668 thousand euros (74,899 thousand euros at 31 December 2016).

Trade payables to associates reflects the Group's constant commitment in pursuing close collaboration with those suppliers that play a key role in production, also by considering the possibility of becoming shareholders in their companies.

ADVANCES FROM CUSTOMERS

The high level of advances from customers for uncompleted contracts is due mainly to the large volume of orders received at the reporting date.

Information on the amount due to customers for construction contracts (14,915 thousand euros) can be found in Note 10.

TAX PAYABLES

Tax payables mainly consist of income tax withheld from employees' wages and salaries.

DUE TO EMPLOYEES

This item includes 3,785 thousand euros classified as non-current liabilities (401 thousand euros at 31 December 2016).

PAYABLES IN RESPECT OF ACQUISITIONS

At 31 December 2017 this item includes payables for the purchase of investments for the acquisition of the Teknoweb and Medtech and Eurosicma S.p.A. businesses for 9,236 thousand euros, 1,709 thousand euros and 18,218 thousand euros respectively and of the companies Telerobot S.p.A., G.S. Coating Technologies S.r.l. and MAI S.A. for a total of 7,304 thousand euros.

The total amount of payables for acquisitions classified under non-current liabilities comes to 31,247 thousand euros (13,811 thousand euros at 31 December 2016).

OTHER PAYABLES

At 31 December 2017, other payables include 9,614 thousand euros classified under current liabilities (5,880 thousand euros classified as non-current liabilities at 31 December 2016) related to the medium and long term variable component of payroll that can be earned by three directors on the achievement of pre-defined measurable targets over three years.

The net increase in trade payables and other payables reported in the consolidated cash flow statement differs from the change in the corresponding items in the statement of financial position mainly as a result of trade payables attributable to the business combinations carried out during the period, as commented on in Note 29.

19. OTHER REVENUE

This item breaks down as follows:

in thousands of euros	2017	2016	Change
Capital gains on disposal of non-current assets	1,529	621	908
Out-of-period income	2,457	2,466	(9)
Capitalization of internal construction costs	15,810	11,280	4,530
Other revenue and income	8,527	8,380	147
Total	**28,323**	**22,747**	**5,576**

The increase in non-current assets for internal work in 2017 refer for 12,146 thousand euros to development costs (9,497 thousand euros in 2016) and for 3,664 thousand euros to equipment and machinery (1,783 thousand euros in 2016).

20. COST OF RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS FOR RESALE

This item breaks down as follows:

in thousands of euros	2017	2016	Change
Raw materials and semifinished goods	476,080	448,685	27,395
Consumables and ancillary materials	17,751	18,184	(433)
Marketable goods	41,612	49,281	(7,669)
Other purchases	5,327	4,475	852
Total	**540,770**	**520,625**	**20,145**

The cost of raw, ancillary and consumable materials and goods attributable to IMA MAI S.A., Mapster S.r.l. and Eurosicma, which were not included in the scope of consolidation in 2016, amounted to 6,556 thousand euros.

The item includes non-recurring charges for 570 thousand euros (840 thousand euros in 2016) as commented in Note 33.

21. SERVICES, RENTALS AND LEASES

This item breaks down as follows:

in thousands of euros	2017	2016	Change
Outsourced work and fitting	88,621	76,410	12,211
Maintenance and repair	10,425	9,509	916
Energy, telephone, gas, water and postal charges	14,783	13,837	946
Commissions	17,752	16,163	1,589
Technical, legal, tax and administrative consulting services	74,460	62,522	11,938
Advertising and promotions	4,956	4,627	329
Exhibitions	8,676	4,352	4,324
Travel and insurance	38,185	36,228	1,957
Transport	19,909	17,612	2,297
Bank charges	1,880	1,926	(46)
Rental charges	21,072	19,542	1,530
Operating lease fees	515	1,005	(490)
Rental fees	3,695	3,156	539
Other services	23,211	18,886	4,325
Total	**328,140**	**285,775**	**42,365**

Services, rentals and leases attributable to IMA MAI S.A., Mapster S.r.l. and Eurosicma, which joined the scope of consolidation in 2017, amounted in total to 4,925 thousand euros.

The item also includes non-recurring charges for 8,709 thousand euros (2,641 thousand euros in 2016) as commented in Note 33.

22. PERSONNEL COSTS

Personnel costs break down as follows:

in thousands of euros	2017	2016	Change
Wages and salaries	294,245	268,254	25,991
Social security contributions	67,709	60,715	6,994
Board of Directors' emoluments	10,044	8,989	1,055
Pensions - defined-benefit plans	734	1,178	(444)
Pensions - defined-contribution plans	13,137	11,928	1,209
Other personnel costs	24,068	20,425	3,643
Total	**409,937**	**371,489**	**38,448**

The personnel costs attributable to the Medtech business and Telerobot SpA, which were included in the scope of consolidation for part of the previous year for 19,363 thousand euros, come to 26,646 thousand euros. The personnel costs attributable to the newly acquired IMA MAI S.A., Mapster Srl and Eurosicma total 7,394 thousand euros.

The item includes non-recurring charges for 3,423 thousand euros (2,444 thousand euros in 2016) as commented in Note 33.

In addition, the higher level of costs compared with the prior year is mainly due to the labour cost of the Italian employees: taking the main elements of remuneration into account, this has increased by 6.4%, triggered by pay rises under the National Collective Bargaining Agreement for Metalworkers, pay rises under the various Company Supplementary Agreements, bonuses linked to local company bargaining, as well as the Group's bonus policy. Personnel costs have also risen in line with the increased number of employees and collaborators in the year.

The IMA Group employed 5,448 people on average during 2017, as analyzed below:

	2017	2016	Change
Managers	206	196	10
Office workers	3,512	3,362	150
Production workers	1,730	1,551	179
Total	**5,448**	**5,109**	**339**

At 31 December 2017, the Group had 5,613 employees (5,249 at 31 December 2016) of whom 204 work for IMA MAI S.A., Mapster S.r.l. and Eurosicma business.

23. DEPRECIATION, AMORTIZATION AND WRITE-DOWNS

This item breaks down as follows:

in thousands of euros	2017	2016	Change
Depreciation of property, plant and equipment	13,152	11,687	1,465
Amortization of intangible assets	26,886	26,128	758
Write-downs/impairment	2,011	–	2,011
Bad debt provision	408	1,739	(1,331)
Total	**42,457**	**39,554**	**2,903**

The increase in amortisation mainly refers to development costs. Further information on write-downs/impairment is provided in Notes 3.

24. OTHER OPERATING COSTS

Other operating costs comprise:

in thousands of euros	2017	2016	Change
Capital losses on disposal of non-current assets	248	145	103
Property tax and other taxes	2,883	3,083	(200)
Out-of-period expenses	1,444	1,741	(297)
Membership fees	400	345	55
Penalties and charges on sales	1,086	861	225
Sundry promotional materials	309	262	47
Other operating expenses	3,694	3,334	360
Total	**10,064**	**9,771**	**293**

Other operating costs include 243 thousand euros attributable to the newly acquired companies IMA MAI SA, Mapster Srl and Eurosicma.

Other operating costs include non-recurring charges for 290 thousand euros as discussed in Note 33.

25. FINANCIAL INCOME

This item breaks down as follows:

in thousands of euros	2017	2016	Change
Income from exercise of the option of Dairy&Food business	–	18,699	(18,699)
Interest income from banks	315	281	34
Interest income on amounts due from customers	29	16	13
Income from corrent investments available for sale	161	32	129
Other interest and financial income	269	282	(13)
Income from derivative financial instruments	258	267	(9)
Exchange rate gains	26,030	16,659	9,371
Total	**27,062**	**36,236**	**(9,174)**

Note that during 2016 early exercise of the put & call option for the residual 20% of the Dairy&Food Group generated financial income of 18,699 thousand euros.

26. FINANCIAL EXPENSE

This item breaks down as follows:

in thousands of euros	2017	2016	Change
Interest expense on bank payables	3,905	4,533	(628)
Interest expense on bonds	5,558	5,844	(286)
Interest expense on discounting	224	187	37
Interest expense on finance leases	59	56	3
Net financial expense on defined-benefit plans	1,061	1,036	25
Various interest expense	295	483	(188)
Writedown of non-current assets available for sale	364	–	364
Bank guarantee expenses	603	783	(180)
Expense from derivative financial instruments	547	457	90
Other financial expense	403	279	124
Exchange rate losses	29,958	16,292	13,666
Total	**42,977**	**29,950**	**13,027**

The decrease in interest expense reflects the lower level of borrowing during the year.

The write-down of non-current assets available for sale relates to the investment in Mint Street Holding S.p.A. For further details, please read Note 5.

At 31 December 2017, exchange rate gains and losses included an unrealized gain of 12,072 thousand euros and an unrealized loss of 15,076 thousand euros (7,366 thousand euros and 7,614 thousand euros, respectively, in the previous year).

27. Taxes

This item is analyzed as follows:

in thousands of euros	2017	2016	Change
Taxes for the period:			
Current taxes	54,103	49,097	5,006
Net deferred tax assets and liabilities	(4,167)	(1,856)	(2,311)
	49,936	**47,241**	**2,695**
Prior year taxes	1,223	520	703
Total	**51,159**	**47,761**	**3,398**

Taxes relating to previous years mainly refer to the provision made to cover potential liabilities resulting from the tax audit on income tax, IRAP, VAT and other taxes carried out at IMA SpA by the Tax Authorities - Regional Management of Emilia Romagna, for the tax period 2014 and, with reference to the transactions related to that year, also for previous periods. The audit was completed in December with the preparation of Inspection Minutes. With reference to this potential liability, the Parent Company is evaluating, among the viable alternatives, also those that could achieve an amicable settlement of the dispute. See Note 17 for further information.

The following table reconciles the tax charges with the book profits multiplied by the applicable tax rates:

in thousands of euros	2017	2016
Profit before taxes	**150,584**	**149,153**
Taxes determined on the tax rate applicable in each country	**38,425**	**42,281**
Income not subject to tax	(913)	(5,506)
Tax effect of non-deductible costs	2,310	2,620
IRAP	6,941	5,917
Other changes	3,173	1,929
Prior year taxes	1,223	520
Total	**51,159**	**47,761**

The theoretical tax rate used to determine the income taxes of Italian companies is 24% of the taxable income for the year. The income taxes of foreign companies are calculated using the tax rates applied in each country.

28. Earnings per share

Basic earnings per share are calculated as the ratio of Group net profit to the weighted average number of ordinary shares outstanding during the year, as follows:

	2017	2016
Profit for the year (thousands of euros)	85,590	93,536
Average number of outstanding ordinary shares (thousands of shares)	39,254	38,463
Earning per share (in euros)	**2.18**	**2.43**

For the IMA Group, basic earnings per share and diluted earnings per share are the same, given the absence of instruments that might result in dilution.

29. Business combinations

On 4 January 2017 IMA SpA completed the closing for the purchase of a 70% stake in MAI SA, based in Argentina, which manufactures and sells machines for the packaging of tea and herbal teas in filter bags. The financial outlay amounts to 7,857 thousand US dollars, of which 5,700 thousand US dollars paid at the closing and the balance in three annual tranches. IMA has also been granted an option to buy 100%, which can be exercised in April 2021.

The main provisional values for assets and liabilities at the acquisition date were as follows:

in thousands of euros	Total book values	Fair value
Property, plant and equipment and intangible assets	961	961
Inventories	1,273	1,273
Trade and other receivables	1,623	1,623
Deferred tax liabilities	(88)	(88)
Trade and other payables	(1,094)	(1,094)
Total	**2,675**	**2,675**
Purchase cost		10,107
Goodwill		**7,432**

The cost of the acquisition includes the consideration paid of 5,700 thousand US dollars, the residual debt of 2,157 thousand US dollars and the fair value of the debt relating to the option for the purchase of the residual 30% of the capital of 2,591 thousand euros, discounted using the return on government bonds with the same duration.

At 31 December 2017 the key figures of the newly acquired company, consolidated for 12 months, are as follows:

in thousands of euros	
Property, plant and equipment	569
Goodwill	7,432
Inventories	1,557
Trade receivables	1,240
Cash and cash equivalents	800
Trade payables and advances	(921)
Revenues	8,195
Gross operating profit (EBITDA) before non-recurring items	1,771
Personnel cost	(3,250)

On 20 April 2017, IMA, through its subsidiary GIMA S.p.A., completed the acquisition of 80% of Mapster S.r.l. This company, which is based in Parma, is an important player in the design, manufacture and marketing of automatic machines for the filling and packaging of single-serve coffee capsules.

The main provisional values for assets and liabilities at the acquisition date were as follows:

in thousands of euros	Total book values	Fair value
Property, plant and equipment and intangible assets	293	293
Deferred tax assets	104	104
Inventories	839	839
Trade and other receivables	1,495	1,495
Cash and cash equivalents	11	11
Other assets	115	115
Employee defined benefit liabilities	(80)	(80)
Borrowings	(1,888)	(1,888)
Provisions for risks and charges	(150)	(150)
Trade and other payables	(1,281)	(1,281)
Total	**(542)**	**(542)**
Minority		(108)
Purchase cost		2,400
Goodwill		**2,834**

The cost of the acquisition was paid in full during the year.

At 31 December 2017 the key figures of the newly acquired company, consolidated for 8 months, are as follows:

in thousands of euros	
Property, plant and equipment and intangible assets	261
Goodwill	2,834
Inventories	1,328
Trade receivables	1,170
Cash and cash equivalents	166
Trade payables and advances	(1,061)
Revenues	2,151
Gross operating profit (EBITDA) before non-recurring items	(646)
Personnel cost	(1,052)

On 25 July 2017, IMA reached closing for the purchase of 60% of Eurosicma S.p.A., based in Milan, which manufactures and markets automatic machines and systems for horizontal flowpack and fold packaging for the food, cosmetics and pharmaceutical industries. Eurosicma is a historical Italian packaging company, founded in 1965, with a long established leadership in certain market niches such as sweets, biscuits packed on edge and noodles in the food industry, sticking plasters and cotton buds in the pharmaceutical and personal care segments. IMA has signed put and call options for the other 40%, to be exercised by April 2027.

Eurosicma SpA holds 85.71% of the Milan-based company Eurotekna Srl, which manufactures and sells automatic machines and feeding systems for bakery products, and 70% of O.A.SYS. Open Automation System Srl, based in Segrate (MI).

The main provisional values for assets and liabilities at the acquisition date were as follows:

in thousands of euros	Total book values	Fair value
Property, plant and equipment	998	998
Intangible assets	85	17
Deferred tax assets	232	232
Inventories	9,146	9,146
Trade and other receivables	5,212	5,212
Cash and cash equivalents	7,345	7,345
Other assets	513	513
Borrowings	(1)	(1)
Employee defined benefit liabilities	(816)	(816)
Provisions for risks and charges	(64)	(64)
Trade and other payables	(9,935)	(9,935)
Total	**12,715**	**12,647**
Minority		190
Purchase costs		44,018
Goodwill		**31,561**

The acquisition cost includes the amount paid (25,800 thousand euros) and the fair value of the option to purchase the residual 40% of the capital (18,218 thousand euros), discounted using the yield on a government security with the same maturity.

At 31 December 2017 the key figures of the newly acquired companies, consolidated for 5 months, are as follows:

in thousands of euros	
Property, plant and equipment	921
Goodwill	31,561
Deferred tax assets	236
Inventories	5,857
Trade receivables	6,447
Cash and cash equivalents	10,198
Employee defined benefit liabilities	(799)
Provisions for risks and charges	(69)
Trade payables and advances	(6,452)
Revenues	14,976
Gross operating profit (EBITDA) before non-recurring items	3,457
Personnel cost	(3,092)

The initial values for the business combinations that took place during the year were determined on a provisional basis, as the fair value of the assets, liabilities, contingent liabilities and costs of the combinations have not yet been calculated on a definitive basis. As required by IFRS 3, any adjustments will be made within twelve months of the acquisition date. The amounts of goodwill recognized as part of the purchase price allocation process were subject to an impairment test without there being any need for adjustments.

1,698 thousand euros of ancillary charges related to the acquisition were booked to the income statement under services, rentals and leases.

At 31 December 2017 the amount of the purchase price that has been paid, net of the cash acquired, amounts to 26,283 thousand euros.

30. GUARANTEES GRANTED

At 31 December 2017, the Group has given sureties and other bank guarantees to customers totalling 37,376 thousand euros for the proper operation of machinery, bid bonds and advances not yet received, sureties to guarantee rental contracts for 6,956 thousand euros, sureties given by the Parent Company to third parties in connection with the sale of CMH Srl for 3,500 thousand euros and sureties in favour of others for 2,331 thousand euros.

The Parent Company has also given sureties and other guarantees (binding letters of patronage) to third parties on behalf of subsidiaries and associates, with respect to lines or credit or financing extended by banks and the payment of rental fees, as shown below:

in thousands of euros	31.12.2017	31.12.2016
Subsidiaries:		
CO.MA.DI.S S.p.A.	89	89
Corazza S.p.A.	18,325	15,925
Erca S.A.	5,898	6,798
Fillshape S.r.l.	6,715	2,615
GASTI Verpackungsmaschinen GmbH	–	1,052
GIMA S.p.A.	42,100	32,600
GIMA TT S.p.A.	37,824	29,364
G.S. Coating Technologies S.r.l.	1,000	1,100
Hamba Filltec GmbH & Co. KG	5,290	2,503
Hassia Verpackungsmaschinen GmbH	1,157	–
Ilapak Inc.	6,254	4,269
Ilapak International SA	14,854	13,931
Ilapak Italia S.p.A.	5,700	5,607
Ilapak Ltd.	2,254	1,168
Ilapak Sp. Z o.o.	5,746	1,927
Ilapak Verpackungsmaschinen GmbH	2,300	2,300
IMA Automation Malaysia Sdn. Bhd.	3,150	19
IMA Dairy & Food Holding GmbH	50,600	60,600
IMA EST GmbH	800	800
IMA Life (Beijing) Pharm. Systems Co. Ltd.	1,373	6,831
IMA Life Japan KK	741	810
IMA Life North America Inc.	7,375	29,409
IMA Automation USA Inc.	8,073	–
IMA Medtech Switzerland SA	14,783	15,830
IMA Pacific Co. Ltd.	5,551	1,856
IMA-PG India Pvt Ltd.	2,000	3,774
Mapster S.r.l.	1,500	n.a.
Pharmasiena Service S.r.l.	2,500	–
Revisioni Industriali S.r.l.	2,525	1,025
Società del Sole S.r.l.	1,000	1,000
Shanghai Tianyan Pharmaceutical Machinery Co. Ltd.	–	751
Teknoweb Converting S.r.l.	3,000	–
Telerobot S.p.A.	937	–
IMA Swiftpack Ltd.	3,438	3,563
	264,852	**247,516**
Associates:		
Doo Officina-Game East Vrsac	959	959
	959	**959**
Joint venture:		
CMRE S.r.l.	2,221	2,221
	2,221	**2,221**
Total	**268,032**	**250,696**

Guarantees totalling 30,000 thousand euros have also been given to leading banks in relation to the lines of credit shares by the Group's Italian subsidiaries.

Ilapak International SA provided guarantees to third parties in the interest of companies of the Ilapak Group of 4,642 thousand euros.

Lastly, note that sureties were issued against advances received from customers for a total of 127,923 thousand euros (146,668 thousand euros at 31 December 2016), of which 54,555 thousand euros mainly reflect the use of credit lines guaranteed by commitments on the part of the Parent Company, as shown in the above table.

31. COMMITMENTS

At 31 December 2017 there are commitments for the purchase of property, plant and equipment and intangible assets of 1,169 thousand euros relating principally to leasehold improvements and plant and machinery.

The Group has outstanding commitments of 3,227 thousand euros (3,364 thousand euros at 31 December 2016) for future minimum payments under irrevocable operating leases relating primarily to plant, machinery and vehicles (expiring as to 1,629 thousand euros within one year, 1,598 thousand euros between one and five years) and commitments under rental contracts of 144,787 thousand euros (143,885 thousand euros at 31 December 2016), of which 19,999 thousand euros fall due within one year, 69,017 thousand euros between one and five years and 55,771 thousand euros over five years.

Fees paid during the year for operating lease contracts and rentals were 21,587 thousand euros (20,547 thousand euros in the previous year).

Other commitments in favour of third parties, 8,623 thousand euros, mainly consist of the Parent Company's agreement to buy further units of the mutual funds.

32. RELATED-PARTY TRANSACTIONS

In compliance with current Consob regulations on Related Party transactions, from 2010 IMA S.p.A. adopted procedures to be followed by IMA and its subsidiaries when carrying out transactions with parties related to IMA. For further information please read the Report on operations.

At 31 December 2017 the Group holding company is IMA Industria Macchine Automatiche S.p.A., 57% owned by SO.FI.MA. S.p.A., which is in turn a subsidiary of Lopam Fin S.p.A.

The following companies form part of the domestic tax group: IMA S.p.A., CO.MA.DI.S. S.p.A., Corazza S.p.A., Packaging Manufacturing Industry S.r.l. and Revisioni Industriali S.r.l. as consolidated companies and SO.FI.MA. S.p.A. as the consolidating company.

As described earlier, intra-group transactions are a consequence of the organizational structure of the Group. Such transactions are carried out as part of ordinary operations on an arm's-length basis.

In addition to intra-group transactions, the Group also conducts operations with other related parties, mainly parties controlling the Parent Company, or parties responsible for the administration and management of IMA S.p.A. or entities controlled by such parties.

The Board must give advance approval in its meetings for all transactions with related parties, including inter-company transactions, except for transactions carried out in the ordinary course of business on arm's-length terms.

These transactions are mainly commercial and real estate operations (leased premises used by the Parent Company or the Group), as well as participation in the consolidated tax mechanism mentioned above.

Transactions with related parties are made at terms and conditions that are equivalent to normal market conditions.

The trade receivables and payables outstanding at year-end are not insured and do not bear interest.

The following table details the main transactions carried out with related parties:

in thousands of euros	Receivables at 31.12.2017	Receivables at 31.12.2016	Payables at 31.12.2017	Payables at 31.12.2016
Parent companies:				
Lopam Fin S.p.A.	3	–	–	56
SO.FI.M.A. S.p.A.	3,643	3,643	2,365	4,642
	3,646	**3,643**	**2,365**	**4,698**
Associates and joint venture:				
Amherst Stainless Fabrication LLC	545	822	180	22
Atopbi S.p.A.	15,761	n.a.	–	n.a.
B.C. S.r.l.	2,706	2,385	1,151	1,206
Bacciottini F.lli S.r.l.	757	651	5,881	5,810
Bolognesi S.r.l.	1,078	1,058	4,310	1,866
Brio Pharma Technologies Pvt. Ltd.	10	463	302	840
CMRE S.r.l.	6,238	5,653	–	–
Doo Officina-GAME East Vrsac	880	923	56	49
I.E.M.A. S.r.l.	3,221	3,672	19,136	17,012
Inkbit LLC	2,274	n.a.	–	n.a.
LA.CO S.r.l.	869	811	3,413	3,956
Logimatic S.r.l.	6,972	7,130	24,994	22,662
Masterpiece S.r.l.	19	11	717	561
Meccanica Sarti S.r.l.	1,214	1,213	600	529
Me. Mo. S.r.l.	1,000	n.a.	–	n.a.
MORC 2 S.r.l.	1,653	1,550	987	1,306
Petroncini Impianti S.p.A.	1,969	2,022	–	–
Plasticenter S.r.l.	n.a.	636	n.a.	6,208
Powertransmission.it S.r.l.	174	146	543	431
Scriba Nanotecnologie S.r.l.	171	170	62	47
SIL.MAC. S.r.l.	2,018	1,983	8,831	6,977
S.I.Me. S.r.l.	419	371	521	637
STA.MA. S.r.l.	119	109	1,587	1,356
Talea S.r.l.	4,693	3,615	6,389	3,342
Other associates	195	73	8	82
	54,955	**35,467**	**79,668**	**74,899**
Other related parties:				
Atop S.p.A.	521	n.a.	–	n.a.
Banca di Bologna	n.a.	462	n.a.	–
Costal S.r.l.	–	–	1,607	823
Datalogic Automation S.r.l.	–	–	179	324
EPSOL S.r.l.	593	264	4,656	4,179
Ipercubo S.r.l.	93	93	–	–
Morosina S.p.A.	–	–	–	244
Poggi & Associati	–	312	223	280
Rotor S.p.A.	370	n.a.	–	n.a.
Schiavina S.r.l.	280	311	–	–
Verniciatura Ozzanese S.r.l.	116	231	218	551
Other related parties	181	21	195	211
	2,154	**1,694**	**7,078**	**6,612**
Total	**60,755**	**40,804**	**89,111**	**86,209**

The following table details the main transactions carried out with related parties:

in thousands of euros	Revenues 2017	Revenues 2016	Costs 2017	Costs 2016
Associates and joint venture:				
Amherst Stainless Fabrication LLC	–	121	3,393	4,479
Atopbi S.p.A.	–	n.a.	416	n.a.
B.C. S.r.l.	321	333	5,170	4,997
Bacciottini F.lli S.r.l.	294	150	6,893	6,781
Bolognesi S.r.l.	182	144	5,056	5,479
Brio Pharma Technologies Pvt. Ltd.	–	6	1,203	1,364
CMRE S.r.l.	–	–	65	68
Doo Officina-Game East Vrsac	–	–	750	503
I.E.M.A. S.r.l.	2,979	3,391	20,444	17,193
LA.CO S.r.l.	178	204	3,672	4,116
Logimatic S.r.l.	4,846	4,999	30,036	26,126
Masterpiece S.r.l.	9	2	821	648
Meccanica Sarti S.r.l.	1	–	878	678
MORC 2 S.r.l.	255	219	2,094	3,564
Plasticenter S.r.l. (*)	574	146	4,679	5,656
Powertransmission.it S.r.l.	28	23	1,043	962
SIL.MAC. S.r.l.	1,607	1,619	10,502	7,608
S.I.Me. S.r.l.	48	–	1,369	1,358
STA.MA. S.r.l.	145	141	1,861	1,498
Talea S.r.l. (**)	1,596	1,423	5,131	2,429
Other Associates and joint venture	20	18	380	518
	13,083	**12,939**	**105,856**	**96,025**
Other related parties:				
Atop S.p.A.	561	n.a.	–	n.a.
Costal S.r.l.	–	–	2,541	1,443
Datalogic Automation S.r.l.	–	–	559	512
Galliani & Sistemi S.p.A.	–	–	1	2
EPSOL S.r.l.	857	707	4,874	4,019
Ipercubo S.r.l.	76	–	186	186
Lopam S.r.l.	–	–	520	516
Morosina S.p.A.	–	–	1,143	1,146
Nemo Investimenti S.r.l.	–	2	2,076	2,020
Stator S.p.A.	118	n.a.	–	n.a.
Verniciatura Ozzanese S.r.l.	3	2	529	657
Other related parties	26	17	377	391
	1,641	**728**	**12,806**	**10,892**
Total	**14,724**	**13,667**	**118,662**	**106,917**

(*) The amounts relate to the period January/November 2017
(**) The amounts relate to the period July/December 2016

These transactions relate primarily to the Group's Italian companies.

Transactions with associates are largely of a commercial nature. See Note 4 for further information.

Relations with EPSOL S.r.l. relate to the design and production of plant for automated machines; the relations with Lopam S.r.l., Nemo Investimenti S.r.l. and Ipercubo S.r.l. essentially relate to the rental of real estate.

The table below provides a summary of the balance sheet including transactions with related parties and the percentage impact:

in thousands of euros	Total at 31.12.2017	Of which related parties	% impact	Total at 31.12.2016	Of which related parties	% impact
Balance sheet:						
Tangible and intangible assets	457,254	4,496	1.0%	420,948	1,490	0.4%
Investments and financial assets	45,294	36,928	81.5%	30,152	18,956	62.9%
Other non-current assets	71,312	93	0.1%	68,150	93	0.1%
NON-CURRENT ASSETS	573,860	41,517	7.2%	519,250	20,539	4.0%
Trade and other receivables	389,332	11,895	3.1%	359,421	14,500	4.0%
Financial assets	17,946	3,700	20.6%	9,567	1,660	17.4%
Cash and cash equivalents	206,681	–	–	201,081	462	0.2%
Income tax receivables	9,396	3,643	38.8%	7,985	3,643	45.6%
Other current assets	309,866	–	–	279,127	–	–
CURRENT ASSETS	933,221	19,238	2.1%	857,181	20,265	2.4%
TOTAL ASSETS	**1,507,081**	**60,755**	**4.0%**	**1,376,431**	**40,804**	**3.0%**
SHAREHOLDERS' EQUITY	390,524			270,184		
Borrowings	167,480	–	–	221,186	–	–
Other non-current liabilities	160,512	–	–	148,300	–	–
NON-CURRENT LIABILITIES	327,992	–	–	369,486	–	–
Borrowings	108,459	–	–	93,538	–	–
Trade and other payables	635,739	86,746	13.6%	596,753	81,567	13.7%
Income tax liabilities	11,574	2,365	20.4%	14,418	4,642	32.2%
Other current liabilities	32,793	–	–	32,052	–	–
CURRENT LIABILITIES	788,565	89,111	11.3%	736,761	86,209	11.7%
TOTAL LIABILITIES AND EQUITY	**1,507,081**	**89,111**	**5.9%**	**1,376,431**	**86,209**	**6.3%**

The increase in trade payables to associates reflects the Group's constant commitment in pursuing close collaboration with those suppliers that play a key role in production, also by considering the possibility of becoming shareholders in their companies.

The table below provides a summary of the income statement including transactions with related parties and the percentage impact:

in thousands of euros	2017	Of which related parties	% impact	2016	Of which related parties	% impact
Income statement:						
Revenue	1,444,730	10,658	0.7%	1,310,846	10,216	0.8%
Other income	28,323	1,681	5.9%	22,747	1,543	6.8%
Cost of raw materials and goods	(540,770)	(72,632)	13.4%	(520,625)	(70,642)	13.6%
Cost of services and leases	(328,140)	(44,578)	13.6%	(285,775)	(35,510)	12.4%
Other operating costs	(438,925)	(379)	0.1%	(385,852)	(404)	0.1%
OPERATING PROFIT	**165,218**			**141,341**		
Net financial income	27,062	31	0.1%	36,236	26	0.1%
Net financial expense	(42,977)	–	–	(29,950)	(5)	–
FINANCIAL INCOME AND EXPENSE	**(15,915)**			**6,286**		
PROFIT (LOSS) FROM INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD	**1,281**	1,281	100.0%	**1,526**	1,526	100.0%
Taxes	(51,159)	–	–	(47,761)	–	–
PROFIT FOR THE YEAR	**99,425**			**101,392**		

The table does not include the remuneration paid to directors, statutory auditors and managers with strategic responsibilities, which are detailed in the following paragraph.

Note that during 2017 there were no "more relevant transactions", as defined in the Consob regulation, no individual Related Party transactions that could have had a significant influence over the companies' balance sheet or results and no changes or developments in Related Party transactions explained in the last annual report that could have had a significant influence over the companies' balance sheet or results.

Remuneration of Directors, Statutory Auditors and Managers with Strategic Responsibilities

We provide information concerning the remuneration paid. for any reason and in any form, to directors, statutory auditors of the Parent Company for carrying out their duties in other companies included in the consolidation:

in thousands of euros	2017	2016
Directors	8,744	9,244
Statutory Auditors	95	129
Total	**8,839**	**9,373**

The amount due to Directors includes fees for professional services as detailed in the Remuneration Report.

The following table reports the fees paid, for any reason and in any form, by the Company and by other Group companies to managers with strategic responsibilities:

in thousands of euros	2017	2016
Short-term benefits	2,805	3,655
Long-term benefits	1,069	900
Post-employment benefits	280	128
Fees for positions	6,609	6,856
Total	**10,763**	**11,539**

The managers with strategic responsibilities include three members of IMA's Board of Directors.

The details of remuneration paid to directors, statutory auditors and managers with strategic responsibilities is shown in the Remuneration Report.

33. SIGNIFICANT NON-RECURRING TRANSACTIONS AND EVENTS

Consob Communication DEM/6064293 of 28 July 2006 requires disclosures on significant events and transactions that are not recurring; in other words, on transactions or events that do not occur in the ordinary course of business.

During 2017, non-recurring charges classified under Personnel costs principally relate to the reorganisation of the Dairy&Food business and to ancillary charges on the acquisitions of the year; these charges have been booked to Cost of raw, ancillary and consumable materials and goods for resale for 570 thousand euros, Personnel costs for 3,423 thousand euros, Services, rentals and leases for 8,709 thousand euros, Provisions for risks and charges for 253 thousand euros and Other operating costs for 290 thousand euros.

In 2016, non-recurring charges were shown under Cost of raw, ancillary and consumable materials and goods for resale for 840 thousand euros, Personnel costs for 2,444 thousand euros and Services, rentals and leases for 2,641 thousand euros.

34. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

No significant atypical and/or unusual transactions or positions are reported.

35. SIGNIFICANT EVENTS AFTER THE CLOSE OF THE PERIOD

In January 2018 GIMA S.p.A., a subsidiary of IMA S.p.A., acquired the other 24% of the investment in IMA Automation Malaysia Sdn. Bhd. for 2,000 thousand Swiss francs, following the exercise of the option provided in the agreement.

H) EQUITY INVESTMENTS INCLUDED IN THE SCOPE OF CONSOLIDATION AND METHOD USED

Companies consolidated line-by-line	Registered office		Share capital	Currency	Direct investment	Indirect investment
Industrial and service companies:						
- I.M.A. Industria Macchine Automatiche S.p.A.	Ozzano dell'Emilia	Bologna - Italy	20,415,200	EUR	Parent company	
- CO.MA.DI.S. S.p.A.	Senago	Milan - Italy	1,540,000	EUR	100%	–
- Corazza S.p.A.	Bologna	Bologna - Italy	15,675,000	EUR	100%	–
- Eurosicma - Costruzioni Macchine Automatiche S.p.A	Milan	Milan - Italy	700,000	EUR	100% (1)	–
- Eurotekna S.r.l.	Milan	Milan - Italy	32,243	EUR	–	85,71% (2)
- Fillshape S.r.l.	Zola Predosa	Bologna - Italy	100,000	EUR	–	80% (3)
- GIMA S.p.A.	Zola Predosa	Bologna - Italy	1,000,000	EUR	100%	–
- GIMA TT S.p.A.	Ozzano dell'Emilia	Bologna - Italy	440,000	EUR	60.084%	–
- G.S. Coating Technologies S.r.l.	Castel San Pietro T.	Bologna - Italy	100,000	EUR	100%	–
- Ilapak Italia S.p.A.	Foiano della Chiana	Arezzo - Italy	4,074,000	EUR	–	81% (4)
- Mapster S.r.l.	Parma	Parma - Italy	10,000	EUR	–	80% (3)
- O.A.SYS. Open Automation System S.r.l.	Segrate Milan	Milan - Italy	20,800	EUR	–	70% (2)
- Pharmasiena Service S.r.l.	Siena	Siena - Italy	100,000	EUR	70%	–
- Revisioni Industriali S.r.l.	Ozzano dell'Emilia	Bologna - Italy	100,000	EUR	–	100% (5)
- Teknoweb Converting S.r.l.	Palazzo Pignano	Cremona - Italy	1,000,000	EUR	100% (6)	–
- Telerobot S.p.A.	Genoa	Genoa - Italy	50,000	EUR	–	100% (3)
- Benhil GmbH	Neuss	Germany	5,500,000	EUR	–	100% (7)
- Delta Systems & Automation Inc.	Lowell	USA	1,000	USD	–	81% (8)
- Erca S.A.	Les Ulis	France	2,594,390	EUR	–	100% (7)
- Erca-Formseal Ibérica S.A.	Castelldefels Barcelona	Spain	60,101	EUR	–	100% (9)
- GASTI Verpackungsmaschinen GmbH	Schwäbisch Hall	Germany	25,000	EUR	–	100% (7)
- Hamba Filltec GmbH & Co. KG	Saarbrücken	Germany	1,700,000	EUR	–	100% (7)(21)
- Hassia Packaging Pvt. Ltd.	Taluka Shirur Pune	India	42,000,000	INR	–	100% (7)
- Hassia Verpackungsmaschinen GmbH	Ranstadt	Germany	2,100,000	EUR	–	100% (10)
- Ilapak International SA	Collina d'Oro Lugano	Switzerland	4,000,000	CHF	–	81% (11)
- Ilapak (Beijing) Packaging Machinery Co. Ltd.	Beijing	PRC	3,000,000	USD	–	81% (12)
- IMA Automation Malaysia Sdn. Bhd.	Penang	Malaysia	3,000,000	MYR	–	100% (3)
- IMA Automation USA Inc.	Loves Park	USA	10,610,000	USD	–	100% (13)
- IMA Life (Beijing) Pharmaceutical Systems Co. Ltd.	Beijing	PRC	400,000	USD	100%	–
- IMA Life North America Inc.	Tonawanda	USA	100	USD	–	100% (13)
- IMA Life The Netherlands B.V.	Dongen	The Netherlands	22,382,654 (*)	EUR	100%	–
- IMA MAI S.A.	Mar del Plata	Argentina	632,980	ARS	100% (14)	–
- IMA Medtech Switzerland SA	La Chaux de Fonds	Switzerland	13,250,000	CHF	–	100% (3)
- IMA North America Inc.	Leominster	USA	8,052,500	USD	–	100% (13)
- IMA-PG India Pvt. Ltd.	Mumbai	India	17,852,100 (*)	INR	100%	–
- IMA Swiftpack Ltd.	Alcester	UK	1,403,895	GBP	100%	–
- Shanghai Tianyan Pharmaceutical Mach. Co. Ltd.	Shanghai	PRC	5,250,000	RMB	–	86.29% (15)
- Tianjin IMA Machinery Co. Ltd.	Tianjin	PRC	200,000	USD	100%	–
Commercial companies:						
- Ilapak do Brasil Maquinas de embalagem Ltda.	Sao Paulo	Brazil	7,345,215 (*)	BRL	–	81% (11)
- Ilapak France SA	Lognes Paris	France	105,130	EUR	–	81% (4)
- Ilapak Inc.	Newtown	USA	12,500	USD	–	81% (4)
- Ilapak Israel Ltd.	Caesarea	Israel	5,310,505	ILS	–	81% (4)
- Ilapak Ltd.	Uxbridge London	UK	795,536	GBP	–	81% (4)
- Ilapak SNG OOO	Moscow	Russia	1,785,700	RUB	–	81% (4)
- Ilapak Sp. Z o.o.	Krakow	Poland	3,740,400	PLN	–	81% (4)
- Ilapak Verpackungsmaschinen GmbH	Haan Düsseldorf	Germany	102,500	EUR	–	81% (4)
- IMA Dairy & Food USA Inc.	Leominster	USA	1	USD	–	100% (7)
- IMA Est GmbH	Vienna	Austria	280,000	EUR	100%	–
- IMA France E.u.r.l.	Rueil Malmaison	France	45,735	EUR	100%	–
- IMA Fuda (Shanghai) Packaging Machinery Co. Ltd.	Shanghai	PRC	6,000,000	RMB	80%	–
- IMA Germany GmbH	Cologne	Germany	90,000	EUR	100%	–
- IMA Iberica Processing and Packaging S.L.	Barcelona	Spain	590,000	EUR	100%	–
- IMA Industries GmbH	Aschaffenburg	Germany	100,000	EUR	100%	–
- IMA Industries North America Inc.	Leominster	USA	–	USD	–	100% (13)
- IMA Life Japan KK	Tokyo	Japan	40,000,000	YEN	–	100% (16)
- IMA Pacific Co. Ltd.	Bangkok	Thailand	132,720,000	THB	99.99%	–
- IMA Packaging & Processing Equip. (Beijing) Co. Ltd.	Beijing	PRC	2,350,000	USD	100%	–
- IMA UK Ltd.	Alcester	UK	1	GBP	–	100% (17)
- Imautomatiche Do Brasil Ltda.	Sao Paulo	Brazil	6,651,550	BRL	99.98%	–
- OOO IMA Industries	Moscow	Russia	12,000,000	RUB	–	100% (5)
- Teknoweb N.A. Llc	Loganville Atlanta	USA	56,000	USD	–	75% (18)
- Teknoweb Suisse Sagl (in liquidation)	Mendrisio	Switzerland	40,000	CHF	–	100% (19)

(*) The nominal share capital of IMA-PG India Pvt Ltd., Ilapak do Brasil Ltda. and IMA Life The Netherlands B.V. amounts to Inr 20,000,000, Brl 7,595,215 and Eur 45,400,000 respectively.

Companies consolidated line-by-line (continued)	Registered office		Share capital	Currency	Direct investment	Indirect investment
Financial companies:						
- Packaging Systems Holdings Inc.	Wilmington	USA	1,000	USD	100%	–
- IMA Dairy & Food Holding GmbH	Stutensee	Germany	25,000	EUR	100%	–
- Tekno NA Inc.	Atlanta	USA	50,000	USD	–	100% (19)
- Transworld Packaging Holding S.p.A.	Ozzano dell'Emilia	Bologna - Italy	64,833	EUR	81%	–
Other companies:						
- Digidoc S.r.l.	Ozzano dell'Emilia	Bologna - Italy	10,000	EUR	–	80% (20)
- Dreamer S.r.l.	Bologna	Bologna - Italy	100,000	EUR	–	90% (3)
- Hamba Verwaltungsgesellschaft mbH	Saarbrücken	Germany	25,000	EUR	–	100% (7)
- Ilapak China Ltd. (in liquidation)	Hong Kong	PRC	13	USD	–	81% (4)
- Packaging Manufacturing Industry S.r.l.	Castenaso	Bologna - Italy	110,000	EUR	100%	–
- Società del Sole S.r.l.	Ozzano dell'Emilia	Bologna - Italy	10,000	EUR	100%	–

Notes:
(1) The percentage interest held in Eurosicma - Costruzioni Macchine Automatiche S.p.A. includes an option to purchase 40% of the quota capital
(2) Held by Eurosicma - Costruzioni Macchine Automatiche S.p.A.
(3) Held by GIMA S.p.A. The percentage interest held in Telerobot S.p.A. and IMA Automation Malaysia Sdn. Bhd includes an option to purchase 25% and 24% of the quota capital respectively
(4) Held by Ilapak International SA at 100% except Ilapak France SA held at 99.99%
(5) Held by Corazza S.p.A.
(6) The percentage interest held in Teknoweb Converting S.r.l. includes an option to purchase 40% of the quota capital
(7) Held by IMA Dairy & Food Holding GmbH
(8) Held by Ilapak Inc. at 100%
(9) Held by Erca S.A.
(10) Held by IMA Dairy & Food Holding GmbH at 94% and by IMA Germany GmbH at 6%
(11) Held by Transworld Packaging Holding S.p.A. at 100%
(12) Held by Ilapak Italia S.p.A. at 100%
(13) Held by Packaging Systems Holdings Inc.
(14) The percentage interest held in IMA MAI S.A. includes an option to purchase 30% of the quota capital
(15) Held by IMA Life (Beijing) Ph. Systems Co. Ltd.
(16) Held by IMA Life The Netherlands B.V.
(17) Held by IMA Swiftpack Ltd.
(18) Held by Tekno NA Inc. at 75%
(19) Held by Teknoweb Converting S.r.l. at 100%
(20) Held by Packaging Manufactoring Industry S.r.l.
(21) Company takes the exemption in accordance with § 264b HGB (German Commercial Code)

Investments accounted for using the equity method	Registered office		Share capital	Currency	Direct investment
Industrial and service companies:					
- Amherst Stainless Fabrication LLC	Amherst NY	USA	1,100,000	USD	20% (1)
- Atopbi S.p.A.	Milan	Milan - Italy	249,400	EUR	25%
- B.C.S.r.l.	Imola	Bologna - Italy	36,400	EUR	30%
- Bacciottini F.lli S.r.l.	Oste Montemurlo	Prato - Italy	60,000	EUR	30% (2)
- Bolognesi S.r.l.	Dozza	Bologna - Italy	10,920	EUR	30% (2)
- Brio Pharma Technologies Pvt. Ltd.	Mumbai	India	1,000,000	INR	30%
- CAIMA S.r.l.	Monghidoro	Bologna - Italy	10,000	EUR	20% (2)
- CMRE S.r.l.	Bologna	Bologna - Italy	50,000	EUR	50%
- Consorzio L.I.A.M.	Vignola	Modena - Italy	25,000 (3)	EUR	25%
- Doo Officina-Game East Vrsac	Vrsac	Serbia	130,474,863	RSD	49% (2)
- FID S.r.l. Impresa Sociale	Bologna	Bologna - Italy	20,000	EUR	30%
- I.E.M.A. S.r.l.	S.Giorgio di Piano	Bologna - Italy	100,000	EUR	30% (2)
- Inkbit LLC	Delaware	USA	2,407	USD	20%
- LA.CO S.r.l.	Ozzano dell'Emilia	Bologna - Italy	30,000	EUR	30% (2)
- Logimatic S.r.l.	Ozzano dell'Emilia	Bologna - Italy	120,000	EUR	29.17% (2)
- Masterpiece S.r.l.	Ozzano dell'Emilia	Bologna - Italy	10,000	EUR	30% (2)
- Meccanica Sarti S.r.l.	Bologna	Bologna - Italy	102,000	EUR	30% (2)
- Me.Mo S.r.l	Gaggio Montano	Bologna - Italy	10,000	EUR	20% (2)
- MORC 2 S.r.l.	Faenza	Ravenna - Italy	20,800	EUR	20% (2)
- Petroncini Impianti S.p.A.	Modena	Modena - Italy	120,000	EUR	49% (4)
- Powertransmission.it S.r.l.	Castenaso	Bologna - Italy	50,000	EUR	20% (2)
- Scriba Nanotecnologie S.r.l.	Bologna	Bologna - Italy	25,556	EUR	24.9%
- SIL.MAC. S.r.l.	Gaggio Montano	Bologna - Italy	90,000	EUR	30% (2)
- S.I.Me. S.r.l.	Granarolo dell'Emilia	Bologna - Italy	100,000	EUR	49% (2)
- STA.MA. S.r.l.	Ozzano dell'Emilia	Bologna - Italy	10,400	EUR	30% (2)
- Talea S.r.l.	Castel Guelfo	Bologna - Italy	25,000	EUR	20% (2)
- Sirio S.p.A. Associazione in partecipazione (5)	Milan	Milan - Italy			

Notes:
(1) Held by IMA Life North America Inc.
(2) Held by Packaging Manufacturing Industry S.r.l.
(3) Shares in the consortium fund
(4) Held by GIMA S.p.A.
(5) Agreement signed in the last quarter of 2007 for the management of an aircraft

I) DISCLOSURE REQUIRED UNDER ARTICLE 149-DUODECIES OF THE CONSOB ISSUERS' REGULATION

The following table shows the amounts of audit fees and fees for other services in 2017; these refer to the preliminary analyses carried out by the auditors on the process set up by IMA S.p.A. for the preparation of the non-financial report required by Directive 2014/95/EU and its adoption in Italian law (Legislative Decree 254/2016) for the 2016 reporting year; additional activities regarding verification of the opening balances of Eurosicma S.p.A.; assistance provided during the listing of GIMA TT S.p.A.; tax advisory and due diligence services rendered by the auditors:

in thousands of euros	Service rendered by	To	Fees
Audit	EY S.p.A.	Parent Company IMA S.p.A.	305
	EY S.p.A.	Subsidiary companies	598
	EY network	Subsidiary companies	313
Other services rendered in connection with the review	EY S.p.A.	Parent Company IMA S.p.A.	14
	EY S.p.A.	Subsidiary companies	21
	EY network	Subsidiary companies	200
Other services	EY network	Subsidiary companies	335
Total			**1,786**

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS AMENDED

(The consolidated financial statements have been translated from the original Italian into English solely for the convenience of international readers)

Certification of the consolidated financial statements pursuant to Art. 81-ter of Consob Regulation no. 11971 of 14 May 1999, as amended

The undersigned, Alberto Vacchi, Chairman and Managing Director, and Sergio Marzo, the executive responsible for preparing the financial reports of I.M.A. Industria Macchine Automatiche S.p.A. certify, having regard for the requirements of Art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:

- the appropriateness with regard to the characteristics of the Company and
- the effective application of the administrative and accounting procedures in preparing the consolidated financial statements for the period January-December 2017

It is also certified that:

1) the consolidated financial statements:

a) have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union under Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002;
b) correspond to the entries in the accounting books and records;
c) provide a true and fair view of the performance and financial position of the issuer and the companies included in the scope of consolidation.

2) the report on operations includes a reliable analysis of the business and the performance and financial position of the issuer and the companies included in the scope of the consolidation, together with a description of the risks and uncertainties to which they are exposed.

Ozzano dell'Emilia (Bologna), 14 March 2018

Managing Director
Alberto Vacchi

Manager responsible for preparing financial reports
Sergio Marzo

REPORT OF THE INDEPENDENT AUDITORS
AT 31 DECEMBER 2016

(THE CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN TRANSLATED FROM THE ORIGINAL ITALIAN INTO ENGLISH SOLELY FOR THE CONVENIENCE OF INTERNATIONAL READERS)

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Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated January 27, 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
I.M.A. Industria Macchine Automatiche S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of I.M.A. Industria Macchine Automatiche S.p.A. and its subsidiaries ("I.M.A. Group" or "Group"), which comprise the statement of financial position at December 31, 2017, the income statement, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at December 31, 2017, and the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued to implement article 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*** section of our report.
We are independent of I.M.A. Industria Macchine Automatiche S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We identified the following key audit matters.

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Key Audit Matters	Audit Responses
Valuation of goodwill At December 31, 2017 the carrying amount of goodwill, reported in line item Intangible Assets of the financial statements, amounts to Euro 191.6 million allocated to different Cash Generating Units (CGUs) which are tested for impairment annually, or more frequently if indications of impairment exist. The processes and methodologies applied to evaluate and determine the recoverable amount of each CGU, in terms of value in use, are based on assumptions that are in some cases complex and that, due to their nature, imply the use of management's judgment, in particular with reference to the forecasted cash flows for the period 2018-2020, the normalized cash flows used to estimate terminal value and the discount and long term growth rates applied. Considering the level of judgment and complexity of the assumptions applied in estimating the recoverable amount of goodwill, we determined that this item represents a key audit matter. The disclosures relating to the valuation of construction contracts are included in note 3 "***Intangible assets***" of the financial statements, as well as in section ***C) "Accounting policies and principles***" under paragraphs "***Intangible assets***", "***Impairment of assets***" and "***Use of estimates and assumptions***".	Our audit procedures relating to this key audit matter included, among others: • assessing the processes and key controls implemented by the Group in relation to the valuation of goodwill; • validating the proper identification of the CGUs by management and the allocation of the carrying values of assets and liabilities to each CGU; • assessing the cash flow forecasts; • validating the allocation of the forecasted cash flows to each CGU in the Group business plan for the period 2018-2020; • assessing the accuracy of the cash flow forecasts as compared to the historical cash flows of the prior years; • assessing long-term growth rates and discount rates. In our analysis we involved EY valuation specialists who performed their independent valuation and sensitivity analyses on key assumptions to determine any changes that could materially impact the valuation of the recoverable amount. Finally, we verified the adequacy of the disclosures provided in the notes to the financial statements in relation to the valuation of goodwill.
Revenue recognition and valuation of construction contracts The financial statements report Euro 696.9 million revenue from construction contracts in addition to assets and liabilities, related to the completed portion of such contracts, net of advances received, of Euro 156.9 million and Euro 14.9 million, respectively at the reporting date. Revenue and margins from construction contracts are recognized on the stage-of-completion basis applying the "cost-to-cost method" which is based on the proportion of	Our audit procedures in response to the key audit matter included, among others: • the assessment of the procedures and controls performed by the Group during the planning and monitoring of construction contracts, including the verification of the criteria for revenue recognition; • the analysis, with reference to key projects, of the main assumptions used

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Key Audit Matters	Audit Responses
costs incurred on work performed to date with respect to the estimated total costs to complete the contract. The procedures for revenue recognition procedures and for the valuation of construction contracts in certain cases depend on complex assumptions, which require management's judgment, in particular with reference to the estimated costs to complete each project and changes in estimates compared to the previous year, if any. These changes could be influenced by multiple factors such as, for example, the time frame required to develop and complete the projects, the high technological and innovative content, the possible presence of price variances and price adjustments, the performance guarantees of the machines, including the estimation of contractual risks, if any. We considered that this item represents a key audit matter based on the economic and financial importance of construction contracts and on the complexity of the assumptions used in forecasting total costs of the construction contracts, in addition to the potential impact of the changes in estimates. The disclosures relating to revenue recognition and valuation of construction contracts are included in notes 10 "*Trade receivables and other receivables*" of the financial statements, as well as in section *C)* "*Accounting policies and principles*" under paragraphs "*Contract work*" and "*Use of estimates and assumptions*	in forecasting total costs to complete the contracts and to determine total revenue, review of the project progress reports, interview of the project managers and review of the contractual documentation; • the comparative analysis of the main changes in contracts results compared to the original budget or to the previous year estimates; • the critical review of the assumptions that required significant management judgments, such as, for example, those relating to the forecasting of costs related to projects with high technological and innovative content; • the execution of substantive procedures on contract costs on a sample basis; • the verification of the mathematical accuracy of the calculation of the projects' percentage of completion. Finally, we verified the adequacy of the disclosures provided in the notes to the financial statements in relation to revenue recognition and to the valuation of construction contracts.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the 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 either intend to liquidate the parent company I.M.A. Industria Macchine Automatiche S.p.A. or to cease operations, or has no realistic alternative but to do so.

The Board of Statutory Auditors ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

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

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; designed and performed audit procedures responsive to those risks, and obtained 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;
- we obtained 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;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we concluded on the appropriateness of Directors' 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 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;
- we evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicated 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.

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We provided those charged with governance with a statement that we complied with the ethical and independence requirements applicable in Italy, and we communicated to them any circumstances that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional Information Pursuant to Article 10 of EU Regulation n. 537/14

The shareholder of I.M.A. Industria Macchine Automatiche S.p.A., in the general meeting held on April 24, 2013, engaged us to perform the audits of the consolidated financial statements of each years ending December 31, 2013 to December 31, 2021.

We declare that we did not provide any prohibited non-audit services, referred to in article 5, paragraph 1, of EU Regulation n. 537/2014, and that we remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to Board of Statutory Auditors (Collegio Sindacale) in its capacity as audit committee, prepared in accordance with article 11 of the EU Regulation n. 537/2014.

Report on Compliance with Other Legal and Regulatory Requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998

The Directors of I.M.A. Industria Macchine Automatiche S.p.A. are responsible for the preparation of the Report on Operation and of the Report on Corporate Governance and Ownership Structure of I.M.A. Group at December 31, 2017, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998, with the consolidated financial statements of I.M.A. Group at December 31, 2017 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operation and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of I.M.A. Group at December 31, 2017 and comply with the applicable laws and regulations.

With reference to the statement required by article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement Pursuant to Article 4 of Consob Regulation Implementing Legislative Decree n. 254, dated December 30, 2016

The Directors of I.M.A. Industria Macchine Automatiche S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated December 30, 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated December 30, 2016, such non-financial information are subject to a separate compliance report signed by us.

Bologna, March 28, 2018

EY S.p.A.
Signed by: Alberto Rosa, Partner

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