ANNUAL FINANCIAL REPORT
AT 31 DECEMBER 2018

IMA SPA
Sustain Ability

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TABLE OF CONTENTS

NOTICE OF CALL

Published on the Company's website www.ima.it (investor relations section) on 15 March 2019 and in Milano Finanza on 16 March 2019 to convene the Ordinary Shareholders' Meeting on 30 April 2019, at a single calling, 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 2018. Allocation of the profit for the year; related and consequent resolutions. Presentation of the consolidated financial statements at 31 December 2018.
2. Proposed purchase, sale and/or disposal of treasury shares; related and consequent resolutions.
3. Appointment of the Board of Statutory Auditors – appointment of the Chairman as well as Acting and Alternate Auditors.
4. Appointment of the Board of Statutory Auditors – determination of remuneration.
5. Remuneration report: resolution pursuant to art. 123-ter, para. 6 of Legislative Decree 58/1998.

Right to attend the Shareholders' Meeting

Pursuant to article 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 17 April 2019 ("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 25 April 2019. 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, they 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 27 April 2019, 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 25 March 2019, 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 Statutory Auditors and its Chairman

The Board of Statutory Auditors will be appointed on the basis of lists submitted by the shareholders. The rules and procedures applying to the lists of candidates and the necessary accompanying documentation are specified in art. 23 of the articles of association.

Each list must contain the name of the person presenting it and must consist of two sections, one for the appointment of the Standing Auditors and the other for the appointment of the Alternate Auditors, and must contain a number of candidates that does not exceed the number of Auditors to be elected, listed in numerical sequence; the first two candidates in both sections of the lists must be of different gender.

The lists of candidates, accompanied by the professional curriculum of each person nominated, as well as declarations by which they accept the candidature and certify, assuming full responsibility, that there are no causes of incompatibility or ineligibility and that they meet the requirements of office set down in law and the articles of association, must be signed by the shareholders submitting them and must be filed at the company's registered office by 5 April 2019, that is, 25 days prior to the date of the Shareholders' Meeting.

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 managerial supervision no. 13 of 24 January 2019.

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 9 April 2019, i.e. not less than twenty-one days before the date set for the meeting.

In the event that, by the aforementioned date of 5 April 2019, only one list has been filed, or only lists submitted by Shareholders who are related have been filed, notice will be given pursuant to legislation in force. In this case other lists can be presented up to 8 April 2019, that is, until the third day from that date. In such a case the aforementioned minimum percentage is reduced to 0.5% of the share capital. If no lists are submitted, the Shareholders' Meeting will appoint the Board of Statutory Auditors and its Chairman by majority vote to ensure the composition of the Board complies with the law and the Articles of Association.

Each Shareholder acting directly, or via an intermediary or a trust company, may contribute to the presentation of only one list. in the event of non-compliance, the support given by such shareholder to any list will be ignored. Each candidate may only be present on one list or, otherwise, will be ineligible for election. 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 107,000 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 - Investor Relations section), where the Articles of Association and the Regulations for Shareholders' Meetings can also be found.

The Shareholders' Meeting documentation, 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 and the Non-Financial Disclosure at 31 December 2018, 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

I.M.A. INDUSTRIA MACCHINE AUTOMATICHE S.P.A.

HEAD OFFICE: OZZANO DELL'EMILIA (BOLOGNA) SHARE CAPITAL FULLY PAID-IN: € 20,415,200
REGISTERED WITH THE BOLOGNA COMPANIES REGISTER AT NO. 00307140376

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

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

(In office until the Shareholders' Meeting called to approve the financial statements at 31 December 2020)

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 quotas 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 and supervision of the Ilapak business.

Giovanni Pecchioli

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

DIRECTORS

Sonia Bonfiglioli, Stefano Cataudella, Cesare Conti, Paolo Frugoni, Luca Poggi, Rita Rolli, Alessandra Schiavina, Maria Carla Schiavina, Gianluca Vacchi, Valentina Volta.

BOARD OF STATUTORY 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

Elean Spagnol
Giovanna Bolognese
Federico Ferracini

INTERNAL CONTROL, RISK AND RELATED-PARTY TRANSACTIONS COMMITTEE

Rita Rolli - Indipendent Director - Chairman
Cesare Conti - Indipendent Director - Deputy Chairman
Sonia Bonfiglioli - Indipendent Director

NOMINATIONS AND REMUNERATION COMMITTEE

Paolo Frugoni - Indipendent Director - Chairman
Maria Carla Schiavina - Director - Deputy Chairman
Rita Rolli - Indipendent Director

MANAGER RESPONSIBLE FOR PREPARING 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

IMA SPA

- **Gima TT S.p.A.** Ozzano dell'Emilia Bologna (Italy) | 60.08%
- **Tissue Machinery Company S.p.A.** Castel Guelfo Bologna (Italia) | 82.5%
  - **Asset Management Service S.r.l.** Castel Guelfo Bologna (Italy) | 100%
  - **TMC Do Brasil Industria de Maquinarios e Servicos Ltda.** | Valinhos (Brasile) | 100%
  - **TMC North America Inc.** Appleton (USA) | 100%
    - **Valley Tissue Packaging Inc.** Kaukauna (USA) | 51%
- **Teknoweb Converting S.r.l.** Palazzo Pignano Cremona (Italy) | 60%
  - **Tekno NA Inc.** Atlanta (USA) | 100%
    - **Teknoweb N.A. Llc** Loganville Atlanta (USA) | 75%
- **Gima S.p.A.** Zola Predosa Bologna (Italy) | 100%
  - **Dreamer S.r.l.** Bologna (Italy) | 90%
  - **Telerobot S.p.A.** Alessandria (Italy) | 100%
  - **Mapster S.r.l.** Collecchio Parma (Italy) | 100%
  - **IMA Medtech Switzerland SA** La Chaux de Fonds (Switzerland) | 100%
  - **IMA Automation Malaysia Sdn. Bhd.** Penang (Malaysia) | 100%
  - **Petroncini Impianti S.p.A.** Modena (Italy) | 80%
    - **Petroncini International Trading (Shanghai) Co. Ltd.** | Shanghai (PRC) | 100%
- **Benhil GmbH** Neuss (Germany) | 100%
- **Hassia Packaging Pvt. Ltd.** Taluka Shirur (India) | 100%
- **IMA Est GmbH** Vienna (Austria) | 100%
- **IMA Germany GmbH** Cologne (Germany) | 100%
- **IMA France E.u.r.l.** Rueil-Malmaison (France) | 100%
- **Imautomatiche Do Brasil Indústria e Comércio de Máquinas Ltda.** | Sao Paulo (Brazil) | 99.98%
- **IMA Pacific Co. Ltd.** Bangkok (Thailand) | 99.99%
- **IMA Iberica Processing and Packaging S.L.** Barcelona (Spain) | 100%
- **Tianjin IMA Machinery Co. Ltd.** Tianjin (PRC) | 100%
- **IMA Packaging & Processing Equipment (Beijing) Co. Ltd.** | Beijing (PRC) | 100%
- **IMA Fuda (Shanghai) Packaging Machinery Co. Ltd.** | Shanghai (PRC) | 80%
- **IMA Life The Netherlands B.V.** Dongen (The Netherlands) | 100%
  - **IMA Life Japan KK** Tokyo (Japan) | 100%
- **IMA Industries GmbH** (in liquidation) Frankfurt am Main (Germany) | 100%
- **Società del Sole S.r.l.** Ozzano dell'Emilia Bologna (Italy) | 100%
- **Packaging Manufacturing Industry S.r.l.** Castenaso Bologna (Italy) | 100%
  - **Digidoc S.r.l.** Ozzano dell'Emilia Bologna (Italy) | 80%
- **CO.MA.DI.S. S.p.A.** Senago Milan (Italy) | 100%
- **Corazza S.p.A.** Bologna (Italy) | 100%
  - **OOO IMA Industries** Moscow (Russia) | 100%
  - **Revisioni Industriali S.r.l.** Ozzano dell'Emilia Bologna (Italy) | 100%
- **Fillshape S.r.l.** Zola Predosa Bologna (Italy) | 100%
- **G.S. Coating Technologies S.r.l.** Castel San Pietro Terme Bologna (Italy) | 100%
- **Pharmasiena Service S.r.l.** Siena (Italy) | 70%
- **IMA MAI S.A.** Ciudad de Mar del Plata Buenos Aires (Argentina) | 70%
- **IMA-PG India Pvt. Ltd.** Mumbai (India) | 100%
- **IMA Life (Beijing) Pharmaceutical Systems Co. Ltd.** Beijing (PRC) | 100%
  - **Shanghai Tianyan Pharmaceutical Machinery Co. Ltd.** | Shanghai (PRC) | 86.29%
- **Eurosicma – Costruzioni Macchine Automatiche S.p.A.** | Milan (Italy) | 60%
  - **Eurotekna S.r.l.** Milan (Italy) | 85.71%
  - **O.A.SYS. Open Automation System S.r.l.** Segrate Milan (Italy) | 70%
- **IMA Swiftpack Ltd.** Alcester (UK) | 100%
  - **IMA UK Ltd.** Alcester (UK) | 100%
- **Ciemme S.r.l.** Albavilla Como (Italy) | 70%
- **Transworld Packaging Holding S.p.A.** Ozzano dell'Emilia Bologna (Italy) | 81%
  - **Ilapak do Brasil Máquinas de embalagem Ltda.** | Sao Paulo (Brazil) | 100%
  - **Ilapak International SA** Collina d'Oro Lugano (Switzerland) | 100%
    - **Ilapak Italia S.p.A.** Foiano della Chiana Arezzo (Italy) | 100%
      - **Ilapak (Beijing) Packaging Machinery Co. Ltd.** | Beijing (PRC) | 100%
    - **Ilapak Ltd.** Uxbridge London (UK) | 100%
    - **Ilapak France SA** Lognes Paris (France) | 99.99%
    - **Ilapak SNG OOO** Moscow (Russia) | 100%
    - **Ilapak Israel Ltd.** Caesarea (Israel) | 100%
    - **Ilapak Verpackungsmaschinen GmbH** Haan Düsseldorf (Germany) | 100%
    - **Ilapak Sp. Z o.o.** Krakow (Poland) | 100%
    - **Ilapak Inc.** Newtown (USA) | 100%
      - **Delta Systems & Automation Inc.** Lowell (USA) | 100%
- **Packaging Systems Holdings Inc.** Wilmington (USA) | 100%
  - **IMA North America Inc.** Leominster (USA) | 100%
  - **IMA Life North America Inc.** Tonawanda (USA) | 100%
  - **IMA Automation USA Inc.** Loves Park (USA) | 100%

GROUP PERFORMANCE

THE ECONOMIC SCENARIO

Shareholders,

in the January 2019 update of the World Economic Outlook, the IMF (International Monetary Fund) forecasts global economic growth of 3.5% in 2019 and 3.6% in 2020, compared with 3.7% in 2018.

For Italy, growth forecasts are downward, compared with 2018 (1.0%) and stand at 0.6% for 2019 and 0.9% for 2020, as well as those on the Eurozone in 2019 and 2020 are down, respectively at 1.6% and 1.7%, against 1.8% in 2018.

Italy and Germany (whose growth rate is falling in 2019 to 1.3%, from 1.5% in 2018) are referred to as braking factors in the Eurozone.

The reasons that contribute to the slowdown in the growth of the European Union are as follows: (i) concerns about an increase in sovereign and therefore financial risk for Italy which has been weighing on domestic demand, (ii) the introduction of new and more rigorous standards for polluting emissions from motor vehicles with regard to Germany, (iii) a general weakening in sentiment towards financial markets and (iv) an expected, and more significant, reduction in Turkey's growth rate. Nor should we forget the effect of tensions in international trade between the United States and the European Union (which is also nearing elections), in the year of "Brexit" and the barricades of the "gilet jaunes" in Paris, situations which generate further market instability.

As for the US, the IMF estimates GDP growth at 2.5% and 1.8%, respectively for 2019 and 2020 (down on the 2018 forecast of 2.9%), where both the "tariff war" with China, begun in 2018, and trade tensions with the Eurozone have taken their toll.

More and more frequently, new uncertainties and instability are created on international markets, with Moscow at the crossroads between the USA and China, the latter now the undisputed ruler of the Asian continent (although with the 2019 growth forecast falling to 6.2% from 6.6% in 2018) and the Middle East a constant theatre of war.

For the IMF, the main political priority for the various countries must be to resolve their trade disagreements and the political uncertainties that they have caused, as quickly as possible, rather than raising further damaging barriers, destabilising a global economy that is already slowing down.

In this context, our Group managed to achieve its objectives for 2018, 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 2018 and the positive trend in new orders during the first few months of the current year enable us to foresee a very positive year.

CONSOLIDATED INCOME STATEMENT

The Group closed 2018 with net profit of 124.59 million euros, compared with 99.42 million euros in 2017.

The following table sets out on a comparative basis the most significant figures from the Group's reclassified income statement of the previous year, restated following the sale of 60% of the investment in IMA Dairy & Food Holding GmbH in 2018:

	2018		2017 RESTATED		
in millions of euros	Amount	%	Amount	%	Change %
Revenue from contracts with customers	**1,500.37**		**1,320.20**		***13.6***
Cost of sales	(928.33)	*61.9*	(805.71)	*61.0*	
Industrial gross profit	**572.04**	***38.1***	**514.49**	***39.0***	***11.2***
R&D costs	(55.31)		(50.99)		
Commercial and sales costs	(136.68)		(125.23)		
General and administrative costs	(163.64)		(145.08)		
Operating profit before writedowns/impairment/ non-recurring items (EBITA)	**216.41**	***14.4***	**193.19**	***14.6***	***12.0***
Writedowns/impairment	–		(2.01)		
Non-recurring items	(6.35)		(5.37)		
Operating profit (EBIT)	**210.06**	***14.0***	**185.81**	***14.1***	***13.1***
Net financial income (expense)	(0.54)		(15.27)		
Profit (loss) from investments accounted for using the equity method	2.42		1.28		
Profit before taxes	**211.94**	***14.1***	**171.82**	***13.0***	***23.4***
Taxes	(61.18)		(52.39)		
Net profit from continuing operations	**150.76**	***10.0***	**119.43**	***9.0***	***26.2***
Profit (loss) from discontinued operations/disposal groups	(26.17)		(20.01)		
Profit for the year	**124.59**	***8.3***	**99.42**	***7.5***	***25.3***
Profit attributable to non-controlling interests	(20.56)		(13.83)		
Profit attributable to equity holders of the parent	**104.03**	***6.9***	**85.59**	***6.5***	***21.5***
Gross operating profit (EBITDA) * before non-recurring items	**259.98**	***17.3***	**224.14**	***17.0***	***16.0***
Gross operating profit (EBITDA) *	**253.63**	***16.9***	**218.77**	***16.6***	***15.9***
Backlog	**941.53**		**806.75**		***16.7***

(*) Gross operating profit (EBITDA) corresponds to the sum of operating profit (EBIT), depreciation, amortisation and write-downs.

REVENUE BY SECTOR

	2018		2017		
in millions of euros	Amount	%	Amount	%	Change %
Tea, Food & Other	686.17	45.7	602.57	45.6	*13.9*
Pharmaceutical	631.27	42.1	565.87	42.9	*11.6*
Tobacco packaging	182.93	12.2	151.76	11.5	*20.5*
Total	**1,500.37**	***100.0***	**1,320.20**	***100.0***	***13.6***

Consolidated revenue in 2018 amounted to 1,500.37 million euros, an overall increase of 13.6%, of which 8.7% due to the organic growth, with respect to the previous year.

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 +13.9%, the Pharmaceutical Sector +11.6% and the Tobacco Sector +20.5%.

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

	2018		2017		
in millions of euros	Amount	%	Amount	%	Change %
Tea, Food & Other	326.07	34.6	193.95	24.0	*68.1*
Pharmaceutical	561.99	59.7	502.38	62.3	*11.9*
Tobacco packaging	53.47	5.7	110.42	13.7	*(51.6)*
Total	**941.53**	***100.0***	**806.75**	***100.0***	***16.7***

REVENUE BY GEOGRAPHICAL AREA

	2018		2017		
in millions of euros	Amount	%	Amount	%	Change %
European Union (excluding Italy)	450.01	30.0	400.87	30.4	*12.3*
Other European countries	114.97	7.7	107.60	8.1	*6.8*
North America	241.13	16.1	225.30	17.1	*7.0*
Asia & Middle East	375.66	25.0	290.44	22.0	*29.3*
Other countries	150.95	10.0	133.39	10.1	*13.2*
Total exports	**1,332.72**	***88.8***	**1,157.60**	***87.7***	***15.1***
Italy	167.65	11.2	162.60	12.3	*3.1*
Total	**1,500.37**	***100.0***	**1,320.20**	***100.0***	***13.6***

Export revenue represents more than 88%, with growth in all areas, particularly in Europe, North America and in Asia & Middle East. About 70% of revenue were generated by plant and machines, while 30% came from after-sales activities (support, spares, kits etc.).

The Group does not expect to have significant repercussions from Brexit as the UK market represents about 3.3% of the total revenue.

In particular:

- revenue from European Union countries, excluding Italy, are growing in Germany, France, Poland, Spain, Denmark and Greece;
- 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 and Middle East grew by 29.3% 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 China, Japan, India and South Korea;

- the revenue from other countries reflects a variety of trends with an increase in Mexico, Argentina and Nigeria;
- the increase in Italy is attributable to the higher 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 38.1% of revenue, compared with 39.0% in 2017, because of a different product mix which contributed to the slight decrease.

R&D COSTS

Research and development costs amount to 55.31 million euros, with a rise compared with 50.99 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 14.28 million euros (13.04 million euros in 2017) 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 136.68 million euros, up 11.45 million euros with respect to 2017. Part of the change, 3.76 million euros, reflects the contribution of the TMC, Ciemme and Petroncini businesses. They decrease slightly as a percentage of sales at 9.1% compared with 9.5% in 2017, and include commissions paid to commercial intermediaries of 18.61 million euros (15.66 million euros in 2017) with a contribution from the new businesses of 0.57 million euros.

GENERAL AND ADMINISTRATIVE COSTS

General and administrative costs increased by 18.56 million euros, from 145.08 million euros in 2017 to 163.64 million euros in 2018, with the TMC, Ciemme and Petroncini businesses contributing 9.44 million euros. The increase is linked to the rise in unit labour costs and higher general costs.

OPERATING PROFIT (EBIT)

Consolidated EBITA comes to 216.41 million euros, which is 14.4% of sales, slightly down compared with the previous year (14.6%).

The operating profit (EBIT) of 210.06 million euros (185.81 million euros in 2017) was affected by non-recurring expenses mainly for the reorganization of the Ilapak business for 4.33 million euros and the acquisition of the TMC, Ciemme and Petroncini businesses for 2.02 million euros.

NET FINANCIAL INCOME (EXPENSE)

Net financial expense, as explained in detail in the notes to the financial statements, was 0.54 million euros compared with expense of 15.27 million euros in 2017.

The change is mainly due to the fair value measurement of the interest in Petroncini, amounting to 11.62 million euros, and to exchange gains of 3.57 million euros.

PROFIT (LOSS) FROM DISCONTINUED OPERATIONS/DISPOSAL GROUPS

The loss relating to discontinued operations, amounting to 26.17 million euros, refers to the sale of 60% of IMA Dairy & Food Holding GmbH during the year and includes ancillary charges.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The profit attributable to the shareholders of the parent company amounts to 104.03 million euros, compared with 85.59 million euros in the previous year, net of taxes of 61.18 million euros (52.39 million euros in 2017).

PROFITABILITY RATIOS

The principal profitability parameters are presented below:

Ratio	Breakdown	2018	2017
Return on sales (ROS)	Operating profit (EBIT) / Revenue	14.0%	14.1%
Return on investment (ROI)	Operating profit (EBIT) / Net invested capital	34.7%	42.2%
Return on equity (ROE)	Profit attributable to equity holders of the parent / Equity attributable to equity holders of the parent	26.2%	23.2%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The following table summarizes the Group's balance sheet and financial position at 31 December 2018:

	31.12.2018		31.12.2017		
in millions of euros	Amount	%	Amount	%	Change %
Trade receivables	384.03	*63.4*	325.23	*73.8*	*18.1*
Inventories	319.72	*52.8*	309.69	*70.3*	*3.2*
Trade payables	(514.69)	*(85.0)*	(502.61)	*(114.1)*	*2.4*
Other, net	(89.98)	*(14.8)*	(105.49)	*(23.9)*	*(14.7)*
Net working capital	**99.08**	***16.4***	**26.82**	***6.1***	***n.s.***
Property, plant and equipment	111.89	*18.5*	95.09	*21.6*	*17.7*
Intangible assets	453.98	*75.0*	362.16	*82.2*	*25.4*
Investments	57.79	*9.5*	44.03	*10.0*	*31.3*
Non-current assets	**623.66**	***103.0***	**501.28**	***113.8***	***24.4***
Provision for severance indemnities and other provisions	(117.23)	*(19.4)*	(87.52)	*(19.9)*	*33.9*
Net invested capital	**605.51**	***100.0***	**440.58**	***100.0***	***37.4***
FINANCED BY:					
Net debt	**184.58**	***30.5***	**50.05**	***11.4***	***n.s.***
Non-controlling interests	23.90	*3.9*	21.31	*4.8*	*12.2*
Group equity attributable to equity holders of the parent	**397.03**	***65.6***	**369.22**	***83.8***	***7.5***
Total sources of financing	**605.51**	***100.0***	**440.58**	***100.0***	***37.4***

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 2018 amounted to 99.08 million euros. It has increased compared with 26.82 million euros in 2017.

The change includes the consolidation of the TMC, Ciemme and Petroncini businesses for a total of 5.14 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 58.80 million euros, because of the effect of the consolidation of the TMC, Ciemme and Petroncini businesses of 18.95 million euros;
- inventories increased by 10.03 million euros with the contribution of the TMC, Ciemme and Petroncini businesses of 17.54 million euros, due to the higher backlog achieved at the end of 2018. In terms of rotation, this figure improves with respect to 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 12.08 million euros, thanks to the contribution of the TMC, Ciemme and Petroncini businesses of 30.76 million euros and to advances from customer due to the growth in the backlog;
- "Other, net" decreased slightly to -89.98 million euros versus -105.49 million euros in 2017, with the TMC, Ciemme and Petroncini businesses contributing -1.24 million euros.

NON-CURRENT ASSETS

In total, non-current assets have increased by 122.38 million euros since 31 December 2017, principally due to the acquisition of the TMC, Ciemme and Petroncini businesses (154.33 million euros), net of the sale of 60% of the investment in IMA Dairy&Food for 79.10 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	35.66	22.06	57.72
Sales and eliminations	(0.57)	(0.24)	(0.81)
Sale of 60% of IMA D&F	(9.39)	(69.71)	(79.10)
Change in scope of consolidation	4.92	4.48	9.40
Acquisition business divisions/companies	–	154.33	154.33
Amortization and depreciation charges	(15.01)	(28.56)	(43.57)
Exchange rate differences and other changes	1.19	9.46	10.65
Total	**16.80**	**91.82**	**108.62**

For more information refer to note 30 of the consolidated financial statements on business combination.

NET INVESTED CAPITAL

Compared with 31 December 2017, net invested capital net of operating liabilities has increased by 164.93 million euros to 605.51 million euros as a result of the matters explained above.

NET DEBT

Net debt at 31 December 2018 amounts to 184.58 million euros and comprises:

in millions of euros	31.12.2018	31.12.2017
A. Cash and cash equivalents	(140.87)	(206.68)
B. Other cash equivalents	(5.03)	(4.79)
C. Investments in securities	(8.00)	(6.66)
D. Liquidity (A)+(B)+(C)	**(153.90)**	**(218.13)**
E. Current financial receivables	**(9.15)**	**(6.50)**
F. Current payables to banks	79.22	50.55
G. Current portion of non-current payables	27.00	57.20
H. Other current financial payables	0.31	0.71
I. Current financial debt (F)+(G)+(H)	**106.53**	**108.46**
J. Net current financial debt (D)+(E)+(I)	**(56.52)**	**(116.17)**
K. Non-current portion of non-current bank payables	176.56	60.49
L. Bonds issued	100.31	105.54
M. Other non-current financial payables	6.41	1.45
N. Non-current financial assets	(42.18)	(1.26)
O. Net non-current financial debt (K)+(L)+(M)+(N)	**241.10**	**166.22**
P. Net financial debt (J)+(O)	**184.58**	**50.05**

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

With reference to 31 December 2017, the increase in net debt of 134.53 million euros is mainly linked to the acquisition of the TMC, Ciemme and Petroncini businesses for a total of 97.66 million euros and the dividends paid by the Parent Company (66.73 million euros paid in May 2018), net of the effects of the sale of the Dairy&Food business of 26.76 million euros. 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 397.03 million euros at year end. The increase of 27.81 million euros since 31 December 2017, was due to the following movements:

Distribution of dividends	(66.73)
Monetary revaluation for hiperinflation	0.68
Purchase and sale of treasury shares	(5.52)
Exchange rate differences on the translation of foreign currency financial statements	0.07
Measurement of financial instruments recognised in equity	(1.56)
Remeasurement of defined benefit plans	0.30
Changes in non-controlling interests	(3.46)
Profit attributable to equity holders of the parent	104.03
Total	**27.81**

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 2018:

in millions of euros	Shareholders' equity	Profit for the year
Equity and Profit attributable to equity holders of the parent	**387.42**	**61.95**
Elimination of book value of consolidated investments and related dividends	(568.21)	(67.52)
Elimination of writedowns of consolidated investments	–	1.05
Equity and Result for the year of consolidated companies and measurement of investments using the equity method	350.79	98.38
Recognition of differences arising from purchase of investments	230.78	(13.72)
Fair value remeasurement of the interest held in Petroncini Impianti S.p.A.	–	11.63
Elimination of intercompany profit/loss on inventories and fixed assets and other adjustments	(3.75)	12.26
Equity and Profit attributable to equity holders of the parent	**397.03**	**104.03**

ANALYSIS OF PERFORMANCE BY SECTOR

The following table analyzes consolidated performance by business segment in 2018:

in millions of euros	Tea, Food & Other	Pharmaceutical	Tobacco packaging	Not allocated	Total
Revenue from contracts with customers	686.17	631.27	182.93	–	1,500.37
Gross operating profit (EBITDA) before non-recurring items	75.52	111.44	73.02	–	259.98
Gross operating profit (EBITDA)	69.17	111.44	73.02	–	253.63
Operating profit (EBIT)	38.91	99.02	72.13	–	210.06
Net invested capital (*)	446.11	116.51	40.04	2.85	605.51
R&D costs	24.83	28.79	1.69	–	55.31
Average personnel	2,601	2,699	156	–	5,456
Backlog	326.07	561.99	53.47	–	941.53

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

Net invested capital includes 222.37 million euros of goodwill, attributed to the Tea, Food & Other Sector for 160.94 million euros and to the Pharmaceutical Sector for 61.43 million euros.

TEA, FOOD & OTHER

in millions of euros	2018	2017	Change %
Revenue from contracts with customers	686.17	602.57	*13.9*
Gross operating profit (EBITDA) before non-recurring items	75.52	66.18	*14.1*
Gross operating profit (EBITDA)	69.17	62.07	*11.4*
Operating profit (EBIT)	38.91	40.66	*(4.3)*
Net invested capital (*)	446.11	340.17	*31.1*
R&D costs	24.83	20.03	*24.0*
Average personnel	2,601	2,243	
Backlog	326.07	193.95	*68.1*

(*) Net invested capital includes goodwill of 160.94 million euros (130.51 million euros at 31 December 2017).

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, for the tissue segment, plus related services.

It also includes the activities of the following divisions: Tea & Herbs and BFB of IMA S.p.A., of the following companies: Ciemme S.r.l., Corazza S.p.A., Eurosicma S.p.A., GIMA S.p.A., Fillshape S.r.l., Mapster S.r.l., Petroncini Impianti S.p.A., Revisioni Industriali S.r.l., Telerobot S.p.A., Benhil GmbH, Hassia Packaging Pvt. Ltd., IMA MAI S.A. and of the following businesses: Ilapak, Medtech, Teknoweb and TMC.

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 13.9% (+83.60 million euros) over the previous year, thanks to the contributions made by the TMC, Ciemme and Petroncini businesses (64.67 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 75.52 million euros (11.0% of revenue) compared with 66.18 million euros in 2017 (11.0% of revenue). The backlog has risen by 68.1% compared with the previous year, providing a very good visibility for the coming year.

Net invested capital increased mainly thanks to the TMC, Ciemme and Petroncini businesses as mentioned above.

PHARMACEUTICAL

in millions of euros	2018	2017	Change %
Revenue from contracts with customers	631.27	565.87	*11.6*
Gross operating profit (EBITDA) before non-recurring items	111.44	95.00	*17.3*
Gross operating profit (EBITDA)	111.44	95.00	*17.3*
Operating profit (EBIT)	99.02	83.92	*18.0*
Net invested capital (*)	116.51	83.89	*38.9*
R&D costs	28.79	28.66	*0.5*
Average personnel	2,699	2,577	
Backlog	561.99	502.38	*11.9*

(*) Net invested capital includes goodwill of 61.43 million euros (61.13 million euros at 31 December 2017).

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 11.6% (+65.40 million euros). The sector has seen a sharp increase over the previous year, achieving a gross operating profit (EBITDA) of 111.44 million euros (17.7% of sales) compared with 95.00 million euros in 2017 (16.8% 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 has risen to 116.51 million euros (83.89 million euros at the end of 2017), due the growth in revenue. The difference comes mainly from the increase in net working capital.

The backlog, which is growing rapidly (+11.9%), 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	2018	2017	Change %
Revenue from contracts with customers	182.93	151.76	*20.5*
Gross operating profit (EBITDA) before non-recurring items	73.02	62.96	*16.0*
Gross operating profit (EBITDA)	73.02	61.70	*18.3*
Operating profit (EBIT)	72.13	61.23	*17.8*
Net invested capital	40.04	2.57	*n.s.*
R&D costs	1.69	2.30	*(26.5)*
Average personnel	156	113	
Backlog	53.47	110.42	*(51.6)*

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 20.5% (+31.17 million euros) compared with the previous year, confirming the success of the product. Gross operating profit is also up on the previous year, reaching a total of 73.02 million euros in 2018, compared with 61.70 million euros in 2017, mainly due to sales volumes.

Net invested capital has increased to 40.04 million euros at 31 December 2018, compared with 2.57 million euros at 31 December 2017, as a result of the increase in net working capital due to higher revenue and lower advances from customers.

The backlog, which has decreased significantly, is affected by the market context of the tobacco business and new generation products.

CAPITAL EXPENDITURE

Capital expenditure on intangible assets amounted to 22.06 million euros (20.13 million euros in 2017) 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 year involved taking on 163.73 million euros of property, plant and equipment and intangible assets on a provisional basis, as detailed in Note 30 of the consolidated financial statements.

Capital expenditure on property, plant and equipment amounted to 35.66 million euros (21.13 million euros in 2017) and refers mainly to the charges incurred for the expansion and adaptation of buildings leased by IMA S.p.A., to an industrial building in Collecchio (PR) and to a building in Zola Predosa (BO), as commented in Note 15, the capitalisation of a machinery built internally by GIMA S.p.A. and the purchase of machinery and electronic equipment.

Depreciation and amortisation for the year amounted to 43.57 million euros (30.95 million euros the previous year).

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. The Company's method of calculating these figures may not be the same as that used by other companies, so the indicators may not be comparable. In line with the Communications mentioned above, we provide below the criteria used in preparing these indicators.

The income statement classified by purpose is 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 of 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 from contracts with customers, operating profit, financial income and expense, profit before tax, taxes, profit (loss) from discontinued activities/disposal groups 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, the analysis of net debt takes account of Consob Communication DEM/6064293 dated 28 July 2006, while including the financial receivables 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, although 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 2018, the average number of Group employees came to 5,456, compared with 4,933 in 2017.

The geographical breakdown of the workforce is as follows:

	2018	2017	Change
Italy	3,127	2,694	433
India	558	554	4
USA	481	432	49
Switzerland	301	285	16
China	278	273	5
Germany	208	204	4
Eastern Europe	109	108	1
UK	101	102	(1)
Argentina	81	82	(1)
Malaysia	63	56	7
France	47	46	1
The Netherlands	34	31	3
Brazil	29	25	4
Spain	18	16	2
Japan	10	9	1
Israel	8	9	(1)
Thailand	3	7	(4)
Total	**5,456**	**4,933**	**523**

The excellent educational standard of the human resources employed by the Group is demonstrated by the fact that more than 86% have a high-school diploma or university degree.

With reference to the Group's organisational structure, around 20.5% of employees work in the commercial area, including pre-sales and after-sales, 25.2% in our R&D laboratories, 14.7% in central functions (Administration, IT, Procurement, Quality, Human Resources, etc.) and 39.6% 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 71.4% of employees occupy clerical and managerial grades.

PERSONNEL COSTS

Personnel costs amounted to 394.84 million euros, compared with 362.27 million euros in the prior year, absorbing 26.3% of net revenue.

It should be noted that personnel costs attributable to Mapster S.r.l. and Eurosicma S.p.A., partially included in the scope of consolidation in the previous year for 3.93 million euros, amount to 8.59 million euros, while the contribution of the newly acquired Petroncini, Ciemme and the TMC Group totalled 14.02 million euros.

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 0.92%, 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 significantly in line with an increase in the number of employees and collaborators during the year.

Lastly, personnel costs include 2.09 million euros of non-recurring charges relating to the reorganisation of the Ilapak business.

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 79% 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 long-standing relationship continues to allow 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 2018 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.

The purpose of the Prevention and Protection Unit of the Parent Company IMA S.p.A. is to guarantee as far as possible consistent application of all prevention and protection measures within the various Group companies, through the performance of targeted audits.

Wanting to focus on specific activities carried out in 2018, we would highlight the maintenance of the BS OHSAS 18001 certification of the Safety at Work Management System by the Parent Company IMA S.p.A. and by GIMA S.p.A., GIMA TT S.p.A. and CORAZZA S.p.A.

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 implemented the procedure on related parties, last updated on 15 February 2019, 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 more relevant transactions, as defined in the Consob regulation;
- there were no individual related-party transactions that have significantly impacted Group companies' balance sheets or results;
- 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 33 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 from contracts with customers, operating profit, financial income and expense, profit before taxes, income taxes, profit (loss) from discontinued activities/disposal groups and profit for the year.

The Parent Company's reclassified income statement for 2018, along with 2017 comparatives, is set out as follows:

	2018		2017		
in millions of euros	Amount	%	Amount	%	Change %
Revenue from contracts with customers	**715.66**		**620.08**		**15.4**
Cost of sales	(445.36)	62.2	(373.84)	60.3	
Industrial gross profit	**270.30**	**37.8**	**246.24**	**39.7**	**9.8**
R&D costs	(34.10)		(32.76)		
Commercial and sales costs	(71.60)		(67.77)		
General and administrative costs	(73.83)		(72.46)		
Operating profit before writedowns/impairment/ non-recurring items (EBITA)	**90.77**	**12.7**	**73.25**	**11.8**	**23.9**
Writedowns/impairment	–		(1.04)		
Non-recurring items	(1.82)		(1.16)		
Operating profit (EBIT)	**88.95**	**12.4**	**71.05**	**11.5**	**25.2**
Net financial income (expense)	27.59		138.29		
Profit before taxes	**116.54**	**16.3**	**209.34**	**33.8**	**(44.3)**
Taxes	(28.51)		(21.51)		
Net profit from continuing operations	**88.03**	**12.3**	**187.83**	**30.3**	**(53.1)**
Profit (loss) from discontinued operations/disposal groups	(26.08)		–		
Profit for the year	**61.95**	**8.7**	**187.83**	**30.3**	**(67.0)**
Gross operating profit (EBITDA) * before non-recurring items	**103.37**	**14.4**	**83.99**	**13.5**	**23.1**
Gross operating profit (EBITDA) *	**101.55**	**14.2**	**82.83**	**13.4**	**22.6**
Backlog	**568.69**		**499.95**		**13.7**

(*) Gross operating profit (EBITDA) corresponds to the sum of operating profit (EBIT), depreciation, amortisation and write-downs.

REVENUE BY GEOGRAPHICAL AREA

	2018		2017		
in millions of euros	Importi	%	Importi	%	Change %
European Union (excluding Italy)	225.17	31.5	194.86	31.4	*15.6*
Other European countries	55.87	7.8	43.82	7.1	*27.5*
North America	58.37	8.2	62.81	10.1	*(7.1)*
Asia & Middle East	156.57	21.9	146.52	23.6	*6.9*
Other countries	71.24	9.9	57.69	9.3	*23.5*
Total exports	**567.22**	***79.3***	**505.70**	***81.5***	***12.2***
Italy	148.44	20.7	114.38	18.5	*29.8*
Total	**715.66**	***100.0***	**620.08**	***100.0***	***15.4***

About 80% of revenue was generated outside Italy, substantially confirming the 2017 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 the European Union and in Asia & Middle East.

INDUSTRIAL GROSS PROFIT

The increase in industrial gross profit reflects the higher volume of sales, with a slight decrease in the profit margin to 37.8% from 39.7% in 2017, due to a different sales mix.

R&D COSTS

The R&D costs incurred during the year amounted to 34.10 million euros (32.76 million Euro in 2017). 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 signed the Concession Decree and received a contribution of 0.61 million euros in 2018. With reference to the same concession, a subsidized loan of 1.99 million euros is outstanding at 31 December 2018.

COMMERCIAL AND SALES COSTS

Commercial and sales cost, including commissions paid to agents and intermediaries, totalled 71.60 million euros, compared with 67.77 million euros in 2017 and include 27.98 million euros of commissions paid to agents (25.68 million in 2017).

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 73.83 million euros on 72.46 million euros in 2017. 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 88.95 million euros versus 71.05 million euros in 2017.

NET FINANCIAL INCOME (EXPENSE)

Net financial income, described in detail in the notes to the financial statements, amounted to 27.59 million euros (138.29 million euros in 2017).

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 55.69 million euros in 2018 compared with 48.44 million euros in the previous year; the difference is due to higher dividends received from subsidiary companies in 2018;
- the interest paid to service debt, including discount interest, amounts to 8.77 million euros (9.03 million euros in 2017).

PROFIT (LOSS) FROM DISCONTINUED OPERATIONS/DISPOSAL GROUPS

The loss from discontinued operations amounts to 26.08 million euros and refers to the sale to third parties of 60% of the investment in IMA Dairy & Food Holding GmbH.

PROFIT FOT THE YEAR

The profit for the year was 61.95 million euros (187.83 million euros in 2017), net of income taxes of 28.51 million euros (21.51 million euros in 2017).

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 2018 are summarized below:

	31.12.2018		31.12.2017		
in millions of euros	Amount	%	Amount	%	Change %
Trade receivables	184.81	*32.6*	133.03	*29.3*	*38.9*
Inventories	157.55	*27.8*	147.18	*32.5*	*7.0*
Trade payables	(329.84)	*(58.2)*	(288.56)	*(63.7)*	*14.3*
Other, net	(21.61)	*(3.8)*	(45.85)	*(10.1)*	*(52.9)*
Net working capital	**(9.09)**	***(1.6)***	**(54.20)**	***(12.0)***	***(83.2)***
Property, plant and equipment	44.82	*7.9*	38.47	*8.5*	*16.5*
Intangible assets	51.85	*9.1*	46.25	*10.2*	*12.1*
Investments	486.37	*85.8*	417.65	*92.3*	*16.5*
Non-current assets	**583.04**	***102.9***	**502.37**	***111.0***	***16.1***
Provision for severance indemnities and other provisions	(7.14)	*(1.3)*	4.55	*1.0*	*n.s.*
Net invested capital	**566.81**	***100.0***	**452.72**	***100.0***	***25.2***
FINANCED BY:					
Net debt	**179.39**	***31.6***	**53.87**	***11.9***	***233.0***
Equity	**387.42**	***68.4***	**398.85**	***88.1***	***(2.9)***
Total sources of financing	**566.81**	***100.0***	**452.72**	***100.0***	***25.2***

NET WORKING CAPITAL

Net working capital at 31 December 2018 amounted to -9.09 million euros, up on the corresponding figure in 2017 (-54.20 million euros) due to the increase in trade receivables and inventories not offset by the increase in advances from customers and trade payables. It consists of the following items:

- trade receivables have increased by 51.78 million euros, from 133.03 million euros as of 31 December 2017, to 184.81 million euros at 31 December 2018, following the increase in sales volumes;
- inventories are up by 10.37 million euros (from 147.18 million euros at 31 December 2017 to 157.55 million euros at 31 December 2018) due to higher sales volumes;
- trade payables, including advances from customers, are up by 41.28 million euros (from 288.56 million euros at 31 December 2017 to 329.84 million euros at 31 December 2018), 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 80.67 million euros since 31 December 2017. As part of this aggregate, equity investments have increased by 68.72 million euros and non-current assets by 11.95 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	Intangibles	Total
Increases	13.14	11.53	24.67
Sales and eliminations	(0.09)	(0.03)	(0.12)
Amortization and depreciation charges	(6.70)	(5.90)	(12.60)
Total	**6.35**	**5.60**	**11.95**

The change in Investments is mainly due to the acquisition of Tissue Machinery Company S.p.A., Fillshape S.r.l., Ciemme S.r.l., Benhil GmbH and Hassia Packaging Pvt. Ltd., net of the sale of 60% of IMA Dairy & Food Holding GmbH. For changes in individual items, see Note 3 of the separate financial statements

NET INVESTED CAPITAL

Compared with 31 December 2017, net invested capital net of operating liabilities has increased by 114.09 million euros to 566.81 million euros for the reasons described above.

NET DEBT

Net debt at 31 December 2018 amounts to 179.39 million euros and comprises:

in millions of euros	31.12.2018	31.12.2017
A. Cash and cash equivalents	(29.15)	(64.92)
B. Other cash equivalents	–	–
C. Investments in securities	(7.85)	(6.65)
D. Liquidity (A)+(B)+(C)	**(37.00)**	**(71.57)**
E. Current financial receivables	**(127.23)**	**(126.24)**
F. Current payables to banks	42.12	19.88
G. Current portion of non-current payables	25.13	56.52
H. Other current financial payables	39.13	15.05
I. Current financial debt (F)+(G)+(H)	**106.38**	**91.45**
J. Net current financial debt (D)+(E)+(I)	**(57.85)**	**(106.36)**
K. Non-current portion of non-current bank payables	176.35	60.42
L. Bonds issued	100.31	105.54
M. Other non-current financial payables	7.04	–
N. Non-current financial assets	(46.46)	(5.73)
O. Net non-current financial debt (K)+(L)+(M)+(N)	**237.24**	**160.23**
P. Net financial debt (J)+(O)	**179.39**	**53.87**

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

Net debt, at 179.39 million euros, has increased by 125.52 million euros compared with the figure at 31 December 2017, when it totalled 53.87 million euros, mainly due to acquisitions in TMC and Ciemme and payment of the dividend of 66.73 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 2019 in view of the improved results that we are looking for.

SHAREHOLDERS' EQUITY

Equity totalled 387.42 million euros at year end. The decrease of 11.43 million euros since 31 December 2017, was due to the following movements:

Distribution of dividends	(66.73)
Purchase and sale of treasury shares	(5.52)
Measurement of financial instruments recognised in equity	(1.43)
Remeasurement of defined benefit plans	0.30
Profit for the year	61.95
Total	**(11.43)**

CAPITAL EXPENDITURE

During 2018, the Company invested 11.53 million euros (8.87 million euros in 2017) in intangible assets and 13.14 million euros (11.72 million euros in 2017) in property, plant and equipment, for a total of 24.67 million euros (20.59 million euros in the previous year).

Capital expenditure on intangible assets refers mainly to software and licences related to the commercial, sale, administrative, logistics and technical area for 4.55 million euros and to the capitalisation of development costs incurred on totally new products for market segments not previously occupied for 6.08 million euros.

With regard to expenditure on tangible assets, they are mainly for leasehold improvements (3.46 million euros), plant and equipment (2.46 million euros) and electronic equipment (1.91 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 2018, the average number of IMA employees came to 1,970, compared with 1, 872 in 2017.

The breakdown of the workforce by grade is summarized below:

	2018	2017	Change
Management	63	49	14
Office workers	1,519	1,463	56
Production workers	388	360	28
Total	**1,970**	**1,872**	**98**

The excellent educational standard of the human resources employed by the Company is demonstrated by the fact that around 87% 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	18.6%	57.1%	42.9%
Research and development	27.7%	94.3%	5.7%
Production	38.7%	94.6%	5.4%
Central and administrative functions	15.0%	45.8%	54.2%
Total	**100.0%**	**80.2%**	**19.8%**

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 80.7% of our employees.

Women, who make up 19.8% 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 169.42 million euros, compared with 161.79 million euros in the prior year.

Taking into account the principal elements of remuneration, personnel costs have risen by 1.31% 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 significantly in line with an increase in the number of employees in the year. The item includes non-recurring charges of 1.82 million euros relating to reorganization costs.

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 2018, IMA S.p.A. provided more than 75,900 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.

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 2018 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 2018 around 12,055 hours of staff training was carried out on specific aspects of safety and hygiene in the workplace.

In particular, among the various training activities carried out during the last year, we would like to mention the courses held for specific training on safety for those with the role of prevention managers in the organization chart, confirming the importance given by the Company to the involvement of those who are in senior positions in the various productive structures.

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.

Wishing to focus on specific activities carried out in 2018, work equipment was purchased (such as forklift trucks and mobile cranes with special technical characteristics) to further reduce the risks for the safety of personnel involved in internal movement of groups and components of considerable size that go to make up automatic machines.

We have maintained BS OHSAS 18001 certification of our Safety at Work Management System. For this purpose, an audit was performed in February 2018 by an independent certification company which confirmed full compliance with all applicable regulations and full and correct implementation and effectiveness of the 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 2.40 (IF) and 0.034 (IS), which are still very low and lower than 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 2018, IMA S.p.A. also maintained 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 a specific audit carried out 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, ASSOCIATES 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 31 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, last updated on 15 February 2019, 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 31 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 ad Ozzano dell'Emilia (Bologna) Registered offices

Via Tosarelli 184 Castenaso (Bologna) Head offices

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

Via Emilia 237 Ozzano dell'Emilia (Bologna) Offices

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 Bertella 16/18 Ozzano dell'Emilia (Bologna) Warehouse

Via Bertella 24 Ozzano dell'Emilia (Bologna) Factory

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

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

Via Nobel 1 Ozzano dell'Emilia (Bologna) Factory

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

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

Via Nobel 34 Ozzano dell'Emilia (Bologna) Factory

Via Piave 16 Ozzano dell'Emilia (Bologna) Factory

Via Rinascita 25 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 Natalino Corazza 9 Bologna (Bologna) Warehouse

Via Romagnoli 2 Bentivoglio (Bologna) Factory

Via Romagnoli 6 Bentivoglio (Bologna) Factory

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

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

Via Gabba Fratelli 6 Milan (Milan) Offices

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

Via Francesco Petrarca 35/37 Calenzano (Florence) Warehouse

The Company does not have any secondary offices.

OTHER INFORMATION

OUTLOOK FOR THE CURRENT YEAR

After turning in very good results, the Group closed 2018 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 2019 will have revenue of about 1.58 billion euros and a gross operating profit (EBITDA) of around 260 million euros. Note that the forecasts do not take into account the effects of IFRS 16, which came into force on 1 January 2019. The information relating to the application of this standard is provided in the Explanatory Notes to this Annual Financial Report.

PRINCIPAL RISKS AND UNCERTAINTIES 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 2018 treasury shares total 5.59 million euros, represented by 107,000 shares, 0.273% of share capital, with a par value of 56 thousand euros. The official market value at 31 December 2018 amounted to 5.82 million euros.

During the year the Parent Company carried out transactions in equity instruments by acquiring 101,500 treasury shares for a total of 5.52 million euros, as commented on in Note 13 of the consolidated financial statements and Note 12 of the separate financial statements of IMA S.p.A.

During 2017, IMA S.p.A. did not carry out any transactions in treasury shares.

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 (OMC). The 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 offence that the OMC aims to prevent and which are described in the special sections are:

- (i) crimes against the public administration;
- (ii) corporate crimes;
- (iii) market abuse;
- (iv) computer crimes;
- (v) crimes against the person;
- (vi) crimes against industry and commerce and copyright;
- (vii) hygiene, health and safety at work;
- (viii) transnational crimes;
- (ix) receiving, laundering and using money, goods or assets of illicit origin, as well as self-laundering;
- (x) employing illegal immigrants;
- (xi) environmental crimes;
- (xii) crimes of racism and xenophobia.

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 current Supervisory Board was appointed by the Board on 15 May 2018 and is made up as follows:

a) Gerardo Diamanti: Chairman, an independent professional with an economics background and particular experience in cash flow management, with particular knowledge of the organizational structure of the Company;
b) Andrea Pascerini: legal professional, criminal law and white collar crimes expert;
c) Claudio Rizzi: Head of the Group Internal Audit function.

The Supervisory Board is responsible for supervision of the OMC and taking care of updates, reporting periodically to the Board of Directors. The Supervisory Board has the necessary requirements of autonomy and independence to perform the tasks entrusted to it.

Over the years, the OMC has been updated to reflect the results of its application and changes in the regulatory framework.

The OMC in force at 31 December 2018 was approved by the Board with a resolution of 14 March 2017 and updated on 14 November 2018, after an in-depth review to update it with regard to the organizational, administrative and accounting structure of the Company, to regulatory, jurisprudential and doctrinal changes that have taken place affecting Legislative Decree 231/2001, including the introduction of whistleblowing.

The OMC Model and Code of Ethics are available on the Company's website 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) Pharmasiena Service S.r.l. (model adopted by resolution of 27 April 2015);
(vii) Ilapak Italia S.p.A. (model adopted by resolution of 2 March 2018).

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 2018, 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 2014 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, ANIA, ASSOGESTIONI, ASSONIME and CONFINDUSTRIA, as subsequently integrated and amended in July 2018, 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:

Sonia Bonfiglioli

- Bon-fi S.r.l. (Chairman)
- Bonfiglioli Riduttori S.p.A. (Chairman)
- Bonfiglioli Italia S.p.A. (Chairman)
- Bonfiglioli Mechatronic Research S.p.A. (Chairman)
- Panariagroup Industrie Ceramiche S.p.A. (Director)
- Aeroporto Guglielmo Marconi di Bologna S.p.A. (Director)

Cesare Conti

- DeLonghi S.p.A. (Chairman of the board of statutory auditors)
- Aeroporto Olbia Costa Smeralda Geasar S.p.A. (Auditor)

Andrea Malagoli

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

Luca Poggi

- Boato International S.p.A. (Director)
- Fariniundici S.p.A. (Chairman)
- Finanziaria del Vetro (Director)
- SO.FI.M.A. S.p.A. (Chief Operating Officer)
- Atopbi S.p.A. (Director)

- Stator S.p.A. (Director)
- Atop S.p.A. (Director)

Rita Rolli

- Trevi Finanziaria S.p.A. (Director)

Alessandra Schiavina

- Eredi Schiavina Enrico S.r.l. (Deputy Chairman)
- Immobiliare Schiavina S.r.l. (Director - Company representative)
- Murazzi Ecostruttura-Mecos S.r.l. (Director)
- AMCA S.r.l. (Sole Director)
- C.ALLA S.r.l. (Sole Director)
- Leed Building Soc. Consortile a R.L. (Deputy Chairman)
- QUADRICA S.r.l. (Director)

Maria Carla Schiavina

- Eredi Schiavina Enrico 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)
- Nemo Investimenti S.r.l. (Chairman)
- SO.FI.M.A. S.p.A. (Director)

Gianluca Vacchi

- 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. (Chief Operating Officer)

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 2018 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 2018 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.	56.789%	56.789%

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 art. 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 art. 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 27 April 2018, 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 Company exercised its right to carry out transactions in its own shares: at the end of the year IMA held 107,000 treasury shares; this derives from purchases made from 16 November to 21 December 2018, based on shareholders' resolutions dating back further; before the beginning of the programme, IMA held 5,500 treasury shares.

-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 art. 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 2018

I.M.A. INDUSTRIA MACCHINE AUTOMATICHE S.P.A.
AND SUBSIDIARIES

(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 2018	31 December 2017
NON-CURRENT ASSETS			
Property, plant and equipment	2	111,890	95,092
Intangible assets	3	453,980	362,162
Investments accounted for using the equity method	4	52,909	40,325
Financial assets	5	47,505	4,969
Receivables from others	6	4,151	3,433
Deferred tax assets	8	49,226	67,879
TOTAL NON-CURRENT ASSETS		719,661	573,860
CURRENT ASSETS			
Inventories	9	319,724	309,693
Trade and other receivables	10	257,712	232,390
Contract assets	10	189,495	156,942
Income tax receivables	11	9,810	9,396
Financial assets	5	22,182	17,946
Derivative financial instruments	7	382	173
Cash and cash equivalents	12	140,867	206,681
TOTAL CURRENT ASSETS		940,172	933,221
TOTAL ASSETS		**1,659,833**	**1,507,081**

EQUITY AND LIABILITIES	Note	31 December 2018	31 December 2017
EQUITY			
Share capital		20,415	20,415
Reserves and retained earnings		272,589	263,210
Profit for the year		104,032	85,590
Equity attributable to equity holders of the parent	13	397,036	369,215
Non-controlling interests	14	23,898	21,309
TOTAL EQUITY		420,934	390,524
NON-CURRENT LIABILITIES			
Borrowings	15	283,281	167,480
Employee defined benefit liabilities	16	34,664	55,961
Provisions for risks and charges	17	4,654	5,814
Other payables	18	74,753	35,266
Derivative financial instruments	7	3,771	1,943
Deferred tax liabilities	8	58,789	61,528
TOTAL NON-CURRENT LIABILITIES		459,912	327,992
CURRENT LIABILITIES			
Borrowings	15	106,529	108,459
Trade and other payables	18	462,496	469,678
Contract liabilities	18	173,855	166,061
Income tax liabilities	11	7,368	11,574
Provisions for risks and charges	17	27,394	32,585
Derivative financial instruments	7	1,345	208
TOTAL CURRENT LIABILITIES		778,987	788,565
TOTAL LIABILITIES		1,238,899	1,116,557
TOTAL EQUITY AND LIABILITIES		**1,659,833**	**1,507,081**

THE EFFECTS OF TRANSACTIONS WITH RELATED PARTIES ON THE ITEMS IN THE CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION ARE SHOWN IN NOTE 33 - RELATED-PARTY TRANSACTIONS.

CONSOLIDATED INCOME STATEMENT

(THOUSANDS OF EUROS)

	Note	2018	2017 RESTATED
REVENUE FROM CONTRACTS WITH CUSTOMERS	1	1,500,371	1,320,198
OTHER REVENUE	19	33,831	26,551
OPERATING COSTS			
Change in work in progress, semifinished and finished goods		(6,076)	14,673
Change in inventory of raw, ancillary and consumable materials		10,628	5,345
Cost of raw, ancillary and consumable materials and goods for resale	20	(555,378)	(481,443)
Services, rentals and leases	21	(321,141)	(294,285)
Personnel costs	22	(394,842)	(362,270)
Depreciation, amortization and write-downs	23	(44,078)	(33,402)
Provisions for risks and charges		(92)	(583)
Other operating costs	24	(13,166)	(8,969)
TOTAL OPERATING COSTS		(1,324,145)	(1,160,934)
- of which: effect of non-recurring items	34	*(6,346)*	*(5,372)*
OPERATING PROFIT	1	210,057	185,815
- of which: effect of non-recurring items	34	*(6,346)*	*(5,372)*
FINANCIAL INCOME AND EXPENSE			
Financial income	25	34,104	26,584
Financial expense	26	(34,642)	(41,850)
TOTAL FINANCIAL INCOME AND EXPENSE		(538)	(15,266)
PROFIT (LOSS) FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		2,419	1,281
PROFIT BEFORE TAXES		211,938	171,830
TAXES	27	(61,180)	(52,392)
NET PROFIT FROM CONTINUING OPERATIONS		**150,758**	**119,438**
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS/DISPOSAL GROUPS	28	(26,165)	(20,013)
PROFIT FOR THE YEAR		**124,593**	**99,425**
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE PARENT		104,032	85,590
NON-CONTROLLING INTERESTS		20,561	13,835
		124,593	**99,425**
BASIC/DILUTED EARNINGS PER SHARE (in euros)	**29**	**2.65**	**2.18**
- of which from continuing operations		3.32	2.69
- of which from discontinued operations/disposal groups		(0.67)	(0.51)

THE EFFECTS OF TRANSACTIONS WITH RELATED PARTIES ON THE CONSOLIDATED INCOME STATEMENT ARE SHOWN IN NOTE 33 - RELATED-PARTY TRANSACTIONS.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(THOUSANDS OF EUROS)

	Note	2018	2017
Net profit for the year		124,593	99,425
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		(104)	(10,269)
Gains (losses) on financial assets measured at FVOCI	13	540	226
Gains (losses) on cash flow hedges	13	(2,573)	995
Tax effect		491	(285)
Net other comprehensive income to be reclassified to profit or loss in subsequent year		**(1,646)**	**(9,333)**
Other comprehensive income not being reclassified to profit or loss in subsequent year:			
Actuarial gains (losses) on post employment benefit obligations	13	569	1,625
Tax effect		(86)	(615)
Net other comprehensive income not being reclassified to profit or loss in subsequent year		**483**	**1,010**
Gains and losses recognized in equity		**(1,163)**	**(8,323)**
Total comprehensive income		**123,430**	**91,102**
Attributable to:			
Equity holders of the parent		102,849	77,316
Non-controlling interests		20,581	13,786
		123,430	**91,102**

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
Balance at 01.01.2017	**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)	–	–	–
Change of non-controlling interests	–	–	–	–	–	99,169	–	99,169	3,459	102,628
Total comprehensive income	–	–	–	(10,187)	889	1,024	85,590	77,316	13,786	91,102
Balance at 31.12.2017	**20,415**	**122,818**	**(71)**	**(728)**	**(1,324)**	**142,515**	**85,590**	**369,215**	**21,309**	**390,524**
Monetary revaluation by hiperinflation	–	–	–	–	–	687	–	687	–	687
Distribution of dividends	–	–	–	–	–	–	(66,733)	(66,733)	(17,204)	(83,937)
Allocation of earnings for 2017	–	–	–	–	–	18,857	(18,857)	–	–	–
Purchase and sale of treasury shares	–	–	(5,518)	–	–	–	–	(5,518)	–	(5,518)
Change of non-controlling interests	–	–	–	–	–	(3,464)	–	(3,464)	(788)	(4,252)
Total comprehensive income	–	–	–	78	(1,561)	300	104,032	102,849	20,581	123,430
Balance at 31.12.2018	**20,415**	**122,818**	**(5,589)**	**(650)**	**(2,885)**	**158,895**	**104,032**	**397,036**	**23,898**	**420,934**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(THOUSANDS OF EUROS)

	Note	31 December 2018	31 December 2017
OPERATING ACTIVITIES			
Net profit from continuing operations		130,197	105,603
Profit (loss) from discontinued operations/disposal groups	28	(26,165)	(20,013)
Profit attributable to equity holders of the parent		104,032	85,590
Adjustments for:			
- Depreciation and amortization		52,599	40,038
- of which from continuing operations	23	*43,571*	–
- (Writebacks) or write-downs of non-current assets	23	–	2,011
- Capital (gains) losses on disposal of non-current assets	19-24	43	(1,281)
- Fair value remeasurement of the interest held in Petroncini Impianti S.p.A.		(11,625)	–
- Changes in provisions for risks and charges and employee defined benefit liabilities		4,995	(1,079)
- Unrealized losses (gains) on exchange rate differences	26	(2,554)	3,004
- Other changes		(842)	(882)
- Taxes	27	60,055	51,159
- Capital gain from discontinued operations	28	(5,578)	–
- Non-controlling interests		20,561	13,835
- Result from investments accounted for using the equity method		(2,419)	(1,281)
Operating profit before changes in working capital		219,267	191,114
(Increase) decrease in trade and other receivables, including contracts assets	10	(78,867)	(21,581)
(Increase) decrease in inventories	9	(5,275)	(20,575)
Increase (decrease) in trade and other payables, including contracts liabilities	18	52,114	24,551
Taxes paid		(66,717)	(58,424)
CASH FLOW PROVIDED BY OPERATING ACTIVITIES (A)		120,522	115,085
INVESTING ACTIVITIES			
Investments in property, plant and equipment		(36,511)	(21,134)
- of which from continuing operations	2	*(35,663)*	–
Investments in intangible assets		(24,944)	(20,134)
- of which from continuing operations	3	*(22,062)*	–
Acquisition business divisions/companies	30	(75,124)	(26,283)
Definition of amounts paid for acquisitions		(1,300)	(3,826)
Purchase of investments	4	(1,487)	(18,508)
Sale of subsidiaries and joint venture		389	–
Sale of non-current assets		770	2,874
Other changes		1,096	(4,437)
CASH FLOW USED IN INVESTING ACTIVITIES (B)		(137,111)	(91,448)
FINANCING ACTIVITIES			
Granting of loans	15	172,113	1,186
Repayment of borrowings	15	(103,940)	(49,144)
Bonds	15	(5,229)	(5,229)
Repayment of finance lease debts		(2,313)	(225)
Increase (decrease) in other financial payables		40,672	19,001
Change in non-controlling interests	14	(4,252)	103,641
Consideration for excercise of option on non-controlling interests		(4,327)	–
Net change in financial assets and other non-current receivables		(44,778)	(5,537)
Dividends paid to equity holders of the parent	13	(66,733)	(62,807)
Dividends paid to non-controlling interests	14	(17,204)	(10,583)
(Purchase) and sale of treasury shares	13	(5,518)	–
Payment of interest		(8,000)	(8,439)
Receipt of interest		284	99
CASH FLOW USED IN FINANCING ACTIVITIES (C)		(49,225)	(18,037)
NET CHANGE IN CASH AND CASH EQUIVALENTS (D =A+B+C)		**(65,814)**	**5,600**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (E)	12	**206,681**	**201,081**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (F =D+E)	12	**140,867**	**206,681**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

I.M.A. INDUSTRIA MACCHINE AUTOMATICHE S.P.A. AND SUBSIDIARIES

(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. (IMA, IMA S.p.A. or the "Parent Company"), with registered offices at Via Emilia 428/442, Ozzano dell'Emilia (Bologna), and is listed on the electronic stock exchange of Borsa Italiana S.p.A. in the "S.T.A.R." segment.

At 31 December 2018, IMA S.p.A. is 56.789% held by SO.FI.M.A. Società Finanziaria Macchine Automatiche S.p.A. (57% at 31 December 2017), 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. These 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 2018 were prepared by the Board of Directors on 15 March 2019 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 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 based on 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.

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 and the revenue or cost elements 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 2018 are expressed in thousands of euros, except where otherwise indicated.

C) ACCOUNTING POLICIES AND ACCOUNTING STANDARDS APPLIED

The more significant accounting policies applied 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

On initial recognition, financial assets are classified according to the following methods: amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVPL).

The classification of financial assets on initial recognition depends on the characteristics of the contractual cash flows of the financial assets and the business model that the Group uses to manage them. Except for trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value, plus transaction costs in the case of a financial asset not measured at fair value through profit or loss. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are valued at the price of the transaction determined in accordance with IFRS 15, as commented in paragraph "Revenue from contracts with customers". For a financial asset to be classified and measured at amortised cost or at fair value through OCI, it must generate cash flows that depend only on the principal and interest on the amount of principal to be repaid (so-called "solely payments of principal and interest (SPPI)"). This measurement is referred to as an SPPI test and is carried out on the individual instrument.

For the purposes of subsequent valuation, financial assets are classified into four categories:

Financial assets at amortised cost

The Group evaluates financial assets at amortised cost if both of the following requirements are met:

- the financial asset is held within the framework of a business model the objective of which is the possession of financial assets aimed at collecting contractual financial flows and
- the contractual terms of the financial asset envisage cash flows on certain dates represented solely by payments of principal and interest on the amount of principal to be repaid.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment testing. Profits and losses are recognized in the income statement when the asset is eliminated, modified or revalued.

Financial assets at fair value through OCI

The Group assesses the assets from debt instruments at fair value recorded in the comprehensive income statement if both of the following conditions are satisfied:

- the financial asset is held within the framework of a business model, whose objective is achieved through the collection of contractual cash flows and through the sale of the financial assets, and
- the contractual terms of the financial asset include cash flows on certain dates, represented solely by payments of principal and interest on the amount of principal to be repaid.

For financial assets measured at fair value through OCI, interest income, changes for exchange differences and impairment losses, together with write-backs, are recognized through profit or loss and calculated in the same way as financial assets measured at amortised cost. Rest of changes in fair value are recognized in OCI. On elimination, the cumulative change in fair value recorded in OCI is reclassified to profit or loss.

Investments in equity instruments

On initial recognition, the Group can irrevocably choose to classify its equity investments as equity instruments valued at fair value through OCI when they meet the definition of equity instruments pursuant to IAS 32 "Financial Instruments: Presentation" and are not held for trading. Each instrument is classified individually.

The profits and losses on these financial assets are never booked to the income statement. Dividends are recognized as other revenue in the income statement when the right to payment has been authorised, except when the Group benefits from these proceeds as recovery of part of the cost of the financial asset, in which case these profits are recognized in OCI. Equity instruments recognized at fair value through OCI are not subject to impairment testing.

Financial assets at fair value through profit or loss

This category includes assets held for trading, assets designated at the time of initial recognition as financial assets at fair value with changes recognized in the income statement, or financial assets that must necessarily be measured at fair value. Assets held for trading are all those assets acquired with a view to selling or repurchasing them in the short term. Derivatives, including those that are unbundled, are classified as financial instruments held for trading, unless they are designated as effective hedging instruments. Financial assets with cash flows that are not represented solely by principal and interest payments are classified and measured at fair value through profit or loss, regardless of the business model. Financial instruments at fair value through profit or loss are recorded in the statement of financial position at fair value and net changes in fair value are recorded in the statement of profit or loss for the year.

HEDGING INSTRUMENTS

The fundamental characteristics of financial instruments are described in the preceding section regarding 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.

At the start of a hedging transaction, the Group formally designates and documents the hedging relationship, to which it intends to apply hedge accounting, its own risk management objectives and the strategy pursued.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk and the ways in which the Group will assess whether the hedging relationship meets the effectiveness requirements of the hedge (including an analysis of the sources of ineffectiveness of the hedge and how the hedge ratio is determined). A hedging relationship meets the eligibility criteria for hedge accounting if it meets the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not prevail over the changes in value resulting from the economic relationship;
- the hedge ratio of the hedging relationship is the same as that resulting from the amount of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge this quantity of hedged item.

The portion of profit or loss on the hedged instrument, relating to the effective hedging portion, is recognized in the statement of other comprehensive income in the fair value reserve, while the ineffective portion is recognized directly in the income statement. 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 expense/income occurs.

Changes in the fair value of instruments that do not satisfy the requirements for hedge accounting 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.

TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

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.

Regarding impairment, the IAS 39 model based on losses suffered has been replaced by the ECL (Expected Credit Loss) model, as provided for by IFRS 9.

For further information on receivables and contract assets, please refer to the comments in the section on Revenue from contracts with customers.

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.

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 based on wage trends.

BORROWINGS

Financial liabilities are divided by IFRS 9 into financial liabilities at amortised cost and financial liabilities measured at fair value through profit or loss (FVPL).

Borrowings are valued at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future payments or collections over the expected life of the financial instrument to the gross carrying amount of a financial asset or the amortised cost of a financial liability.

The financial liability is eliminated when it is extinguished, i.e. when the obligation specified in the contract is fulfilled, cancelled or expired.

OTHER PAYABLES

About the put & call options on minority interests, the Group recognizes al 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 IFRS 9.

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.

Note that the Group has included the information required by art. 1, para. 125 of Law 124 of 4 August 2017 in the notes.

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 only offset 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 FROM CONTRACTS WITH CUSTOMERS

Revenue deriving from contracts with customers are recognized based on 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.

Revenue is recognized for an amount that reflects the consideration to which the Group believes it is entitled to fulfil its obligation, with the transfer of the goods or service when the customer acquires control.

The Group's main revenue streams are:

- machines and contracts in progress,
- change parts (sub-units of machines that are sold together with them or at a later date),
- spare parts and other materials,
- technical assistance.

Contract work and part of technical assistance, in particular start-up services, represent obligations to be fulfilled over time. The method of assessing progress in the fulfilment of contract work in progress, relating to projects carried out according to the specific needs of the customer, is the cost-to-cost input method that makes it possible to account for revenue based on the effort (costs) that the Group makes to satisfy the performance obligation guaranteed to the customer on the total inputs that it expects to have to use to complete it (contract budget).

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.

The machines, change parts, spare parts and other materials and the after-sales technical assistance represent obligations to fulfil at a point in time. Revenue relating to the sale of products is recognized when substantially all of the risks and rewards of control over the goods have been transferred to the purchaser. The moment of transfer of control coincides with the transfer of ownership or possession of the property to the purchaser and therefore generally with shipment of the goods or completion of the service.

The Group generally receives short-term advances from its customers. The agreed amount of the consideration is not adjusted to take into account the effects of a significant financing component if, at the beginning of the contract, the time lapse between the moment when the Group transfers the asset or completes the service and the moment when it receives payment is not expected to exceed 12 months. The balance sheet exposure is as follows:

- Contract works: the right to a fee in exchange for goods or services transferred to the customer. If the order is fulfilled before payment of the consideration or before payment is due, the work is presented as a contract asset, excluding any amounts that are shown as receivables. At each balance sheet date the Group verifies whether the contract asset has suffered impairment in accordance with IFRS 9;
- Receivables: the unconditional right to the consideration. The right to compensation is unconditional if only the passage of time is needed to make the payment due. At each balance sheet date, the Group verifies any reduction in value in accordance with IFRS 9;
- Contract liabilities: the obligation to transfer goods or services to the customer for which a consideration has been received from the customer. If the customer pays the consideration before the good or service is transferred, the contract is presented as a contract liability at the time the payment is made.

The contract assets and contract liabilities relating to existing contracts are shown net in the statement of financial position as follows:

- the amount due from customers for contract work in progress is recorded as an asset, under Contract assets, when it exceeds any advances that have been received;
- advances received on contract work in progress are recorded as a liability, under Contract liabilities, when they exceed the relative amount owed by the customers.

This analysis is carried out for each individual project.

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:

	2018		2017	
Currency	Final exchange rate	Average exchange rate for the year	Final exchange rate	Average exchange rate for the year
US dollar	1.145	1.181	1.199	1.129
GB pound sterling	0.895	0.885	0.887	0.876
Indian rupee	79.730	80.733	76.605	73.498
Chinese yuan	7.875	7.808	7.804	7.626
Swiss franc	1.127	1.155	1.170	1.111

IAS 29 Accounting in Hyperinflationary Economies does not establish an absolute inflation rate above which hyperinflation occurs. One of the situations that are considered indicative is a cumulative rate of inflation over a three-year period of 100% or more. After a long period of observation of inflation levels and other indicators, a general consensus was reached in considering Argentina among the countries operating in a hyperinflationary economy. So, from 1 January 2018 the Group has applied IAS 29 to the subsidiary whose functional currency is the Argentine peso.

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. As required by IAS 33, earnings per share from discontinued operations are shown separately in the income statement.

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 statement 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,
- revenue from contracts with customers,
- contract assets and liabilities,
- liabilities for employee benefits,
- liabilities calculated as the current value of the exercise price of purchase options on 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 based on different markets in which the Group operates.

About revenue from contracts with customers for contract work and contract assets and liabilities, application of the cost-to-cost method requires a prior estimate of the entire lifetime costs of individual projects, updating them at each balance sheet date. This requires assumptions to be made 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.

The Group's segment information pertains to the Tea, Food & Other, Pharmaceutical and Tobacco packaging sectors, aggregated by market.

IMPLEMENTATION OF ACCOUNTING STANDARDS

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED ON 1 JANUARY 2018

The main accounting principles in force since 1 January 2018 are IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments.

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.

The accounting standards in force up to 31 December 2017 provided for recognition of revenue to the extent that it was probable that the economic benefits would be achieved and the amount involved could be determined reliably and the revenue was measured at the fair value of the consideration received or due. Revenue relating to the sale of products was recognized when substantially all of the risks and rewards of ownership of the goods had been transferred to the purchaser. The moment of transfer of ownership was when title or possession of the goods was transferred to the buyer, which generally coincided with shipment. The only exception was revenue from contract work, which was recognized on a percentage-of-completion basis.

The new standard (IFRS 15) provides for the recognition of revenue for an amount that reflects the consideration that the entity believes that it is entitled to in exchange for transfer of the goods or services to the customer. The new standard replaces all previous IFRS requisites for revenue recognition and is effective for annual periods beginning on or after 1 January 2018.

In 2016 and 2017, the Group assessed the effects of IFRS 15, which showed that the method of accounting for revenue streams appears to be substantially consistent with the principles contained in the new standard. Adopting the new IFRS 15, which we applied with the revised retrospective method with effect from 1 January 2018, involved identifying the following revenue streams: machines and contracts in progress, change parts, spare parts and other materials, and technical assistance. Moreover, “Revenue” for 2017 has been renamed "Revenue from contracts with customers". Application of this standard only entailed a different presentation of the performance obligation linked to technical assistance in progress and, in particular, to commissioning services. This change had an incremental effect on revenue and on the costs of technical assistance in 2018 of the same amount corresponding to approximately 10.757 thousand euros, so with a zero impact on the result for the year and on shareholders' equity at 1 January 2018. Application of the new standard has not had significant impacts on the Group's assets and liabilities, results or financial position. As required by the standard, contract assets and liabilities have been shown separately from Trade and other receivables and Trade and other payables.

The following is a reconciliation between the items in the statement of financial position at 1 January 2018:

		IFRS 15 classification	
in thousands of euros		Trade and other receivables	Contract assets
Previous accounting standards classification:			
Trade and other receivables	389,332	232,390	156,942

in thousands of euros		Trade and other payables	Contract liabilities
Previous accounting standards classification:			
Trade and other current payables	635,739	469,678	166,061

As regards the changes to disclosures, reference should be made to Note 1 Segment Information, Note 10 Trade and other receivables and contract assets and Note 18 Trade payables and other payables and contract liabilities.

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.

The new standard is designed to simplify the reader's understanding of the amounts, timing and uncertainty of cash flows by replacing the various categories of financial instruments envisaged in IAS 39.

Classification and Measurement

IFRS 9 introduces a new approach for the classification of all financial instruments, including derivatives embedded in other financial instruments, based on the logic of the "cash flow" and the "business model" for which the asset is held, replacing the previous rules that turned out to be difficult to apply.

The Group has verified the methods of classification of the financial instruments envisaged by IAS 39 with respect to the new criteria envisaged by IFRS 9 and has carried out the following mandatory or optional reclassifications at 1 January 2018:

		IFRS 9 measurement category		
in thousands of euros		Amortized cost	FVOCI	FVPL
IAS 39 measurement category:				
Financial receivables	7,759	7,759	–	–
Investments held to maturity	–	–	–	–
Financial assets measured at fair value recognized in the income statement	–	–	–	–
Financial assets available for sale	15,156	–	14,174	982

For details of the items reported, see Note 5 Financial assets.

Impairment

IFRS 9 replaces the incurred loss model required by IAS 39 with a forecasting model of "expected credit loss" (ECL). The model assumes a significant level of assessment regarding the impact of changes in economic factors on the ECL that will be weighted according to probabilities. The new impairment loss model applies to financial assets measured at amortised cost or at FVOCI, with the exception of equities and assets deriving from contracts with customers. The standard provides that credit provisions should be assessed using the following approaches: the General deterioration method and the Simplified approach; in particular:

- the General Deterioration Method requires financial instruments included in the scope of application of IFRS 9 to be classified in three stages. The three stages reflect the level of deterioration in credit quality from the moment the financial instrument is acquired and involve a different method of calculating ECL;
- the Simplified Approach provides for the adoption of a number of simplifications for trade receivables, contract assets and receivables deriving from lease agreements, in order to prevent entities being forced to monitor changes in credit risk, as envisaged by the general model. Recognition of the loss according to the simplified approach has to be permanent (or "lifetime"), in which case stage allocation is not required. One of the operational examples included in the simplified approaches for estimating ECLs is that of the Provision Matrix, which is particularly suitable in the way that it is constructed for assessing trade receivables due from a clientèle that is highly differentiated, but which can be categorised in the same risk classes. In fact, different write-down rates will be determined in the provision matrix, grouping together in the proposed matrix above all the receivables based on the days of that they are past due. In addition to this aggregation variable, the standard says that loss rates can be estimated by classes of customers that show the same loss path. The standard does not lay down a single principle for customer

segmentation, leaving each entity free to select the sample sub-sets in order to make them consistent, based on individual experiences. So depending on the individual customer base, each entity will organize the provision matrix by dividing its customers into clusters by using different factors and variables, such as geographical area, product area, credit rating, etc.

As we said earlier, in cases where the General Deterioration Method is applied, the financial instruments are classified in three stages according to the deterioration of the credit quality between the date of initial recognition and that of measurement:

- Stage 1 - for activities that have not undergone a significant increase in credit risk with respect to those recorded at the time of initial recognition or if they have a low credit risk on the reference date, a provision must be recognized that reflects the 12-month ECL: expected losses will be estimated on the basis of possible default events in the following 12 months, with a reduced impact of the calculation on ECLs. In fact, for this category of instruments, the standard makes it possible to reduce the coefficients, as the parameters will not be estimated over a time horizon that reflects the entire residual life of the instrument, permitting a saving in terms of the amount to be accrued to the bad debt provision;
- Stage 2 and 3 - on the other hand, for assets that have undergone a significant increase in credit risk, the entity has to recognize a provision equal to the expected losses over the entire residual life of these financial assets, taking into account the probability of default that could occur over the entire life of the instrument ("Lifetime ECL").

In order to define the methodological approach to be applied to assets undergoing impairment, an analysis was made of the financial assets in portfolio subject to impairment, with particular reference to trade receivables and contract assets representing the majority of the Group's credit exposure. For trade receivables and contract assets, the Group generally establishes qualitative and quantitative thresholds to define the default of these positions, which are valued using the IFRS 9 simplified approach (ECL = EAD x PD x LGD). For positions that do not exceed these qualitative and quantitative thresholds, the Group assesses the ECL by dividing these credits into specific clusters, also taking into account the geographical area, the product area and the credit rating, applying the impairment model based on expected losses through the operational exemplification of the provision matrix. A simplified approach was applied to the trade receivables deemed individually significant by management and for which more precise information is available on the significant increase in credit risk within the simplified model. Application of the new impairment model has not had significant impacts on the Group's assets and liabilities, results or financial position.

Impairment losses determined in accordance with IFRS 9 are presented separately in the income statement if the amount is considered significant.

Hedge accounting

As regards hedging instruments, the most significant changes compared with the hedge accounting model proposed by IAS 39 concern the possibility of deferring the time value of an option, the forward component of a forward contract and the currency basis spreads (i.e. hedging costs) in OCI up to the moment in which the hedged item impacts the income statement.

The type of derivatives and forward purchases/sales in foreign currency currently subscribed by the Group is not affected by the new standard; the intrinsic value can therefore continue to be shown in the cash flow hedge reserve as there are no changes on this point with respect what was previously required by IAS 39. The Group has chosen to continue applying the hedge accounting requirements of IAS 39, as permitted by IFRS 9 paragraph 7.2.21.

The other amendments and interpretations of accounting standards and methods in force from 1 January 2018 govern circumstances and situations that are not relevant to the Group's consolidated financial statements or, in any case, not significant:

- Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions;
- Amendments to IFRS 9 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts;
- Amendments to IAS 40 - Transfer of Investment Property;
- Annual cycle of improvements to IFRS 2014-2016 - includes some amendments to IFRS 1 (First-time adoption of International Financial Reporting Standards - Cancellation of Short-Term Exemptions for First-Time Adopters) and IAS 28 (Investments in Associated Companies and Joint Ventures - Clarification that the recognition of an investment at fair value through profit or loss for the year is a choice that applies to the individual investment);
- IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration.

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. In particular, IFRS 16 Leases 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. The Group will apply the new standard from the obligatory effective date. The Group has carried out an analysis of the potential impact that adoption of the new standard could have on the balance sheet, financial position, income statement and disclosures made in the notes. The quantitative effects of the estimate could be subject to further changes during 2019 as the Group is currently finalising the analysis.

The Group will apply the standard by adopting the simplified retrospective method, assessing, for leases previously classified as operating leases, the lease liability at the current value of the residual payments due, discounted using the lessee's marginal financing rate on the date of the initial application, and recognizing the asset consisting of the right of use for an amount equal to that of the liability. Therefore, there are no cumulative effects to adjust the opening balance of the equity. Furthermore, the 2018 financial statements will not be restated for comparative purposes.

The lease contracts entered into by the Group are essentially attributable to real estate and car leases. The Group did not consider the non-leasing components. It included in the duration of the contract any extension periods covered by the renewal option, when assumed with reasonable certainty that it will be exercised, also based on past experience, and took advantage of the option to exclude short-term contracts (including leases with a duration that ends within 12 months from the date of initial application) from the scope of application of the standard and contracts in which the underlying asset is of low value.

The Group has estimated that, at the date of first application, the lease liability amounts to approximately 141,043 thousand euros. As mentioned in Note 32 Commitments, at 31 December 2018 the Group had commitments for property rentals relating to industrial facilities, warehouses and offices for a total of 132,641 thousand euros and future minimum payments for non-cancellable operating leases for a total of 4,811 thousand euros.

Lease instalments paid during the year for operating lease contracts and rents amounted to 21,187 thousand euros.

The difference between the commitments relating to operating leases and rents and the liability deriving from the impact of IFRS 16 is shown below:

in thousands of euros	01.01.2019
Operating lease obligations at 31 December 2018	137,452
Minimum lease payments (notional amount) on finance lease liabilities at 31 December 2018	8,264
Relief option for short term leases and for leases of low value assets	(1,241)
Other	26,594
Gross lease liabilities at 1 January 2019	**171,069**
Discounting	(22,107)
Lease liabilities at 1 January 2019	**148,962**
Present value of finance lease liabilities at 31 December 2018	(7,919)
Additional lease liabilities as result of the initial application of IFRS 16 at 1 January 2019	**141,043**

"Other" refers mainly to various considerations on the duration of the contracts made when analysing the contracts that were outstanding at the transition date.

Application of IFRS 16 will not have effects for the purpose of calculating the financial parameters (or "covenants") required by existing loan agreements.

The following is a list of the other standards and interpretations that had already been issued at the time this document was being prepared, but were not yet in force:

- IFRS 17 - Insurance Contracts;
- IFRIC - Interpretation 23 Uncertainty over Income Tax Treatments;

- Amendments to IFRS 9 - Prepayment Features with Negative Compensation;
- Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement;
- Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures;
- Annual cycle of improvements to IFRS 2015-2017 - includes some amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23;
- Amendments to IFRS 10 and to IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The Group does not expect any significant impacts on its assets and liabilities, results and financial position from applying these standards.

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 are therefore considered to be at very low probability of risk.

It should be noted that at 31 December 2018 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 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 2018 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 31.

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	Beyond 5 years	Total
31.12.2018				
Borrowings	106,529	239,782	43,499	389,810
Commitments	29,851	70,304	45,156	145,311
Trade Payables	363,194	1,000	–	364,194
Total	**499,574**	**311,086**	**88,655**	**899,315**
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**

Further information on the composition of the above items is provided in Notes 15, 18 and 32.

At 31 December 2018 the Group had about 462 million euros available in unused lines of credit (363 million euros at 31 December 2017) and cash and cash equivalents of 141 million euros (207 million euros at 31 December 2017). As to the balancing of net working capital, especially the coverage of payables to suppliers, net trade receivables came to 384 million euros at 31 December 2018 (325 million euros at 31 December 2017).

MARKET RISK

Market risk is the risk that the fair value of future cash flows of a financial instrument will change due to changes in the market price. The market price includes three types of risk: exchange rate risk, interest rate risk and other price risks.

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	140,867	57,036	(1,124)	–	1,173	–
Trade and other receivables	447,207	117,724	(2,290)	–	2,364	–
Financial assets at amortized cost, at FVOCI and at FVPL	69,687	–	–	–	–	–
Derivative financial instruments	382	382	–	248	–	154
Tax effect			819	(60)	(849)	(37)
			(2,595)	**188**	**2,688**	**117**
Financial liabilities:						
Borrowings	281,821	26,068	362	109	(377)	(114)
Bonds	107,989	31,191	–	–	–	–
Trade and other payables	711,104	136,243	2,679	–	(2,783)	–
Derivative financial instruments	5,116	1,310	–	444	–	(869)
Tax effect			(729)	(133)	758	236
			2,312	**420**	**(2,402)**	**(747)**
Total increases (decreases) for 2018 (*)			**(283)**	**608**	**286**	**(630)**
Total increases (decreases) for 2017 (**)			**(340)**	**21**	**114**	**(23)**

(*) 2018 variability parameters: +/-2% €/$, +/-2% €/£ and +/-2% €/CNY
(*) 2017 variability parameters: +/-2% €/$, +/-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 2018 and 31 December 2017:

in thousands of euros	Trade receivables and contract assets	Advances, taxes and other receivables	Trade payables and contract liabilities	Tax, employee and other payables
Euro	292,844	39,523	458,308	153,308
US dollar	56,659	3,070	42,165	7,777
Swiss franc	12,978	1,516	12,573	2,297
Indian rupee	3,610	2,227	5,492	2,392
GB Pound sterling	4,490	811	2,134	1,320
Thai baht	2,421	3,437	2,079	477
Polish zloty	364	2	512	254
Chinese yuan	4,419	1,835	10,533	3,126
Japanese yen	975	22	283	172
Brazilian real	1,418	431	1,106	614
Russian ruble	642	22	619	241
Other	3,216	690	2,245	1,077
Total at 31 December 2018	**384,036**	**53,586**	**538,049**	**173,055**
Euro	245,247	46,780	463,397	126,371
US dollar	50,645	2,687	27,795	7,305
Swiss franc	13,352	1,593	11,146	4,796
Indian rupee	3,059	2,309	4,707	1,671
GB Pound sterling	1,524	177	1,685	1,111
Thai baht	3,540	2,580	5,496	305
Polish zloty	841	32	1,327	620
Chinese yuan	3,901	971	5,315	2,544
Japanese yen	674	134	361	135
Brazilian real	515	193	697	487
Russian ruble	259	79	889	515
Other	1,668	728	1,383	947
Total at 31 December 2017	**325,225**	**58,263**	**524,198**	**146,807**

It should also be noted that at 31 December 2018 the financial assets at amortised cost, FVOCI and FVPL 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 IRS and 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	Carryng value	Of which subject to IRR	Profits (Losses)	Other changes in FVR	Profits (Losses)	Other changes in FVR
Financial assets:						
Cash and cash equivalents	140,867	43,163 (**)	170	–	(26)	–
Trade and other receivables	447,207	–	–	–	–	–
Financial assets at amortized cost, at FVOCI and at FVPL	69,687	2,058	10	–	(8)	–
Derivative financial instruments	382	–	–	–	–	–
Tax effect			(43)	–	8	–
			137	**–**	**(26)**	**–**
Financial liabilities:						
Borrowings	281,821	229,590 (**)	(1,193)	–	1,246	–
Bonds	107,989	–	–	–	–	–
Trade and other payables	711,104	–	–	–	–	–
Derivative financial instruments	5,116	5,116	–	2,697	–	(2,887)
Tax effect			286	(647)	(299)	693
			(907)	**2,050**	**947**	**(2,194)**
Total increases (decreases) for 2018			**(770)**	**2,050**	**921**	**(2,194)**
Total increases (decreases) for 2017 (*)			**(603)**	**225**	**692**	**(253)**

(*) 2017 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 2018, the Group is not exposed to price risk on investments in listed capital instruments classified in the financial statements as "financial assets".

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	2018	2017
Net debt (A)	184,583	50,053
Equity (B)	420,934	390,524
Total capital (A)+(B)=(C)	605,517	440,577
Gearing ratio (A)/(C)	**30%**	**11%**

About 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 2018 and 31 December 2017 by fair value hierarchy level:

in thousands of euros	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets	–	–	19,048	19,048
Derivative financial instruments	–	382	–	382
Total assets at 31 December 2018	**–**	**382**	**19,048**	**19,430**
Liabilities:				
Payables for acquisitions	–	–	61,993	61,993
Derivative financial instruments	–	5,116	–	5,116
Total liabilities at 31 December 2018	**–**	**5,116**	**61,993**	**67,109**

in thousands of euros	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets	–	–	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**

Investments in other companies and investments in securities held as financial assets at FVOCI 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., a financial asset valued at FVPL.

During 2018, 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 01.01.2017	6,512	18,998
Profit/(losses) recognized in PL	(364)	159
Profit/(losses) 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**
Profit/(losses) recognized in PL	(543)	2,335
Profit/(losses) recognized in OCI	540	–
Acquisition of TMC Group	196	22,213
Acquisition of Ciemme S.r.l.	–	7,006
Amounts paid for acquisitions	–	(4,334)
Increases/(decreases)	8,485	504
Balance at 31.12.2018	**19,048**	**61,993**

Information about the methods used to calculate fair value is provided in Note 5 on financial assets, in Note 15 on borrowings and Note 30 on payables for acquisitions, essentially represented by options for the purchase of the residual quotas of businesses and companies that took place during the year and previous years.

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.

If the initial recognition of a business combination can only be determined provisionally, the adjustments to the values initially assigned are recognized within twelve months of the acquisition date.

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 ventures

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 2018 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 2018:

- in January 2018 GIMA S.p.A., a subsidiary of IMA S.p.A., acquired the other 24% of IMA Automation Malaysia Sdn. Bhd. for 2,000 thousand Swiss francs, after exercising the option foreseen in the contract;
- on 5 April 2018, IMA, through its subsidiary GIMA S.p.A., exercised the option to purchase a further 31% of Petroncini Impianti S.p.A., with operations based in Sant'Agostino (FE), which is market leader in machinery for the production of coffee, thereby bringing its overall interest in the company to 80%. See Note 30 "Business combinations" for further information;
- on 4 May 2018, IMA S.p.A. completed the closing for the purchase of 82.5% of TMC S.p.A, based in Castel Guelfo (BO), which produces and markets automatic machines for packaging and management of Tissue and Personal Care products. See Note 30 "Business combinations" for further information;
- on 1 June 2018 GIMA S.p.A. bought the residual 20% of Mapster S.r.l. from third parties, bringing its stake in the company to 100%, as commented on in Note 14 Minority interests;
- on 1 June 2018 IMA S.p.A. bought 80% of Fillshape S.r.l. from GIMA S.p.A. and the other 20% from third parties as commented on in Note 14; in December 2018, the merger deed for the absorption of Fillshape S.r.l., a wholly-owned subsidiary, by IMA S.p.A. was signed, with effect from 1 January 2019;
- on 25 June 2018 IMA S.p.A. completed the closing for the purchase of 70% of Ciemme S.r.l., with registered office in Albavilla (Como), which manufactures and sells end-of-line automatic machines. See Note 30 "Business combinations" for further information;

- on 18 July 2018 GIMA S.p.A., a subsidiary of IMA S.p.A., acquired the other 25% interest in Telerobot S.p.A., already fully consolidated, for an amount of 2,625 thousand euros, after exercising its contractual option;
- on 20 December 2018, IMA S.p.A. completed the closing of the sale of 60% of its investment in IMA Dairy & Food Holding GmbH to TB Tauris Italia S.r.l.; following this transaction, the residual investment was included in investments in associate companies at 31 December 2018. The value of the transaction was 18,000 thousand euros, of which 13,000 thousand euros was paid at the closing with the rest to be paid by June 2019. The sale resulted in a loss of 26,165 thousand euros, including ancillary expenses of 1,580 thousand euros; for further information, see Note 28 Profit (loss) from discontinued activities/disposal groups.

G) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The changes reported below have been calculated on figures at 31 December 2017 for balance sheet items and on figures for the year 2017 for income statement items. The 2017 income statement figures have been restated following the sale in 2018 of 60% of IMA Dairy & Food Holding GmbH as mentioned in Note 28.

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.

The Group's activities comprise the following operating segments:

Tea, Food & Other

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, the personal care sector, end-of-line equipment and the dairy sector, as well as for stock cubes and primary packaging in the food sector with the use of flexible material (horizontal and vertical flow packs) for assembling medical products, for the tissue sector, 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;
- Benhil GmbH and Hassia Packaging Pvt. Ltd. produce machines for forming, filling and sealing, for containers and sticks, for ultraclean closure and wrappers;
- Ciemme S.r.l. produces automatic end-of-line cartoning machines and systems;

- 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;
- 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;
- Petroncini Impianti S.p.A. designs, manufactures, installs and operates complete plants for the processing of coffee and related food products;
- 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 S.p.A. manufactures machinery for the assembly of plastic materials in the caps and closures sector;
- Tissue Machinery Company S.p.A. and Valley Tissue Packaging Inc. produce automatic machines for packaging and management of Tissue and Personal Care products.

Pharmaceutical

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:

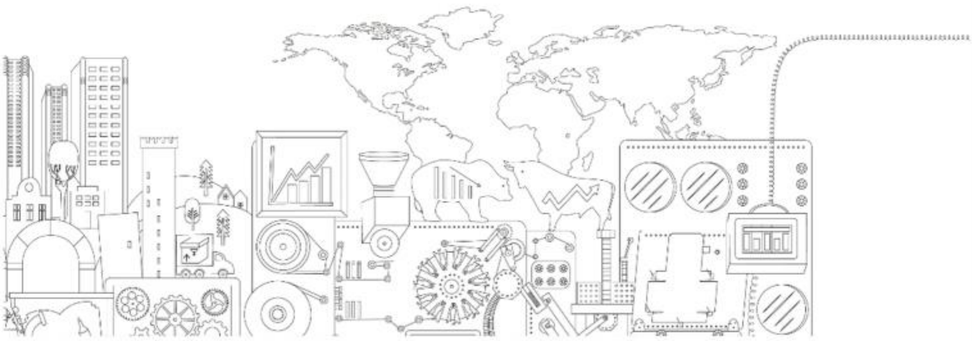
- IMA S.p.A. manufactures:
  - blister-pack machines, machines for the packaging of gelcaps, capsules and tablets and cartoning machines through IMA Safe division;
  - machines for the bottling of liquid products and powders under sterile and non-sterile conditions and freeze-drying systems through the 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.

Tobacco packaging

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 2018 and 2017 is shown below:

2018 in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Not allocated (*)	Total
Revenue from contracts with customer	686,170	631,269	182,932	–	1,500,371
Segment operating profit	38,906	99,024	72,127	–	210,057
Net financial income (expense) (**)					(538)
Profit (loss) from investments accounted for using the equity method	561	2,358	–	(500)	2,419
Profit before taxes					211,938
Taxes					(61,180)
Net profit from continuing operations					150,758
Profit (loss) from discontinued operations/disposal groups	(26,165)	–	–	–	(26,165)
Profit for the year					124,593

2017 in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Not allocated (*)	Total
Revenue from contracts with customer	602,562	565,875	151,761	–	1,320,198
Segment operating profit	40,668	83,914	61,233	–	185,815
Net financial income (expense) (**)					(15,266)
Profit (loss) from investments accounted for using the equity method	522	789	–	(30)	1,281
Profit before taxes					171,830
Taxes					(52,392)
Net profit from continuing operations					119,438
Profit (loss) from discontinued operations/disposal groups	(20,013)	–	–	–	(20,013)
Profit for the year					99,425

(*) 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 2017:

in thousands of euros	2018	2017	Change
Tea, Food & Other	686,170	602,562	83,608
Pharmaceutical	631,269	565,875	65,394
Tobacco packaging	182,932	151,761	31,171
Total	**1,500,371**	**1,320,198**	**180,173**

Consolidated revenue in 2018 amounted to 1,500,371 thousand euros, an overall increase of 13.6%, of which 8.7% due to the organic growth, with respect to the previous year. Revenue by segment is discussed below:

- the Tea, Food & Other sector recorded a 13.9% increase in revenue over the previous year, thanks to the contribution of the TMC, Ciemme and Petroncini businesses (64,674 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 11.6%;
- the Tobacco sector is showing strong growth (+20.5%) 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	2018	2017	Change
Tea, Food & Other	38,906	40,668	(1,762)
Pharmaceutical	99,024	83,914	15,110
Tobacco packaging	72,127	61,233	10,894
Total	**210,057**	**185,815**	**24,242**

The operating profit of the Tea, Food & Other sector amounted to 38,906 thousand euros (5.7% of revenue) compared with 40,668 thousand euros in 2017 (6.7% of revenue), after having deducted non-recurring charges of 6,346 thousand euro (4,113 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 (+17.8%) 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 2018 and 2017:

	2018			
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
Amortization, depreciation, impairment and writedowns	30,266	12,411	894	43,571
Other non-monetary costs (revenues)	6,725	3,025	195	9,945

	2017			
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
Amortization, depreciation, impairment and writedowns	21,400	11,086	466	32,952
Other non-monetary costs (revenues)	3,586	2,663	1,562	7,811

Capital expenditure by operating segment are as follows:

in thousands of euros	2018	2017	Change
Tea, Food & Other	188,991	62,098	126,893
Pharmaceuticasl	19,430	17,857	1,573
Tobacco packaging	3,629	3,140	489
Total	**212,050**	**83,095**	**128,955**

See Note 30 as regards the allocation of the intangible assets recognized in 2018 in connection with the acquisition of Petroncini Impianti S.p.A., TMC Group and Ciemme S.r.l. for 154,325 thousand euros, attributable to the Tea, Food & Other sector.

Balance sheet information at 31 December 2018 is shown below:

	31 December 2018				
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Non allocated (*)	Total
Segment operating assets	790,372	457,096	89,866	–	1,337,334
Investments accounted for using the equity method	28,362	14,772	–	9,775	52,909
Financial assets	–	2,319	2,228	65,140	69,687
Deferred tax assets					49,226
Income tax receivables					9,810
Cash and cash equivalents					140,867
Total assets					1,659,833

	31 December 2018				
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Non allocated	Total
Segment operating liabilities	372,624	357,678	52,055	–	782,357
Borrowings					389,810
Deferred tax liabilities					58,789
Income tax liabilities and other provision for risks					7,943
Total liabilities					1,238,899

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

Balance sheet information at 31 December 2017 is shown below:

	31 December 2017				
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Non 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	Non 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

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

Following the adoption of IFRS 15, the Group has broken down the revenue from contracts with customers into categories that illustrate how economic factors affect the nature, amount, timing and degree of uncertainty of revenue and financial flows. Both the information provided in the presentations to investors and the information periodically reviewed by the highest operational decision-making level were considered and therefore the breakdown of revenue subsequently presented in three categories was considered appropriate: geographical area, category of business and timing of recognition.

ANALYSIS BY GEOGRAPHICAL AREA

	2018			
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
European Union (excluding Italy)	203,059	191,123	55,828	450,010
Other European countries	67,032	37,831	10,109	114,972
North America	153,024	88,097	6	241,127
Asia & Middle East	114,384	157,370	103,909	375,663
Italy	74,744	81,561	11,348	167,653
Other countries	73,927	75,287	1,732	150,946
Total	686,170	631,269	182,932	1,500,371

	2017			
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
European Union (excluding Italy)	205,749	152,863	42,263	400,875
Other European countries	61,232	29,398	16,966	107,596
North America	120,777	103,869	657	225,303
Asia & Middle East	87,133	157,256	46,049	290,438
Italy	62,948	58,009	41,639	162,596
Other countries	64,723	64,480	4,187	133,390
Total	602,562	565,875	151,761	1,320,198

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, France, Poland, Spain, Denmark and Greece;
- 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 29.3% 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 China, Japan, India and South Korea;
- revenue from other countries reflects a variety of trends with growth in Mexico, Argentina and Nigeria;
- the rise in Italy was solely due to the higher 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	31.12.2018	31.12.2017
Italy	449,699	253,688
European Union (excluding Italy)	62,004	141,101
Other European countries	38,055	41,011
North America	43,673	35,664
Asia & Middle East	24,349	24,923
Other countries	10,038	8,335
Total	**627,818**	**504,722**

Operations are allocated to the geographical areas in which they are located. The increase in Italy mainly reflects the acquisition of the TMC Group, Ciemme S.r.l. and Petroncini Impianti S.p.A.

REVENUE BY BUSINESS CATEGORY

	2018			
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
Original Equipment	509,028	412,623	119,988	1,041,639
After-Sales	177,142	218,646	62,944	458,732
Total	686,170	631,269	182,932	1,500,371

	2017			
in thousands of euros	Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
Original Equipment	449,321	372,940	105,098	927,359
After-Sales	153,241	192,935	46,663	392,839
Total	602,562	565,875	151,761	1,320,198

Original equipment substantially refers to machines and contract work, while the after-sales item consists of post-sales activities such as technical assistance, spare parts and change parts.

REVENUE BY TIMING OF RECOGNITION

in thousands of euros	2018 Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
Revenue at a point in time	396,685	278,332	60,708	735,725
Revenue over time	289,485	352,937	122,224	764,646
Total	686,170	631,269	182,932	1,500,371

in thousands of euros	2017 Tea, Food & Other	Pharma-ceutical	Tobacco packaging	Total
Revenue at a point in time	382,124	286,098	47,053	715,275
Revenue over time	220,438	279,777	104,708	604,923
Total	602,562	565,875	151,761	1,320,198

Contract work and part of technical assistance, in particular start-up services, represent obligations to be fulfilled over time. The machines, change parts, spare parts and other materials and the after-sales technical assistance represent obligations to fulfil at a point in time.

As mentioned in section "Implementation of accounting standards", the adoption of IFRS 15 had an incremental effect on 2018 revenue of 10,757 thousand euros, relating to the Tea, Food & Other sector for 2,822 thousand euros, Pharmaceutical for 5,699 thousand euros and Tobacco for 2,236 thousand euros.

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

in thousands of euros	
Tea, Food & Other	326,065
Farma	561,994
Tobacco packaging	53,469
Total	**941,528**

It is expected that approximately 88% of orders not yet processed at 31 December 2018 will be completed during the next year.

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
Balance at 01.01.2017							
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)
Balance at 01.01.2017	**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)
Balance at 31.12.2017	**12,074**	**45,679**	**17,174**	**5,725**	**11,185**	**3,255**	**95,092**
Balance at 01.01.2018							
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)
Balance at 01.01.2018	**12,074**	**45,679**	**17,174**	**5,725**	**11,185**	**3,255**	**95,092**
Monetary revaluation for hiperinflation	–	–	497	–	5	–	502
Additions	2,838	13,278	9,077	1,750	5,132	3,588	35,663
Sales and eliminations	–	(12)	(391)	(65)	(102)	–	(570)
Sale of 60% of IMA D&F	(2,111)	(2,996)	(1,891)	(1,412)	(746)	(231)	(9,387)
Change in scope of consolidation	780	1,746	678	861	855	–	4,920
Depreciation	–	(5,193)	(4,347)	(1,948)	(3,518)	–	(15,006)
Reclassifications and other changes	–	233	1,219	97	29	(934)	644
Exchange rate difference	(35)	279	(216)	3	(8)	9	32
Balance at 31.12.2018	**13,546**	**53,014**	**21,800**	**5,011**	**12,832**	**5,687**	**111,890**
Gross amount	13,566	83,774	70,896	33,521	44,390	5,687	251,834
Accumulated depreciation and write-downs	(20)	(30,760)	(49,096)	(28,510)	(31,558)	–	(139,944)
Balance at 31.12.2018	**13,546**	**53,014**	**21,800**	**5,011**	**12,832**	**5,687**	**111,890**

Land and buildings refer to the following Group companies:

	Land		Buildings	
in thousands of euros	31.12.2018	31.12.2017	31.12.2018	31.12.2017
IMA S.p.A.	2,299	1,757	2,897	1,588
Ciemme S.r.l.	780	n.a.	1,581	n.a.
Delta Systems & Automation Inc.	1,208	1,153	5,036	4,980
Erca S.A.S.	n.a.	2,000	n.a.	1,937
GIMA S.p.A.	2,556	573	8,154	1,068
Hassia Packaging Pvt. Ltd.	43	45	591	641
Hassia Verpackungsmaschinen GmbH	n.a.	111	n.a.	838
Ilapak Inc.	166	158	928	957
Ilapak Italia S.p.A.	763	450	1,660	1,738
Ilapak Sp. Z o.o.	445	459	873	929
Ilapak Verpackungsmaschinen GmbH	115	115	496	512
IMA France Eurl	183	183	374	393
IMA-PG India Pvt. Ltd.	1,980	2,062	1,319	1,379
Società del Sole S.r.l.	2,977	2,977	–	–
Other	31	31	209	215
Total	**13,546**	**12,074**	**24,118**	**17,175**

Leasehold improvements totalled 28,896 thousand euros (28,504 thousand euros at 31 December 2017).

The increases in buildings and leasehold improvements mainly relate to the costs incurred to expand and improve buildings leased by the Parent Company, 3,463 thousand euros (4,452 thousand euros in 2017), to the industrial building in Collecchio (PR) and to the property in Zola Predosa (BO), as explained in Note 15.

As regards the sale of 60% of IMA Dairy & Food Holding GmbH, reference should be made to the Scope of Consolidation section.

The change in the scope of consolidation reflects the acquisition of Petroncini Impianti S.p.A., the TMC Group and Ciemme S.r.l., as discussed in Note 30.

The "Currency revaluation due to hyperinflation" relates to the Argentine subsidiary IMA MAI S.A.

"Other assets" comprise:

in thousands of euros	31.12.2018	31.12.2017
Electronic office machines	7,210	5,821
Office furniture and fittings	2,828	2,956
Vehicles	1,996	1,842
Other	798	566
Total	**12,832**	**11,185**

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

in thousands of euros	31.12.2018	31.12.2017
Land	2,842	335
Buildings	8,985	935
Plant and equipment	20	1
Other	605	537
Total	**12,452**	**1,808**

In 2018, the subsidiary GIMA S.p.A. acquired the property in Zola Predosa (BO) under a finance lease. It was previously being rented and it is where the company currently has its registered office, offices and production plants. The lease has a duration of 8 years, amount financed of 8,840 thousand euros, an advance fee of 20% and a redemption price equal to 10% of the amount financed. A derivative contract to hedge against interest rate risk was stipulated for this transaction.

In addition, at 31 December 2018 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), as well as to the Parent Company's industrial building in Collecchio (PR).

See Note 15 for information on minimum future lease 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 01.01.17						
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**
Balances at 01.01.18						
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 01.01.18	**89,945**	**5,547**	**62,444**	**191,639**	**12,587**	**362,162**
Monetary revaluation for hiperinflation	–	19	1	–	–	20
Additions	4,645	1,705	5,941	–	9,771	22,062
Sales and eliminations	–	(242)	(1)	–	–	(243)
Sale of 60% of IMA D&F	(32,727)	–	(34,255)	(1,745)	(980)	(69,707)
Changes in scope of consolidation	3,006	250	1,229	–	–	4,485
Acquisition of Petroncini Impianti S.p.A.	7,706	–	11,445	8,191	–	27,342
Acquisition of TMC Group	22,934	–	45,725	36,623	–	105,282
Acquisition of Ciemme S.r.l.	4,808	–	10,762	6,131	–	21,701
Amortization	(17,160)	(1,781)	(9,624)	–	–	(28,565)
Reclassifications and other changes	22,911	48	9,413	(18,768)	(4,546)	9,058
Exchange rate difference	(3)	(12)	11	303	84	383
Balances at 31.12.18	**106,065**	**5,534**	**103,091**	**222,374**	**16,916**	**453,980**
Gross amount	220,315	27,204	173,618	222,374	16,916	660,427
Accumulated amortization and write-downs	(114,250)	(21,670)	(70,527)	–	–	(206,447)
Balances at 31.12.18	**106,065**	**5,534**	**103,091**	**222,374**	**16,916**	**453,980**

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:

- Ciemme S.r.l., occurred in 2018, for 4,568 thousand euros;
- TMC Group, occurred in 2018, for 21,889 thousand euros;

- Petroncini Impianti S.p.A., occurred in 2018, for 7,128 thousand euros;
- Eurosicma business for 16,583 thousand euros;
- Medtech business for 1,901 thousand euros;
- Benhil GmbH and Hassia Packaging Pvt Ltd. for 8,263 thousand euros;
- Ilapak Group for 7,692 thousand euros;
- Dairy&Convenience Food business of the Corazza Group for 3,706 thousand euros.

In addition, this caption includes costs of 11,237 thousand euros incurred by the Parent Company on projects related to the Pharmaceutical sector and of 4,756 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 55,314 thousand euros (50,995 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 mainly include applications, management and technical software and intangible assets related to customers ("customer list") and trademarks for 61,451 thousand euros and 30,145 thousand euros respectively, recognized following the acquisitions of Eurosicma, Ilapak, Corazza, TMC, Petroncini and Ciemme.

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	31.12.2018	31.12.2017
Tea, Food & Other:		
CGU Benhil GmbH	21,186	–
CGU B.F.B. S.p.A.	1,788	1,788
CGU Ciemme S.r.l.	6,131	n.a.
CGU Eurosicma	12,793	31,561
CGU GIMA S.p.A.	1,658	1,658
CGU Corazza Group	18,863	18,863
CGU Dairy&Food Group	–	24,717
CGU Ilapak Group	4,117	4,117
CGU Teknoweb Group	13,281	13,281
CGU TMC Group	36,623	n.a.
CGU Hassia Packaging Pvt. Ltd.	1,786	–
CGU MAI S.A.	7,432	7,432
CGU Mapster S.r.l.	2,834	2,834
CGU Medtech	9,871	9,871
CGU Naturapack S.r.l.	8,723	8,723
CGU Petroncini Impianti S.p.A.	8,191	n.a.
CGU TEAMAC	749	749
CGU Telerobot S.p.A.	4,913	4,913
	160,939	**130,507**
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	13,666	13,391
CGU ICO OLEODINAMICI S.p.A.	1,567	1,567
CGU MKCS Inc.	609	581
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
	61,435	**61,132**
Total	**222,374**	**191,639**

The goodwill recognized on acquisitions of Petroncini Impianti S.p.A., the TMC Group and Ciemme S.r.l. is discussed in Note 30.

The change in the value of the Eurosicma CGU's goodwill, shown among the reclassifications in the statement of changes in intangible assets, mainly refers to completion of the initial recognition of the business combination that took place during the assessment period in the previous year. In particular, the goodwill, provisionally recorded, was reclassified to non-patented technologies, customer lists and trademarks, net of the related tax effect.

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

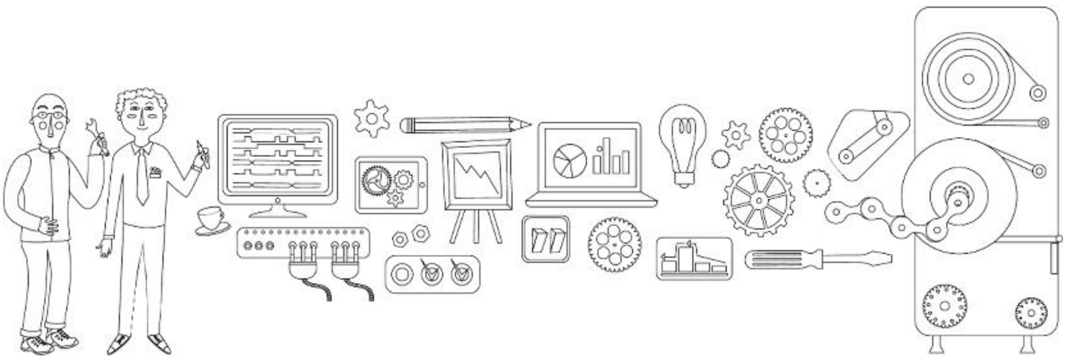
g = Growth rate of the business beyond the assumed period of the plan

Management has assumed an explicit forecast period of 3 years. At the end of the explicit forecast period (2021), 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 2019 budget (approved by the Board of Directors on 15 March 2019) and the 2020-2021 business plan (already discussed at a 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.

Given the current situation of market volatility and uncertainty about future economic prospects, sensitivity analyses were carried out on the recoverable value of goodwill. In particular, a sensitivity analysis was performed on the recoverable value of the individual CGUs, assuming an increase of one percentage point in the component of the discount rate represented by the market risk premium. These sensitivity analyses confirmed the full recoverability of goodwill, with the exception of the TMC and Petroncini CGUs, for which there was a potential negative difference between the recoverable value and the carrying amount.



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 2019-2021 Sales %
CGU Benhil GmbH	21,186	4.83	6.00
CGU Ciemme S.r.l.	6,131	6.82	2.00
CGU Eurosicma	12,793	6.82	3.00
CGU GIMA S.p.A.	1,658	6.82	3.00
CGU Corazza Group	18,863	6.82	2.00
CGU Ilapak Group	4,117	6.23	2.50
CGU Teknoweb Group	13,281	6.83	2.00
CGU TMC Group	36,623	6.82	8.37
CGU Hassia Packaging Pvt. Ltd.	1,786	9.39	9.89
CGU MAI S.A.	7,432	11.84	7.50
CGU Mapster S.r.l.	2,834	6.82	11.00
CGU Medtech	9,871	4.89	2.00
CGU Naturapack S.r.l.	8,723	6.82	5.00
CGU Petroncini Impianti S.p.A.	8,191	6.82	19.25
CGU Telerobot S.p.A.	4,913	6.82	2.00
CGU CO.MA.DI.S. S.p.A.	3,782	6.82	2.00
CGU G.S. S.r.l. Coating System	7,402	6.82	4.00
CGU Edwards Group	23,079	6.99	0.50
CGU Nova Group	13,666	6.48	3.69
CGU ICO OLEODINAMICI S.p.A.	1,567	6.82	4.00
CGU Pharmasiena Service S.r.l.	2,073	6.82	6.00
CGU Precision Gears Ltd.	4,027	9.39	5.23
CGU Zanchetta S.r.l.	2,939	6.82	4.00

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 (9,798 thousand euros) and IMA Automation USA Inc. (1,790 thousand euros) and concern new products that were not previously available and are targeted at new market segments.

Construction in progress has been checked and no adjustments have emerged.

4. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Below is a breakdown:

in thousands of euros	31.12.2018	31.12.2017
Associates:		
Amherst Stainless Fabrication LLC	356	317
Atopbi S.p.A.	16,322	15,761
B.C. S.r.l.	2,992	2,706
Bacciottini F.lli S.r.l.	852	751
BLQ S.r.l.	173	n.a.
Bolognesi S.r.l.	1,139	1,064
Doo Officina-Game East Vrsac	341	340
I.E.M.A. S.r.l.	1,498	1,239
IMA Dairy & Food Holding GmbH	12,000	n.a.
Inkbit LLC	2,110	2,274
LA.CO S.r.l.	508	525
Logimatic S.r.l.	941	775
Meccanica Sarti S.r.l.	1,214	1,214
MORC 2 S.r.l.	1,696	1,606
O.M.S. Officina Meccanica di Sonico S.r.l.	1,040	n.a.
Petroncini Impianti S.p.A.	n.a.	1,969
Powertransmission.it S.r.l.	205	174
RO.SI S.r.l.	347	n.a.
SIL.MAC. S.r.l.	1,055	821
STA.MA. S.r.l.	134	119
Talea S.r.l.	211	211
Sirio S.p.A. Associazione in partecipazione	3,298	3,948
Other investments	321	289
	48,753	**36,103**
Joint venture:		
CMRE S.r.l.	4,156	4,222
	4,156	**4,222**
Total	**52,909**	**40,325**

During 2018, the subsidiary Packaging Manufacturing Industry S.r.l. acquired 40% of O.M.S. Officina Meccanica di Sonico S.r.l., based in Sonico (BS), which operates in the field of mechanical parts engineering and the construction of machines.

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;
- Atopbi S.p.A. has a 84% interest in Atop S.p.A., one of the world's leading manufacturers of innovative machines and automatic lines for manufacturing electric motors and rotors. It operates in various sectors: electric traction for sustainable mobility, automotive, household appliances and power tools;
- 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;
- Inkbit LLC is a US start-up that specialises in industrial systems, software design and materials science;
- 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.
- 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;
- BLQ S.r.l., CAIMA S.r.l., Consorzio L.I.A.M., FID S.r.l. Impresa Sociale, Me.Mo. S.r.l., RO.SI 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 2018: assets 14,286 thousand euros, liabilities 5,972 thousand euros, equity 8,314 thousand euros and loss of the year 132 thousand euros.

The following table sets out the goodwill included in the carrying amount of the above equity investments at 31 December 2018:

in thousands of euros	31.12.2018	31.12.2017
Associates:		
Atopbi S.p.A.	13,871	13,871
Bolognesi S.r.l.	429	429
Bacciottini F.lli S.r.l.	158	158
I.E.M.A. S.r.l.	295	295
Inkbit LLC	1,752	–
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
O.M.S. Officina Meccanica di Sonico S.r.l.	167	n.a.
Petroncini Impianti S.p.A.	n.a.	1,715
RO.SI S.r.l.	232	n.a.
Scriba Nanotecnologie S.r.l.	123	123
SIL.MAC. S.r.l.	131	131
Talea S.r.l.	145	145
Total	**20,094**	**19,658**

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 2,485 thousand euros (1,346 thousand euros the previous year). The summary data was prepared using the financial statements at 31 December 2017 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 2018 Packaging Manufacturing Industry S.r.l. recognized dividends from associated companies totalling 1,186 thousand euros from Bacciottini F.lli S.r.l., Bolognesi S.r.l., I.E.M.A. S.r.l., LA.CO S.r.l., Logimatic S.r.l., Masterpiece S.r.l., MORC 2 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 2018 result of the CMRE S.r.l. joint venture accounted for using the equity method amounts to -66 thousand euros (-65 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, recognizing this difference in the income statement.

As regards guarantees granted to associated companies and joint ventures please read Note 31.

5. Financial assets

The item breaks down as follows:

in thousands of euros	31.12.2018	31.12.2017
Non-current:		
· Financial assest measured at amortized cost	42,178	1,259
· Financial assest measured at FVOCI	4,888	2,728
· Financial assest measured at FVPL	439	982
	47,505	**4,969**
Current:		
· Financial assest measured at amortized cost	8,461	6,500
· Financial assest measured at FVOCI	12,901	11,446
· Financial assest measured at FVPL	820	–
	22,182	**17,946**
Total	**69,687**	**22,915**

The Group essentially holds financial assets at amortised cost mainly represented by financial receivables and financial assets valued at FVOCI, represented mainly by investments in other companies and investments in mutual funds.

As required by IFRS 9, for all investments in equity instruments (investments in other companies), at the time of initial recognition the Group irrevocably chose to present subsequent changes in fair value in the other components of comprehensive income (FVOCI), with the exception of Mint Street Holding S.p.A. These investments have been classified as FVOCI, accounting for the change in fair value in equity in consideration of their strategic nature.

At 31 December 2018, the Group does not have any financial assets held for trading purposes.

Non-current financial assets measured at amortised cost at 31 December 2018 essentially refer to the loan granted by the Parent Company to the associate IMA Dairy & Food Holding GmbH for 40,000 thousand euros.

Investments in other companies mainly include shares in Mint Street Holding S.p.A. for 439 thousand euros (982 thousand euros at 31 December 2017), shares in Continuus Pharmaceuticals Inc. for 1,382 thousand euros (1,382 thousand euros at 31 December 2017), shares in LPM.GROUP S.r.l. (formerly Plasticenter S.r.l.) for 937 thousand euros (937 thousand euros at 31 December 2017) and shares in AMT Labs S.p.A. for 2,228 thousand euros.

The 20% investment in AMT Labs S.p.A. acquired by GIMA TT S.p.A. in May 2018 is shown at fair value in accordance with IFRS 9 and IFRS 13. At 31 December 2018 the acquisition cost was deemed to be the best approximation of the fair value of the investment, as the change in the shareholders' equity of AMT Labs. S.p.A. between the date of the investment and the end of the year was not significant.

Current financial assets measured at amortised cost mainly consist of loans granted by the Parent Company and Packaging Manufacturing Industry S.r.l. to the joint venture CMRE S.r.l. and to some associates for a total of 6,276 thousand euros (3,330 thousand euros at 31 December 2017), as well as loans granted by Ilapak International SA to third parties for 2,058 thousand euros.

Current financial assets valued at FVOCI mainly include investment funds attributable to the Parent Company for 7,853 thousand euros, classified in level 3 of the fair value hierarchy, whose benchmark for measurement is their net asset value at 31 December 2018.

Movements in financial assets break down as follows:

in thousands of euros	2018	2017
Opening balance	22,915	16,705
Increases	52,304	7,677
Profit/(losses) recognized in OCI	540	226
Profit/(losses) recognized in PL	(543)	(364)
Change in scope of consolidation	753	11
Decreases	(6,109)	(1,035)
Exchange rate difference	(173)	(305)
Closing balance	**69,687**	**22,915**

6. Receivables from others

These include various guarantee deposits and a contract entered into by the Parent Company with Unipol Assicurazioni S.p.A. to provide for the severance indemnities of certain directors.

7. Derivative financial instruments

This item breaks down as follows:

in thousands of euros	Assets 31.12.2018	Liabilities 31.12.2018	Assets 31.12.2017	Liabilities 31.12.2017
Interest rate hedging instruments - cash flow hedges	–	3,808	–	2,129
Exchange rate hedging instruments - cash flow hedges	382	1,308	173	22
Total	**382**	**5,116**	**173**	**2,151**

Interest rate derivatives

The Group substantially 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 IRS and caps and the sale of a floor.

At 31 December 2018, the amount of 3,724 thousand euros in liabilities represents the fair value of derivative contracts arranged by the Parent Company with leading credit institutions to hedge interest rate risk; such contracts are linked to a bond and to a portion of medium-term loans, maturing within 2023 and hedging a nominal value of 35.7 million US dollars and 180.0 million euros (42.9 million US dollars and 77.9 million euros at 31 December 2017). Furthermore, the residual amount of 84 thousand euros in liabilities represents the fair value of the interest rate hedging derivative contract entered into by GIMA S.p.A. on a nominal value of 6.8 million euros, as commented on in Note 2.

EXCHANGE RATE DERIVATIVES

For the purposes of the disclosure required by IFRS 7.24A, it should be noted that with regard to foreign exchange derivatives, as per Group Policy, only forward contracts are stipulated with 100% effectiveness. The other information requested is shown below.

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 2018, the amounts of 382 thousand euros in assets and 1,308 thousand euros in liabilities represent the fair value of these derivative contracts.

The notional amount of these exchange rate hedges were 62.8 million US dollars, 61.6 million Chinese yuan and 0.9 million Turkish Lire (4.8 million US dollars, 45.4 million Chinese yuan, 0.7 million Pounds Sterling and 12.8 million Turkish Lire at 31 December 2017).

All foreign currency derivatives at 31 December 2018 mature within 12 months.

8. DEFERRED TAX ASSETS AND LIABILITIES

At 31 December 2018, the deferred tax asset of 49,226 thousand euros (67,879 thousand euros at 31 December 2017), mainly relates to taxes recognized 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 58,789 thousand euros (61,528 thousand euros at 31 December 2017) and mainly relate to temporary differences between the book values of certain tangible and intangible assets and their values recognized for tax purposes.

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

in thousands of euros	31.12.2018	31.12.2017
Opening balance at the beginning of the year	6,351	2,781
Credited/(Charged) to PL	(211)	4,167
Credited/(Charged) to equity	343	(900)
Change in scope of consolidation	(25,040)	248
Sale of 60% of IMA D&F	16,678	–
Exchange rate difference and other changes	(7,684)	55
Net amount at the end of the year	**(9,563)**	**6,351**

The main components of deferred tax assets and liabilities are presented below, together with the changes during the year and 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 01.01.2017	25,759	4,879	(45,437)	698	5,011	11,871	2,781
Effect on PL	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 31.12.2017	**26,879**	**4,729**	**(41,129)**	**417**	**4,411**	**11,044**	**6,351**
Effect on PL	(2,092)	(80)	4,029	–	–	(2,068)	(211)
Effect on equity	–	–	–	491	(148)	–	343
Change in scope of consolidation	2,769	213	(28,845)	–	159	664	(25,040)
Sale of 60% of IMA D&F	(2,096)	(1,497)	20,758	–	(2,478)	1,991	16,678
Exchange rate difference and other changes	(2,487)	2,619	(7,852)	–	(4)	40	(7,684)
Balances at 31.12.2018	**22,973**	**5,984**	**(53,039)**	**908**	**1,940**	**11,671**	**(9,563)**

"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 deferred tax assets have not been recognized amount to 2,421 thousand euros (69,749 thousand euros at 31 December 2017).

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

9. INVENTORIES

Below is a breakdown:

in thousands of euros	31.12.2018			31.12.2017		
	Gross value	Impairment provision	Net value	Gross value	Impairment provision	Net value
Raw, ancillary and consumable materials	76,587	(10,670)	65,917	72,992	(14,998)	57,994
Work in progress and semifinished goods	274,590	(34,730)	239,860	270,840	(33,344)	237,496
Finished products and goods for resale	16,825	(2,878)	13,947	17,347	(3,144)	14,203
Total	**368,002**	**(48,278)**	**319,724**	**361,179**	**(51,486)**	**309,693**

At 31 December 2018, the inventories belonging to Petroncini Impianti S.p.A., to the TMC Group and to Ciemme S.r.l. amounted to 1,593 thousand euros, 14,491 thousand euros and 1,420 thousand euros respectively. The increase in inventories since 31 December 2017 mainly reflects the substantial amount of the backlog at the end of the year. It should be noted that at 31 December 2017 the Dairy & Food business amounted to 16,146 thousand euros.

Movements in the impairment provisions in the period were as follows:

in thousands of euros	
Balances at 01.01.2017	**46,518**
Net provisions (uses)	5,048
Change in scope of consolidation	594
Exchange rate difference	(674)
Balances at 31.12.2017	**51,486**
Net provisions (uses)	(4,271)
Change in scope of consolidation	6,645
Sale of 60% of IMA D&F	(5,719)
Exchange rate difference	137
Balances at 31.12.2018	**48,278**

The decrease in the inventory allowance during the year mainly reflects the amounts released on the scrapping of obsolete goods by the Parent Company and certain Group companies.

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 sales during the period and business combinations, as commented on in Notes 28 and 30.

10. Trade and other receivables and contract assets

Trade and other receivables

This item breaks down as follows:

in thousands of euros	31.12.2018	31.12.2017
Trade receivables	194,541	168,283
Advances to suppliers	23,359	21,586
Tax receivables	19,981	32,785
Deferred costs	9,585	5,844
Other receivables	10,246	3,892
Total	**257,712**	**232,390**

Trade receivables

Trade receivables include customer receivables of 183,084 thousand euros (161,010 thousand euros at 31 December 2017) and trade receivables from associates of 11,457 thousand euros (7,273 thousand euros at 31 December 2017).

At 31 December 2018, trade receivables attributable to business combinations carried out during the year came to a total of 18,586 thousand euros. It should be noted that at 31 December 2017 the Dairy & Food business amounted to 22,088 thousand euros.

Trade receivables from customers are carried net of accumulated provisions amounting to 18,392 thousand euros (18,908 thousand euros at 31 December 2017).

The changes in the bad debt provision during the year are summarized below:

in thousands of euros	2018	2017
Opening balance	**18,908**	**18,466**
Effect on PL	507	408
Uses	(1,595)	(536)
Change in scope of consolidation	1,486	706
Sale of 60% of IMA D&F	(934)	–
Exchange rate difference and other	20	(136)
Closing balance	**18,392**	**18,908**

Customer receivables falling due beyond 12 months amounted to 1,195 thousand euros (722 thousand euros at 31 December 2017).

Deferred payment terms granted to customers resident in countries presenting particular risks are guaranteed by suitable financial instruments to secure collection.

There are no significant financial components or rights to make returns.

Receivables assigned without recourse that had not yet fallen due at 31 December 2018 amounted to around 51,946 thousand euros (44,087 at 31 December 2017) of which 41,448 thousand euros is assigned to factoring companies and 10,498 thousand euros to other financial institutions. The period saw the assignment without recourse of receivables with an overall nominal value of around 86,386 thousand euros (65,321 thousand euros in 2017). The requirements for eliminating these receivables exist in accordance with IFRS 9.

The breakdown by maturity is as follows:

		Past due		
in thousands of euros	Not yet due	< 12 months	>12 months	Total
31.12.2018				
Gross trade receivables	127,344	53,114	21,018	201,476
Bad debt provision	(2,394)	(1,009)	(14,989)	(18,392)
Net trade receivables	**124,950**	**52,105**	**6,029**	**183,084**
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**

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 2018 these relate to advances paid to suppliers for inventory goods of 15,864 thousand euros (16,895 thousand euros at 31 December 2017) and services of 7,495 thousand euros (4,691 thousand euros at 31 December 2017).

This item also includes advances to associates of 3,327 thousand euros (2,667 thousand euros at 31 December 2017).

TAX RECEIVABLES

Tax receivables mainly consist of VAT recoverable.

OTHER RECEIVABLES

The item includes the residual amount of 5,000 thousand euros due from TB Tauris Italia S.r.l. in connection with the sale of 60% of the investment in IMA Dairy & Food Holding GmbH, as commented on in Note 28.

CONTRACT ASSETS

Contract assets relating to existing contract are shown net of the related advances, as illustrated below:

in thousands of euros	31.12.2018	31.12.2017
Contract assets related to contract works	432,606	361,209
Advances received	(243,111)	(204,267)
Total	**189,495**	**156,942**

These contract assets consist of the amount due from customers for contracts in progress at the end of the year, net of advances already received.

Contract work is recorded over a period of time and assessed according to the percentage of completion method based on inputs and is therefore to be considered as amounts due to expire.

Revenue from contract work in 2018 amounted to 726,141 thousand euros (617,106 thousand euros in 2017).

The net increase in trade and other receivables and contract work 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 sales and business combinations during the period, as commented on in Notes 28 and 30.

11. INCOME TAX RECEIVABLES AND PAYABLES

At 31 December 2018 income tax receivables and payables amount to 9,810 thousand euros and 7,368 thousand euros (9,396 thousand euros and 11,574 thousand euros respectively at 31 December 2017).

Income tax receivables include 4,805 thousand euros recorded by certain Italian Group companies 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.

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. and Tissue Machinery Company S.p.A. as consolidating companies and Mapster S.r.l. and Asset Management Service S.r.l. as consolidated companies form part of the domestic tax group.

At 31 December 2018 receivables from SO.FI.M.A. S.p.A. amount to 3,680 thousand euros (receivables for 3,643 thousand euros and payables for 2,365 thousand euros at 31 December 2017).

12. CASH AND CASH EQUIVALENTS

This item breaks down as follows:

in thousands of euros	31.12.2018	31.12.2017
Bank current accounts	140,561	203,264
Deposits	74	3,205
Cheques and cash	232	212
Total	**140,867**	**206,681**

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 01.01.2017	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)**
Capital increases	–	–	–	–
Distribution of dividends	–	–	–	–
Purchase and sale of treasury shares	(101)	–	–	(5,518)
Balance at 31.12.2018	**39,153**	**20,415**	**122,818**	**(5,589)**

Share capital and share premium reserve

Share capital at 31 December 2018 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

On 15 November 2018 the repurchase of treasury shares (share buy-back) was initiated in compliance with the authorisation given by the Shareholders' Meeting of IMA S.p.A. on 27 April 2018. Purchases were made on the MTA in compliance with article 144-bis, paragraph 1, letter b) of Consob Regulation 11971/1999 and other applicable provisions, in order to ensure compliance with the equal treatment of shareholders pursuant to art. 132 of the Consolidated Finance Act, as well as the operating procedures established in the organisation and management regulations of Borsa Italiana S.p.A.

Since the start of the programme, the Parent Company has carried out transactions in its own equity instruments in 2018 by acquiring 101,500 treasury shares for a total of 5,518 thousand euros. These transactions were recognized directly in equity in accordance with IAS 32.

As a result of these purchases and considering the shares already held in portfolio, at 31 December 2018 IMA S.p.A. holds 107,000 treasury shares, equal to 0.273% of the share capital. The Parent Company did not carry out any transactions in its own shares during 2017.

Dividends

In May 2018, a total dividend of 66,733 thousand euros was paid, equal to 1.70 euros (gross) per ordinary share in circulation (62,807 thousand euros, equal to 1.60 euros gross in May 2017).

In the current year, the Board of Directors of the Parent Company IMA S.p.A. proposes to pay out a dividend of 2.00 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 2018.

FAIR VALUE RESERVE

Changes in the fair value reserve break down as follows:

in thousands of euros	
Balance at 01.01.2017	**(2,213)**
Financial assets at FVOCI	
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 revenue from contracts with customer	(1,775)
Realization recognized in costs	(64)
Realization recognized in financial income and expense	2,513
Tax effect - realization recognized in PL	(156)
Balance at 31.12.2017	**(1,324)**
Financial assets at FVOCI	
Measurement at fair value	540
Fair value - tax effect	(131)
Cash flow hedges/Hedging instruments	
Measurement at fair value	(2,472)
Fair value - tax effect	592
Change in scope of consolidation	(25)
Realization recognized in revenue from contracts with customer	(9)
Realization recognized in costs	1
Realization recognized in financial income and expense	(86)
Tax effect - realization recognized in PL	29
Balance at 31.12.2018	**(2,885)**

At 31 December 2018 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 01.01.2017	**(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)**
Change in scope of consolidation	(445)
Sale of 60% of IMA D&F	5,423
Actuarial value	833
Tax effect	(156)
Exchange rate difference and other changes	(62)
Balance at 31.12.2018	**(6,002)**

MONETARY REVALUATION FOR HYPERINFLATION

Argentine is considered a hyperinflationary economy, as commented on in the section entitled "Translation of foreign currency balances". In order to reflect the changes in the purchasing power of the Argentine peso at the balance sheet date, certain items in the balance sheet of IMA MAI S.A. have been remeasured by applying the general consumer price index of historical data. In particular, the accounting effects were recognized as follows:

- the effect of the inflationary adjustment of non-monetary assets and liabilities and equity up to 31 December 2017 is shown as a contra-entry to equity reserves for 687 thousand euros;
- the effect of remeasuring the same non-monetary items, the equity items and the income statement components recorded in 2018 was recognized under financial income in Note 25 for 141 thousand euros.

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 2018		31 December 2017	
	Country	% held by the Group	% held by third parties	% held by the Group	% held by third parties
Direct investment:					
Fillshape S.r.l.	Italy	100%	–	80%	20%
GIMA TT S.p.A.	Italy	60.39% (*)	39.61% (*)	60.084%	39.916%
IMA Fuda (Shanghai) Packaging Mach. Co. Ltd.	PRC	80%	20%	80%	20%
Pharmasiena Service S.r.l.	Italy	70%	30%	70%	30%
Transworld Packaging Holding S.p.A.	Italy	81%	19%	81%	19%
Indirect investment:					
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%	85.71%	14.29%
Mapster S.r.l.	Italy	100%	–	80%	20%
O.A.SYS. S.r.l.	Italy	70%	30%	70%	30%
Petroncini Impianti S.p.A.	Italy	80%	20%	49%	51%
Petroncini International Trad. (Shanghai) Co. Ltd.	PRC	80%	20%	49%	51%
Shanghai Tianyan Ph. Mach. Co. Ltd.	PRC	86.29%	13.71%	86.29%	13.71%
Teknoweb N.A. Llc	USA	75%	25%	75%	25%

(*) Percentages calculated taking into account the treasury shares repurchased by the Company.

Transworld Packaging Holding S.p.A. controls twelve 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 2018, non-controlling interests amount to 23,898 thousand euros (21,309 thousand euros at 31 December 2017) and relate to GIMA TT S.p.A. for 22,374 thousand euros.

The dividends paid to minority shareholders in 2018 amounted to 17,204 thousand euros and refer for 14,754 thousand euros to GIMA TT S.p.A. (10,583 thousand euros in 2017, of which 8,100 thousand euros attributable to GIMA TT S.p.A.).

On 15 November 2018, GIMA TT S.p.A., listed on the STAR segment of the MTA, started a programme for the repurchase of treasury shares (share buy-back), in compliance with the authorisation given by the Shareholders' Meeting on 27 April 2018. Since the start of the programme, GIMA TT S.p.A. has carried out transactions in its own equity instruments in 2018 by acquiring 440,500 treasury shares for a total of 3,010 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 2018, with comparative figures at 31 December 2017:

in thousands of euros	31.12.2018	31.12.2017
Non-current assets	10,092	4,940
Current assets	101,014	111,249
Non-current liabilities	(1,785)	(592)
Current liabilities	(52,838)	(70,988)
Equity	56,483	44,609

in thousands of euros	2018	2017
Revenue and other revenue	186,451	154,219
Costs	(114,324)	(92,988)
Financial income and expense	(251)	(117)
Taxes	(20,035)	(16,997)
Profit for the year	51,841	44,117

in thousands of euros	31.12.2018	31.12.2017
Cash flows from operating activities	17,986	30,791
Cash flows from investing activities	(5,857)	4,483
Cash flows from financing activities	(40,230)	(27,110)
Net change in liquid funds	(28,101)	8,164

During the 2018, IMA S.p.A. and GIMA S.p.A. purchased 20% of Fillshape S.r.l. and Mapster S.r.l. respectively from third parties, as mentioned in the "Scope of consolidation" section. The effect of these transactions was recognized as a deduction from equity attributable to the shareholders of the parent company for an amount of 1,830 thousand euros.

15. Borrowings

The item includes financial liabilities valued at amortised cost and, in particular, amounts due to banks of 273,597 thousand euros (160,073 thousand euros at 31 December 2017), amounts due to other lenders of 8,224 thousand euros (2,598 thousand euros at 31 December 2017) and bonds of 107,989 thousand euros (113,268 thousand euros at 31 December 2017).

At 31 December 2018, the IMA Group does not have any financial liabilities measured at fair value through profit or loss (FVPL).

PAYABLES TO BANKS

Payables to banks break down as follows:

in thousands of euros	31.12.2018	31.12.2017
Non-current:		
· Applied research and technological innovation loans	3,885	3,621
· Other loans	172,675	56,867
	176,560	**60,488**
Current:		
· Current accounts	2,102	22,722
· Advances on domestic transactions (Italy)	4,107	2,456
· Advances on export transactions	51,898	20,540
· Advances on export transactions to be carried out	20,048	518
· Applied research and technological innovation loans	1,724	1,436
· Other loans	17,158	51,913
	97,037	**99,585**
Total	**273,597**	**160,073**

Applied research and technological innovation loans

During the period, instalments of 1,594 thousand euros were paid regularly as they fell due and new loans of 2,113 thousand euros were received.

Other loans

The principal changes in Other loans relate to the Parent Company and comprise new loans of 170,000 thousand euros and repayments of 85,650 thousand euros.

Payables to banks are analyzed by maturity as follows:

in thousands of euros	31.12.2018	31.12.2017
Due within 1 year	97,037	99,585
Due from 1 to 5 years	175,884	60,488
Due beyond 5 years	676	–
Total	**273,597**	**160,073**

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

in thousands of euros	31.12.2018	31.12.2017
Euro	194,377	109,518
US dollar	906	4,169
Other	159	150
Total	**195,442**	**113,837**

It is worth pointing out that a loan obtained by the Parent Company in 2014 from the European Investment Bank (EIB), at 31 December 2018 is secured by a SACE guarantee of 4,200 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 2018, all covenant requirements have been met.

Interest rates on financial payables are on average less than 5% (less than 5% in 2017).

At 31 December 2018 the Group had around 462 million euros of unutilised borrowing facilities (around 363 million euros at 31 December 2017).

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 1.6 million euros.

PAYABLES TO OTHER LENDERS

The item breaks down as follows:

in thousands of euros	31.12.2018	31.12.2017
Non-current:		
· Payables to leasing companies	6,413	794
· Other	–	661
	6,413	**1,455**
Current:		
· Payables to leasing companies	1,506	245
· Payables to factoring companies	305	54
· Other	–	844
	1,811	**1,143**
Total	**8,224**	**2,598**

In 2018, the subsidiary GIMA S.p.A. acquired the property in Zola Predosa (BO) under a finance lease. It was previously being rented and it is where the company currently has its registered office, offices and production plants. The lease has a duration of 8 years, amount financed of 8,840 thousand euros, an advance fee of 20% and a redemption price equal to 10% of the amount financed. A derivative contract to hedge against interest rate risk was stipulated for this transaction. Payables falling due beyond 5 years amount to 2,879 thousand euros.

At 31 December 2018, the amount payable to leasing companies also includes the finance lease for the factory in Krakow (Poland) and other assets used by Ilapak Sp. Zo.o for a total of 669 thousand euros (908 thousand euros at 31 December 2017).

At 31 December 2017, "other" included the recognition of financial payables attributable to Ilapak Italia S.p.A. for 850 thousand euros and Telerobot S.p.A. for 655 thousand euros.

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 2018				
Minimum payments of finance leases	1,583	3,697	2,984	8,264
Less future financial charges	(77)	(163)	(105)	(345)
Present value of finance lease payables	**1,506**	**3,534**	**2,879**	**7,919**
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**

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 second tranche was repaid in February 2018 for a total of 7,143 thousand US dollars.

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

At 31 December 2018, outstanding bonds total 107,989 thousand euros, representing their nominal redemption value of 80 million euros and 35.7 million US dollars.

Bonds are made up of:

in thousands of euros	31.12.2018	31.12.2017
Non-current portion	100,308	105,537
Current portion	7,681	7,731
Total book value	**107,989**	**113,268**
Measurement at amortized cost	3,202	2,467
Total nominal redemption value	**111,191**	**115,735**

NET DEBT

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

in thousands of euros	31.12.2018	31.12.2017
A. Cash and cash equivalents	(140,867)	(206,681)
B. Other cash equivalents	(5,028)	(4,786)
C. Investments in securities	(8,000)	(6,660)
D. Liquidity (A)+(B)+(C)	**(153,895)**	**(218,127)**
E. Current financial receivables	**(9,154)**	**(6,500)**
F. Current payables to banks	79,220	50,554
G. Current portion of non-current payables	27,004	57,196
H. Other current financial payables	305	709
I. Current financial debt (F)+(G)+(H)	**106,529**	**108,459**
J. Net current financial debt (D)+(E)+(I)	**(56,520)**	**(116,168)**
K. Non-current portion of non-current bank payables	176,560	60,488
L. Bonds issued	100,308	105,537
M. Other non-current financial payables	6,413	1,455
N. Non-current financial assets	(42,178)	(1,259)
O. Net non-current financial debt (K)+(L)+(M)+(N)	**241,103**	**166,221**
P. Net financial debt (J)+(O)	**184,583**	**50,053**

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 further 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 65,880 thousand euros (36,467 thousand euros at 31 December 2017), essentially relating to the options agreed for the purchase of the minority interests in subsidiaries. The change with respect to the previous period is mainly due to payables for the acquisition of the TMC Group and Ciemme S.r.l. See Note 18 for further information.

With reference to 31 December 2017, the increase in debt, 134,530 thousand euros, is mainly linked to the acquisition of the investments in Petroncini Impianti S.p.A., TMC S.p.A. and Ciemme S.r.l. for a total of 97,665 thousand euros and to the dividends paid by the Parent Company (66,733 thousand paid in May 2018), net of the effects of the sale of 60% of IMA Dairy & Food Holding GmbH for 26,756 thousand euros.

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 severance indemnity provisions made by the Group's Italian companies.

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

migliaia di Euro	
Balance at 01.01.2017	**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**
Service cost	1,432
Financial charges	459
Net actuarial losses (gains) recognized during the year	(869)
Change in scope of consolidation	3,025
Sale of 60% of IMA D&F	(23,779)
Benefit paid out during the year	(1,765)
Exchange rate difference	200
Balance at 31.12.2018	**34,664**

The change in scope of consolidation includes the defined benefit plans of the newly acquired companies Petroncini Impianti S.p.A., TMC S.p.A., Asset Management Service S.r.l. and Ciemme S.r.l.

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

in thousands of euros	31.12.2018	31.12.2017
Italy	22,405	20,276
Germany	6,487	28,181
Switzerland	3,722	3,544
France	256	2,509
North America	954	660
Other countries	840	791
Total	**34,664**	**55,961**

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

	31.12.2018	31.12.2017
Annual discount rate	1.58%	1.20%
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	2,479
Fair value of plan assets	(2,107)
Net defined benefit liabilities at 31 December 2017	**372**
Present value of defined benefit obligations	2,372
Fair value of plan assets	(1,773)
Net defined benefit liabilities at 31 December 2018	**599**

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

in thousands of euros	2018	2017
Opening balance	2,479	4,550
Financial expense	93	110
Actuarial losses (gains)	98	330
Severance payments made during the year	(409)	(2,054)
Exchange rate difference	111	(457)
Present value of defined benefit obligations	**2,372**	**2,479**
Opening balance	2,107	4,432
Return on plan assets	(12)	154
Severance payments made during the year	(409)	(2,054)
Exchange rate difference	87	(425)
Fair value of plan assets	**1,773**	**2,107**

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 2018 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; sensitivity analyses have therefore been performed for the Italian companies versus severance indemnities at 31 December 2018 of 22,172 thousand euros.

The results are summarized in the following table:

	Annual discount rate		Annual inflation rate		Turnover rate	
in thousands of euros	+0.50%	-0.50%	+0.25%	-0.25%	+2.00%	-2.00%
Provision for severance indemnities italian companies	21,156	23,270	22,438	21,914	21,815	22,635

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

in thousands of euros	2018	2017
Within 1 year	1,336	861
From 1 to 5 years	5,552	4,539
From 5 to 10 years	8,791	7,009
Total expected payments italian companies	**15,679**	**12,409**

17. PROVISIONS FOR RISKS AND CHARGES

These provisions are analyzed as follows:

in thousands of euros	Balance at 31.12.2017	Net increases	Net decreases	Change in scope of consolidation	Exchange rate differences	Balance at 31.12.2018
Non-current:						
Agency termination indemnities	4,698	96	(1,481)	47	–	3,360
Other provisions	1,116	218	(112)	72	–	1,294
	5,814	**314**	**(1,593)**	**119**	**–**	**4,654**
Current:						
Product guarantee provision	27,035	2,516	(6,333)	1,632	121	24,971
Other provisions	5,550	838	(4,007)	34	8	2,423
	32,585	**3,354**	**(10,340)**	**1,666**	**129**	**27,394**
Total	**38,399**	**3,668**	**(11,933)**	**1,785**	**129**	**32,048**

The net decreases include 6,138 thousand euros relating to the sale of 60% of IMA Dairy & Food Holding GmbH.

The change in scope of consolidation refers to Petroncini Impianti S.p.A., TMC S.p.A., Asset Management Service S.r.l. and Ciemme 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 2018, calculated on the basis of historical costs and expected costs of machines sold and still under the initial guarantee.

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

18. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

TRADE AND OTHER PAYABLES

This item is analyzed as follows:

in thousands of euros	31.12.2018	31.12.2017
Trade payables	364,194	358,137
Social security and defined-contribution plan payables	14,202	13,232
Tax payables	12,070	12,660
Due to employees	67,205	65,966
Payables in respect of acquisitions	65,880	36,467
Deposits	2,064	3,034
Other payables	11,634	15,448
Total	**537,249**	**504,944**

Trade payables

These include trade payables to suppliers of per 264,738 thousand euros (263,857 thousand euros at 31 December 2017), payables to agents of 15,971 thousand euros (14,612 thousand euros at 31 December 2017) and trade payables to associates of 83,485 thousand euros (79,668 thousand euros at 31 December 2017).

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.

Tax payables

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

Due to employees

This item includes 7,701 thousand euros classified as non-current liabilities (3,785 thousand euros at 31 December 2017).

Payables in respect of acquisitions

At 31 December 2018 this item includes payables for the purchase of investments related to the acquisitions made in previous years for a total of 33,292 thousand euros and to acquisitions in 2018 for 32,588 thousand euros.

The total amount of payables for acquisitions classified under non-current liabilities comes to 62,675 thousand euros (31,247 thousand euros at 31 December 2017).

Other payables

Other payables at 31 December 2018 include 4,377 thousand euros classified as non-current liabilities.

Contract liabilities

The item breaks down as follow:

in thousands of euros	31.12.2018	31.12.2017
Advances received from customer	133,495	151,146
Contract liabilities related to contract works	40,360	14,915
Total	**173,855**	**166,061**

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

Contract liabilities relating to existing contract are shown net of the related assets, as illustrated below:

in thousands of euros	31.12.2018	31.12.2017
Advances received	104,124	82,543
Contract assets related to contract works	(63,764)	(67,628)
Total	**40,360**	**14,915**

Contract liabilities consist of advances received for contract work in progress at the end of the period, net of the assets relating to existing contracts.

The net increase in trade payables, contract liabilities 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 sales and business combinations carried out during the period, as commented on in Notes 28 and 30.

19. Other revenue

This item breaks down as follows:

in thousands of euros	2018	2017	Change
Capital gains on disposal of non-current assets	204	1,369	(1,165)
Out-of-period income	3,092	2,428	664
Capitalization of internal construction costs	20,771	14,296	6,475
Other revenue and income	9,764	8,458	1,306
Total	**33,831**	**26,551**	**7,280**

The increase in non-current assets for internal work in 2018 refer for 12,481 thousand euros to development costs and new technologies (10,666 thousand euros in 2017) and for 8,290 thousand euros to equipment and machinery (3,630 thousand euros in 2017).

Information pursuant to art. 1, paragraph 125 of Law 124, 4 August 2017

Other revenue includes 3,430 thousand euros (1,246 thousand euros in 2017) relating to public funds received.

In compliance with the requirements of Law 124 of 2017 and in the light of the interpretations available to date, it is specified that these payments consist of:

- Tax credit for Research and Development activities pursuant to art. 3 of Decree Law 145 of 23 December 2013 for 2,299 thousand euros, used in 2018 to offset tax liabilities for 1,898 thousand euros;
- Tender for the promotion of investment projects in implementation of art. 6 of the Emilia-Romagna Regional Law 14/2014 for 518 thousand euros attributable to the Parent Company, received in 2018. For further information, see the National Register of State Aid;

- Sustainable Industry Tender for Large Projects, with reference to Concession Decree 4086 of 6 July 2016 of the Ministry of Economic Development, for 613 thousand euros attributable to the Parent Company, received in 2018. With reference to the same concession, a subsidized loan of 1,987 thousand euros is outstanding at 31 December 2018. For further information, see the National Register of State Aid.

Furthermore, it should be noted that in 2018 the Group also benefited from 256 thousand euros for training plans financed by Fondirigenti and Fondimpresa, of which 235 thousand euros received during the year.

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

This item breaks down as follows:

in thousands of euros	2018	2017	Change
Raw materials and semifinished goods	487,041	424,988	62,053
Consumables and ancillary materials	20,489	17,135	3,354
Marketable goods	42,643	33,695	8,948
Other purchases	5,205	5,625	(420)
Total	**555,378**	**481,443**	**73,935**

The cost of raw, ancillary and consumable materials and goods attributable to Petroncini Impianti S.p.A., the TMC Group and Ciemme S.r.l., which were not included in the scope of consolidation in 2017, amounted to 29,838 thousand euros.

21. SERVICES, RENTALS AND LEASES

This item breaks down as follows:

in thousands of euros	2018	2017	Change
Outsourced work and fitting	93,051	79,912	13,139
Maintenance and repair	10,946	9,137	1,809
Energy, telephone, gas, water and postal charges	13,691	13,173	518
Commissions	18,612	15,657	2,955
Technical, legal, tax and administrative consulting services	65,434	67,506	(2,072)
Advertising and promotions	4,722	4,735	(13)
Exhibitions	8,842	8,276	566
Travel and insurance	35,499	32,426	3,073
Transport	20,439	17,914	2,525
Bank charges	2,108	1,693	415
Rental charges	20,710	19,445	1,265
Operating lease fees	477	483	(6)
Rental fees	4,256	3,258	998
Other services	22,354	20,670	1,684
Total	**321,141**	**294,285**	**26,856**

Services, rentals and leases attributable to Petroncini Impianti S.p.A., the TMC Group and Ciemme S.r.l., which joined the scope of consolidation in 2018, amounted in total to 10,636 thousand euros.

The item also includes non-recurring charges for 2,524 thousand euros (5,372 thousand euros in 2017) as commented in Note 34.

22. PERSONNEL COSTS

Personnel costs break down as follows:

in thousands of euros	2018	2017	Change
Wages and salaries	278,914	259,849	19,065
Social security contributions	65,192	59,330	5,862
Board of Directors' emoluments	12,487	10,044	2,443
Pensions - defined-benefit plans	1,383	873	510
Pensions - defined-contribution plans	14,605	13,075	1,530
Other personnel costs	22,261	19,099	3,162
Total	**394,842**	**362,270**	**32,572**

Personnel costs attributable to Mapster S.r.l. and Eurosicma S.p.A., which were included in the scope of consolidation for part of 2017 for 3,932 thousand euros, come to a total of 8,587 thousand euros. In addition, personnel costs attributable to Petroncini Impianti S.p.A., TMC Group and Ciemme S.r.l. total 14,019 thousand euros.

Personnel costs include non-recurring charges for 2,089 thousand euros as discussed in Note 34.

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 0.92%, 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 significantly in line with the increased number of employees and collaborators in the year.

The IMA Group employed 5.456 people on average during 2018, as analyzed below:

	2018	2017	Change
Managers (*)	289	187	102
Office workers	3,490	3,214	276
Production workers	1,677	1,532	145
Total	**5,456**	**4,933**	**523**

(*) The 2018 figure includes managers of foreign companies who previously qualified as office workers.

At 31 December 2018, the Group had 5,623 employees, of whom 315 work for Petroncini Impianti S.p.A., the TMC Group and Ciemme S.r.l. (5,613 at 31 December 2017, of whom 498 relating to IMA Dairy & Food Holding GmbH and its subsidiaries sold in 2018).

23. Depreciation, amortization and write-downs

This item breaks down as follows:

in thousands of euros	2018	2017	Change
Depreciation of property, plant and equipment	15,006	11,785	3,221
Amortization of intangible assets	28,565	19,156	9,409
Write-downs/impairment	–	2,011	(2,011)
Bad debt provision	507	450	57
Total	**44,078**	**33,402**	**10,676**

The increase in amortisation mainly refers to development costs and intangible assets recognized as part of acquisitions made during the year.

24. Other operating costs

Other operating costs comprise:

in thousands of euros	2018	2017	Change
Capital losses on disposal of non-current assets	247	215	32
Property tax and other taxes	3,100	2,457	643
Out-of-period expenses	1,594	1,443	151
Membership fees	471	388	83
Penalties and charges on sales	2,117	292	1,825
Sundry promotional materials	360	289	71
Other operating expenses	5,277	3,885	1,392
Total	**13,166**	**8,969**	**4,197**

Other operating costs include 468 thousand euros attributable to the newly acquired companies Petroncini Impianti S.p.A., TMC Group and Ciemme S.r.l.

The item also includes non-recurring charges for 1,733 thousand euros as commented in Note 34.

25. Financial income

This item breaks down as follows:

in thousands of euros	2018	2017	Change
Fair value remeasurement of the interest held in Petroncini S.p.A.	11,625	–	11,625
Interest income from banks	367	315	52
Interest income on amounts due from customers	298	29	269
Income from corrent investments at FVOCI	98	161	(63)
Other interest and financial income	2,404	393	2,011
Income from derivative financial instruments	453	258	195
Net financial income by hiperinflation	141	–	141
Exchange rate gains	18,718	25,428	(6,710)
Total	**34,104**	**26,584**	**7,520**

As regards the income relating to the business combination in Petroncini S.p.A., reference should be made to the comments in Note 30.

26. Financial expense

This item breaks down as follows:

in thousands of euros	2018	2017	Change
Interest expense on bank payables	4,220	3,676	544
Interest expense on bonds	5,181	5,558	(377)
Interest expense on discounting	454	224	230
Interest expense on finance leases	121	59	62
Net financial expense on defined-benefit plans	544	615	(71)
Various interest expense	315	251	64
Loss on financial assets at FVPL	543	364	179
Bank guarantee expenses	605	579	26
Expense from derivative financial instruments	1,730	547	1,183
Other financial expense	5,785	396	5,389
Exchange rate losses	15,144	29,581	(14,437)
Total	**34,642**	**41,850**	**(7,208)**

The loss on financial assets at FVPL refers to the investment in Mint Street Holding S.p.A. For further details, please read Note 5.

At 31 December 2018, exchange rate gains and losses included an unrealized gain of 6,989 thousand euros and an unrealized loss of 4,435 thousand euros (11,529 thousand euros and 14,801 thousand euros, respectively, in the previous year).

27. Taxes

This item is analyzed as follows:

in thousands of euros	2018	2017	Change
Taxes for the period:			
Current taxes	58,076	53,695	4,381
Net deferred tax assets and liabilities	211	(2,526)	2,737
	58,287	**51,169**	**7,118**
Prior year taxes	2,893	1,223	1,670
Total	**61,180**	**52,392**	**8,788**

In 2017 a tax audit began on IMA S.p.A. for income tax, IRAP and VAT by the Revenue Agency, Emilia Romagna Regional Directorate, for the 2014 tax year and periods prior to 2014 for transactions linked to that year. The audit was completed in December 2017 with the preparation of Inspection Minutes. The Company has activated the assessment procedure with acceptance, on the invitation of the Tax Office, in order to reach an amicable settlement of the disputes. The assessment procedure with acceptance came to an end in July 2018 with the signing of the assessment deeds with acceptance and payment of the amounts agreed on during discussions with the Tax Office.

The following table reconciles the tax charges with the book profits multiplied by the theoretical tax rates:

in thousands of euros	2018	2017
Profit before taxes	**211,938**	**171,830**
Taxes determined on the theoretical tax rate	**52,530**	**44,695**
Effect of income not subject to tax	(3,764)	(829)
Effect of non-deductible costs	2,316	2,282
IRAP	8,565	6,941
Other changes	(1,360)	(1,920)
Prior year taxes	2,893	1,223
Total	**61,180**	**52,392**

The theoretical tax rate used to determine the income taxes is 24% of the taxable income for the year for the Italian companies and the current rate applied in each country for the foreign companies.

28. PROFIT (LOSS) FROM DISCONTINUED OPERATIONS/DISPOSAL GROUPS

On 20 December 2018, IMA S.p.A. completed the sale of 60% of the investment in IMA Dairy & Food Holding GmbH with TB Tauris Italia S.r.l.

The companies held by IMA Dairy & Food Holding GmbH involved in the sale are Hassia Verpackungsmaschinen GmbH, Hamba-Gasti GmbH, IMA Dairy & Food USA Inc., Hamba Verwaltungsgesellschaft mbH, Hamba Filltec GmbH & Co. KG, Erca S.A.S. and Erca-Formseal Iberica S.A.

The companies involved in the transaction deal with the design, construction and sale of automatic machines and integrated systems to form, fill and seal food products, particularly in the dairy sector, with production facilities in Germany and France.

The value of the transaction was 18,000 thousand euros, of which 13,000 thousand euros was paid at the closing with the rest to be paid by June 2019.

The income statement items attributable to the Dairy & Food business are as follows:

in thousands of euros	2018	2017
Revenue and other revenue	120,044	126,304
Costs	(151,537)	(146,901)
Financial income and expense	(1,375)	(649)
Result before taxes	**(32,868)**	**(21,246)**
Income taxes	1,125	1,233
Result for the period	**(31,743)**	**(20,013)**
Capital gain from discontinued operations	5,578	–
Profit (loss) from discontinued operations/disposal groups	**(26,165)**	**(20,013)**

The gain on discontinued operations includes ancillary charges of 1,580 thousand euros.

In compliance with the provisions of paragraph 33 of IFRS 5 "Non-current assets held for sale and discontinued operations", the net financial flows attributable to the operating, investment and financing activities of discontinued operations can be presented either in the notes or in the financial statements.

The Group has chosen the option of representing total cash flows in the cash flow statement, including both the assets in operation and the assets sold.

The additional information on the cash flows of the assets sold are as follows: flows from operating activities - 13,250 thousand euros, flows from investing activities 24,061 thousand euros and flows from financing activities 679 thousand euros.

29. 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:

	2018	2017
Net profit from continuing operations (thousands of euros)	130,197	105,603
Average number of outstanding ordinary shares (thousands of shares)	39,247	39,254
Earning per share from continuing operations (in euros)	**3.32**	**2.69**
Net profit from discontinued operations/disposal groups (thousands of euros)	(26,165)	(20,013)
Average number of outstanding ordinary shares (thousands of shares)	39,247	39,254
Earning per share from discontinued operations/disposal groups (in euros)	**(0.67)**	**(0.51)**
Profit for the year (thousands of euros)	104,032	85,590
Average number of outstanding ordinary shares (thousands of shares)	39,247	39,254
Earning per share (in euros)	**2.65**	**2.18**

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.

30. BUSINESS COMBINATIONS

On 5 April 2018, IMA, through its subsidiary GIMA S.p.A., exercised the option to purchase a further 31% of Petroncini Impianti S.p.A., with operations based in Sant'Agostino (FE), which is market leader in machinery for the production of coffee, thereby bringing its overall interest in the company to 80%. GIMA SpA already held 49% of the investment, acquired in 2016 for 2,000 thousand euros, whose carrying amount in the consolidated financial statements at 31 December 2017 applying the equity method was equal to 1,969 thousand euros. Petroncini Impianti S.p.A. controls Petroncini International Trading (Shanghai) Co. Ltd. (100%).

The acquisition cost of this 31% was equal to 8,600 thousand euros, fully paid at the closing. As required by IFRS 3, if a business combination is carried out in several phases, the interest held previously is remeasured at the fair value on the date of acquisition of control and the difference compared with the value of the previously held investment is recognized in the income statement; the income related to the acquisition of Petroncini Impianti SpA determined in this way was 11,625 thousand euros.

The main values for assets and liabilities at the acquisition date were as follows:

in millions of euros	Amounts acquired	Fair value
Property, plant and equipment	652	652
Intangible assets	92	19,243
Inventories	1,231	1,231
Trade receivables and other assets	4,771	4,771
Cash and cash equivalents	1,226	1,226
Borrowings	(465)	(465)
Employee defined benefit liabilities	(1,218)	(1,218)
Deferred tax liabilities	(194)	(5,538)
Trade payables and other liabilities	(5,841)	(5,841)
Total	**254**	**14,061**
Value of the business combination		
Carrying amount of interest held at the acquisition date		1,969
Fair value remeasurement of the interest held at the acquisition date		11,625
Cost of acquisition made in 2018		8,600
Minority		58
Goodwill		**8,191**

The fair value of the assets and liabilities was determined on a provisional basis, recognizing in particular: (i) non-patented technologies classified as development costs for 7,706 thousand euros; (ii) trademarks and customer lists classified as software, licences, trademarks and other rights for 3,435 thousand euros and 8,010 thousand euros respectively; (iii) deferred tax liabilities for 5,344 thousand euros. It should also be noted that in the half-year report at 30 June 2018 the excess of the purchase cost compared with the fair value of the business combination was determined on a non-definitive basis and provisionally allocated to goodwill.

At 31 December 2018 the newly acquired companies, which were consolidated for 9 months, generated revenue of 9,631 thousand euros and an operating profit of 910 thousand euros, including personnel costs of 2,424 thousand euros.

On 4 May 2018, IMA completed the closing for the purchase of 82.5% of TMC S.p.A, based in Castel Guelfo (Bologna), which produces and markets automatic machines for packaging and management of Tissue and Personal Care products and related after-sales services. TMC, which was founded in 1997, has over time consolidated its international leadership in a number of market niches such as primary and secondary packaging of kitchen rolls and toilet rolls, secondary packaging of personal care products such as nappies for babies, incontinence products for adults and for hygiene products for women. IMA has signed put and call options for the other 17.5%, to be exercised by April 2023. The terms and conditions of the put & call options already give the Group access to the economic benefits related to the portion of capital optioned; the Group therefore accounts for this portion as if it had already been purchased.

The companies included in the scope of consolidation are as follows:

	Registered office	Percent of share
Tissue Machinery Company S.p.A.	Castel Guelfo Bologna (Italy)	100% (1)
Asset Management Service S.r.l.	Castel Guelfo Bologna (Italy)	100% (2)
TMC Do Brasil Industria de Maquinarios e Servicos Ltda.	Valinhos (Brazil)	100% (2)
TMC North America Inc.	Appleton (USA)	100% (2)
Valley Tissue Packaging Inc.	Kaukauna (USA)	100% (3)

(1) Held by IMA S.p.A. The percentage interest includes an option to purchase 17.5% of the quota capital.
(2) Held by TissueMachinery Company S.p.A.
(3) Held by TMC North America Inc. The percentage interest includes an option to purchase 49% of the quota capital.

The main values for assets and liabilities at the acquisition date were as follows:

in thousands of euros	Amounts acquired	Fair value
Property, plant and equipment	1,646	1,646
Intangible assets	4,392	73,051
Other non-current assets	3,341	3,341
Deferred tax assets	3,442	3,442
Inventories	17,444	17,444
Trade receivables and other receivables	15,601	15,601
Other current assets	1,064	1,064
Cash and cash equivalents	2,090	2,090
Borrowings	(22,055)	(22,055)
Employee defined benefit liabilities	(1,188)	(1,188)
Deferred tax liabilities	(10)	(19,167)
Provisions for risks and charges	(1,644)	(1,644)
Trade payables and other liabilities	(29,656)	(29,656)
Total	**(5,533)**	**43,969**
Purchase cost		80,592
Goodwill		**36,623**

The fair value of the assets and liabilities was determined on a provisional basis recognizing in particular: (i) non-patented technologies classified as development costs for 22,934 thousand euros; (ii) trademarks and customer lists classified as software, licences, trademarks and other rights for 18,715 thousand euros and 27,010 thousand euros respectively; (iii) deferred tax liabilities for 19,157 thousand euros.

The acquisition cost includes the amount paid of 58,537 thousand euros and the fair value of payables relating to the options for the purchase of the residual 17.5% of Tissue Machinery Company S.p.A. and 49% of Valley Tissue Packaging Inc. for a total of 22,055 thousand euros, discounted using the return on government securities with the same maturity. The liabilities relating to the options have been re-measured at their fair value at 31 December 2018.

At 31 December 2018 the newly acquired companies, which were consolidated for 8 months, generated revenue of 50,140 thousand euros and an operating profit of 5,028 thousand euros, including personnel costs of 10,558 thousand euros.

On 25 June 2018 IMA completed the closing for the purchase of 70% of Ciemme S.r.l., with registered office in Albavilla (Como), which manufactures and sells end-of-line automatic machines. Ciemme, founded in 1985, has over time consolidated its leadership in the "end of line" segment, thanks to its complete product range of automatic cartoning machines and systems. IMA has also signed put & call options on the other 30%, to be exercised after the approval of the financial statements at 31 December 2023. The terms and conditions of the put & call options already give the Group access to the economic benefits related to the portion of capital optioned; the Group therefore accounts for this portion as if it had already been purchased.

The main values for assets and liabilities at the acquisition date were as follows:

in thousands of euros	Amounts acquired	Fair value
Property, plant and equipment	2,623	2,623
Intangible assets	1	15,571
Inventories	2,515	2,515
Trade receivables and other assets	2,480	2,480
Cash and cash equivalents	2,950	2,950
Borrowings	(408)	(408)
Employee defined benefit liabilities	(619)	(619)
Deferred tax liabilities	–	(4,344)
Trade payables and other liabilities	(3,277)	(3,277)
Total	**6,265**	**17,491**
Purchase cost		23,622
Goodwill		**6,131**

The fair value of the assets and liabilities was determined on a provisional basis, recognizing in particular: (i) non-patented technologies classified as development costs for 4,808 thousand euros; (ii) trademarks and customer lists classified as software, licences, trademarks and other rights for 2,278 thousand euros and 8,484 thousand euros respectively; (iii) deferred tax liabilities for 4,344 thousand euros.

The cost of the acquisition includes the amount of 14,253 thousand euros (1,475 thousand euros paid at the closing with the balance due in July 2018), the adjustment of the provisional price of 2,363 thousand euros and the fair value of payables relating to the options for the purchase of the other 30% of Ciemme S.r.l. for 7,006 thousand euros, discounted using the return on government securities with the same maturity.

At 31 December 2018 the newly acquired companies, which were consolidated for 6 months, generated revenue of 4,903 thousand euros and an operating profit of 609 thousand euros, including personnel costs of 1,037 thousand euros.

The initial values for the business combinations were determined on a provisional basis as required by IFRS 3; any adjustments will be made within twelve months of the acquisition date.

The accessory charges related to the acquisition, charged to the income statement among the service, the lease payments and the lease, amount to 1,817 thousand euros.

At 31 December 2018 the amount of the purchase price that has been paid, net of the cash acquired, amounts to 75,124 thousand euros.

31. GUARANTEES GRANTED

At 31 December 2018, the Group has given sureties and other bank guarantees to customers totalling 30,067 thousand euros for the proper operation of machinery, bid bonds and advances not yet received, sureties to guarantee rental contracts for 8,490 thousand euros, sureties given by the Parent Company to third parties in connection with the sale of CMH S.r.l. for 3,500 thousand euros and sureties in favour of others for 2,551 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	31.12.2018	31.12.2017
Subsidiaries:		
Benhil GmbH	1,600	–
CO.MA.DI.S. S.p.A.	89	89
Corazza S.p.A.	19,525	18,325
Delta Systems & Automation Inc.	1,747	–
Eurosicma S.p.A.	1,325	–
Eurotekna S.r.l.	100	–
Fillshape S.r.l.	8,650	6,715
GIMA S.p.A.	47,900	42,100
GIMA TT S.p.A.	72,973	37,824
G.S. Coating Technologies S.r.l.	1,000	1,000
Ilapak Inc.	6,550	6,254
Ilapak International SA	16,887	14,854
Ilapak Italia S.p.A.	6,700	5,700
Ilapak Ltd.	–	2,254
Ilapak Sp. Z o.o.	5,580	5,746
Ilapak Verpackungsmaschinen GmbH	2,300	2,300
IMA Automation Malaysia Sdn. Bhd.	3,150	3,150
IMA Automation USA Inc.	8,734	8,073
IMA Est GmbH	800	800
IMA Life (Beijing) Pharmaceutical Systems Co. Ltd.	4,190	1,373
IMA Life Japan KK	795	741
IMA Life North America Inc.	6,379	7,375
IMA Medtech Switzerland SA	18,014	14,783
IMA Pacific Co. Ltd.	5,744	5,551
IMA-PG India Pvt. Ltd.	2,000	2,000
IMA Swiftpack Ltd.	–	3,438
Mapster S.r.l.	3,500	1,500
Petroncini Impianti S.p.A.	3,250	–
Pharmasiena Service S.r.l.	2,500	2,500
Revisioni Industriali S.r.l.	2,525	2,525
Società del Sole S.r.l.	–	1,000
Shanghai Tianyan Pharmaceutical Machinery Co. Ltd.	698	–
Telerobot S.p.A.	2,332	937
Teknoweb Converting S.r.l.	4,000	3,000
Tissue Machinery Company S.p.A.	13,826	n.a.
Valley Tissue Packaging Inc.	1,747	n.a.
	277,110	**201,907**
Associates:		
Doo Officina-Game Vrsac	959	959
Erca S.A.S.	4,858	5,898
Hamba-Gasti GmbH	773	5,290
Hassia Verpackungsmaschinen GmbH	–	1,157
IMA Dairy & Food Holding GmbH	6,000	50,600
	12,590	**63,904**
Joint venture:		
CMRE S.r.l.	2,221	2,221
	2,221	**2,221**
Total	**291,921**	**268,032**

Guarantees totalling 21,000 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 and Packaging Manufacturing Industry S.r.l. have provided guarantees to third parties in the interest of certain companies of the Ilapak Group for 2,445 thousand euros and of Logimatic S.r.l. for 560 thousand euros.

Lastly, note that sureties were issued against advances received from customers for a total of 117,034 thousand euros (127,923 thousand euros at 31 December 2017), of which 41,163 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.

32. Commitments

It should be noted that at 31 December 2018 there are commitments for the purchase of property, plant and equipment and intangible assets of 3,595 thousand euros relating principally to plant and machinery and software.

The Group has outstanding commitments of 4,811 thousand euros (3,227 thousand euros at 31 December 2017) for minimum future lease payments under irrevocable operating leases relating primarily to cars, (expiring as to 2,079 thousand euros within one year, 2,732 thousand euros between one and five years) and commitments under rental contracts of 132,641 thousand euros (144,787 thousand euros at 31 December 2017), of which 20,245 thousand euros fall due within one year, 67,240 thousand euros between one and five years and 45,156 thousand euros over five years.

Other commitments in favour of third parties, 4,264 thousand euros, mainly consist of the Parent Company's agreement to buy further units of the mutual funds.

33. Related-party transactions

In compliance with current Consob regulations on Related-Party Transactions, from 2010 IMA S.p.A. adopted the procedure to be followed by IMA and its subsidiaries when carrying out transactions with parties related to IMA; this procedure was updated on 15 February 2019. For further information please read the Report on operations.

The Group holding company is IMA Industria Macchine Automatiche S.p.A., 56.789% owned by SO.FI.MA. S.p.A. at 31 December 2018 (57% at 31 December 2017), 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 31.12.2018	Receivables at 31.12.2017	Payables at 31.12.2018	Payables at 31.12.2017
Parent companies:				
Lopam Fin S.p.A.	3	3	–	–
SO.FI.M.A. S.p.A.	3,680	3,643	–	2,365
	3,683	**3,646**	**–**	**2,365**
Associates and joint venture:				
Amherst Stainless Fabrication LLC	1,127	545	526	180
Atopbi S.p.A.	16,322	15,761	–	–
B.C. S.r.l.	2,992	2,706	833	1,151
Bacciottini F.lli S.r.l.	1,237	757	5,703	5,881
Bolognesi S.r.l.	1,145	1,078	5,088	4,310
Brio Pharma Technologies Pvt. Ltd.	73	10	63	302
CMRE S.r.l.	8,502	6,238	–	–
Doo Officina-GAME East Vrsac	1,429	880	122	56
Erca S.A.S.	1,337	n.a.	91	n.a.
Hamba-Gasti GmbH	786	n.a.	1	n.a.
Hassia Verpackungsmaschinen GmbH	1,276	n.a.	71	n.a.
I.E.M.A. S.r.l.	2,932	3,221	19,950	19,136
IMA Dairy & Food Holding GmbH	52,821	n.a.	1,313	n.a.
IMA Dairy & Food USA Inc.	266	n.a.	22	n.a.
Inkbit LLC	2,110	2,274	–	–
LA.CO S.r.l.	802	869	2,873	3,413
Logimatic S.r.l.	8,701	6,972	20,908	24,994
Masterpiece S.r.l.	30	19	744	717
Meccanica Sarti S.r.l.	1,214	1,214	797	600
Me. Mo. S.r.l.	1,536	1,000	123	–
MORC 2 S.r.l.	1,720	1,653	890	987
O.M.S. Officina Meccanica di Sonico S.r.l.	1,041	n.a.	1,150	n.a.
Petroncini Impianti S.p.A.	n.a.	1,969	n.a.	–
Powertransmission.it S.r.l.	205	174	601	543
RO.SI S.r.l.	347	n.a.	2,282	n.a.
Scriba Nanotecnologie S.r.l.	175	171	–	62
SIL.MAC. S.r.l.	2,165	2,018	10,449	8,831
S.I.Me. S.r.l.	298	419	561	521
STA.MA. S.r.l.	134	119	1,615	1,587
Talea S.r.l.	7,110	4,693	6,671	6,389
Other associates	462	195	38	8
	120,295	**54,955**	**83,485**	**79,668**
Other related parties:				
Atop S.p.A.	3,983	521	–	–
Costal S.r.l.	–	–	1,559	1,607
Datalogic Automation S.r.l.	–	–	397	179
EPSOL S.r.l.	1,302	593	5,149	4,656
Hotminds S.r.l.	154	n.a.	872	n.a.
Ipercubo S.r.l.	94	93	–	–
LPM.GROUP S.r.l.	77	93	5,352	4,891
Poggi & Associati	288	–	97	223
Rotor S.p.A.	n.a.	370	n.a.	–
Schiavina S.r.l.	249	280	–	–
Timage S.r.l.	–	n.a.	1,262	n.a.
Verniciatura Ozzanese S.r.l.	1	116	203	218
Other related parties	93	181	1,347	195
	6,241	**2,247**	**16,238**	**11,969**
Total	**130,219**	**60,848**	**99,723**	**94,002**

The following table details the main transactions carried out with related parties:

in thousands of euros	Revenues 2018	Revenues 2017	Costs 2018	Costs 2017
Associates and joint venture:				
Amherst Stainless Fabrication LLC	31	–	4,157	3,393
Atopbi S.p.A.	561	–	–	416
B.C. S.r.l.	286	321	6,114	5,170
Bacciottini F.lli S.r.l.	233	294	7,416	6,893
Bolognesi S.r.l.	243	182	5,875	5,056
Brio Pharma Technologies Pvt. Ltd.	–	–	336	1,203
CMRE S.r.l.	–	–	66	65
Doo Officina-Game East Vrsac	109	–	950	750
Erca S.A.S	2,104	n.a.	285	n.a.
Hamba-Gasti GmbH	1,520	n.a.	(6)	n.a.
Hassia Verpackungsmaschinen GmbH	2,728	n.a.	159	n.a.
I.E.M.A. S.r.l.	2,430	2,979	22,863	20,444
IMA Dairy & Food Holding GmbH	1,175	n.a.	1,487	n.a.
IMA Dairy & Food USA Inc.	578	n.a.	6	n.a.
LA.CO S.r.l.	199	178	3,610	3,672
Logimatic S.r.l.	6,127	4,846	27,912	30,036
Masterpiece S.r.l.	35	9	889	821
Meccanica Sarti S.r.l.	–	1	1,080	878
MORC 2 S.r.l.	231	255	2,162	2,094
O.M.S. Officina Meccaninca di Sonico	4	n.a.	1,312	n.a.
LPM.GROUP S.r.l.	n.a.	574	n.a.	4,679
Powertransmission.it S.r.l.	32	28	1,084	1,043
RO.SI S.r.l.	–	n.a.	847	n.a.
SIL.MAC. S.r.l.	1,672	1,607	12,846	10,502
S.I.Me. S.r.l.	6	48	1,283	1,369
STA.MA. S.r.l.	165	145	1,987	1,861
Talea S.r.l.	855	1,596	4,773	5,131
Other associates and joint venture	46	20	906	380
	21,370	**13,083**	**110,399**	**105,856**
Other related parties:				
Atop S.p.A.	5,680	561	–	–
Costal S.r.l.	1	–	3,121	2,541
Datalogic Automation S.r.l.	–	–	747	559
EPSOL S.r.l.	1,468	857	5,941	4,874
Hotminds S.r.l.	–	n.a.	1,299	n.a.
Ipercubo S.r.l.	1	76	428	186
Lopam S.r.l.	–	–	524	520
LPM.GROUP S.r.l.	169	n.a.	6,217	n.a.
Morosina S.p.A.	–	–	1,161	1,143
Nemo Investimenti S.r.l.	2	–	2,146	2,076
Stator S.p.A.	–	118	–	–
Timge S.r.l.	–	n.a.	2,261	n.a.
Verniciatura Ozzanese S.r.l.	2	3	530	529
Other related parties	52	26	2,452	378
	7,375	**1,641**	**26,827**	**12,806**
Total	**28,745**	**14,724**	**137,226**	**118,662**

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.

Revenue from Atop S.p.A. and Epsol S.r.l. relate principally to the sale of commercial parts used in production.

Costs versus EPSOL S.r.l. relate to the design and production of plant for automated machines; costs versus LPM. GROUP S,r,l, relate principally to protection for machines and design parts; the costs versus Timage S.r.l. refer to technical documentation, while rations 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 31.12.2018	Of which related parties	% impact	Total at 31.12.2017	Of which related parties	% impact
Balance sheet:						
Tangible and intangible assets	565,870	7,049	1.2%	457,254	4,496	1.0%
Investments and financial assets	100,414	91,771	91.4%	45,294	36,928	81.5%
Other non-current assets	53,377	100	0.2%	71,312	93	0.1%
NON-CURRENT ASSETS	719,661	98,920	13.7%	573,860	41,517	7.2%
Trade and other receivables	447,207	21,343	4.8%	389,332	11,988	3.1%
Financial assets	22,182	6,276	28.3%	17,946	3,700	20.6%
Cash and cash equivalents	140,867	–	–	206,681	–	–
Income tax receivables	9,810	3,680	37.5%	9,396	3,643	38.8%
Other current assets	320,106	–	–	309,866	–	–
CURRENT ASSETS	940,172	31,299	3.3%	933,221	19,331	2.1%
TOTAL ASSETS	**1,659,833**	**130,219**	**7.8%**	**1,507,081**	**60,848**	**4.0%**
SHAREHOLDERS' EQUITY	420,934			390,524		
Borrowings	283,281	–	–	167,480	–	–
Other non-current liabilities	176,631	–	–	160,512	–	–
NON-CURRENT LIABILITIES	459,912	–	–	327,992	–	–
Borrowings	106,529	–	–	108,459	–	–
Trade and other payables	636,351	99,723	15.7%	635,739	91,637	14.4%
Income tax liabilities	7,368	–	–	11,574	2,365	20.4%
Other current liabilities	28,739	–	–	32,793	–	–
CURRENT LIABILITIES	778,987	99,723	12.8%	788,565	94,002	11.9%
TOTAL LIABILITIES AND EQUITY	**1,659,833**	**99,723**	**6.0%**	**1,507,081**	**94,002**	**6.2%**

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	2018	Of which related parties	% impact	2017	Of which related parties	% impact
Income statement:						
Revenue	1,500,371	22,499	1.5%	1,320,198	10,658	0.8%
Other income	33,831	2,814	8.3%	26,551	1,681	6.3%
Cost of raw materials and goods	(555,378)	(79,997)	14.4%	(481,443)	(72,632)	15.1%
Cost of services and leases	(321,141)	(55,047)	17.1%	(294,285)	(44,578)	15.1%
Other operating costs	(447,626)	(1,505)	0.3%	(385,206)	(379)	0.1%
OPERATING PROFIT	**210,057**			**185,815**		
Net financial income	34,104	352	1.0%	26,584	31	0.1%
Net financial expense	(34,642)	(15)	–	(41,850)	–	–
FINANCIAL INCOME AND EXPENSE	**(538)**			**(15,266)**		
PROFIT (LOSS) FROM INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD	**2,419**	**2,419**	100.0%	**1,281**	**1,281**	100.0%
Taxes	(61,180)	–	–	(52,392)	–	–
PROFIT FROM CONTINUING OPERATIONS	**150,758**			**119,438**		
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	**(26,165)**			**(20,013)**		
PROFIT FOR THE YEAR	**124,593**			**99,425**		

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 2018 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	2018	2017
Directors	9,188	8,744
Statutory Auditors	112	95
Total	**9,300**	**8,839**

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	2018	2017
Short-term benefits	3,158	2,805
Long-term benefits	1,181	1,069
Post-employment benefits	151	280
Fees for positions	6,699	6,609
Total	**11,189**	**10,763**

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.

34. 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 2018, non-recurring charges classified under Personnel costs for 2,089 thousand euros, Services, rentals and leases for 2,524 thousand euros and Other operating costs for 1,733 thousand euros mainly refer to reorganisation of the Ilapak business and ancillary charges on acquisitions made during the period.

In 2017, non-recurring charges principally related to ancillary charges on the acquisitions made during the year and on the admission of GIMA TT S.p.A.'s shares to trading on the MTA; these charges are classified under Services, rentals and leases for 5,372 thousand euros.

35. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

No significant atypical and/or unusual transactions or positions are reported.

36. SIGNIFICANT EVENTS AFTER THE CLOSE OF THE PERIOD

The following main events have taken place subsequent to year end:

- absorption of Fillshape S.r.l., a wholly-owned subsidiary, by IMA S.p.A., which took effect from 1 January 2019.;
- On 27 February 2019, IMA signed an agreement to buy 70% of Spreafico Automation S.r.l., based in Calolziocorte (Lecco), an important player in the design, production and marketing of automatic machines for filling and preparing capsules for coffee and other soluble products. The financial outlay at the closing (scheduled for April 2019) is 9.6 million euros for the enterprise value. IMA has also been granted a purchase option, exercisable in April 2028, for the other 30% of the company;

- on 27 February 2019, IMA signed an agreement to buy 61.45% of Tecmar S.A., based in Mar del Plata (Argentina), which operates in the Latin American market in the design, production and marketing of automatic packaging machines in the coffee and food sectors. The financial outlay at the closing (scheduled for April 2019) is 1.3 million euros for the enterprise value. IMA has also been granted a purchase option, exercisable in April 2024, for the other 38.55% of the company.

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	
- Asset Management Service S.r.l.	Castel Guelfo	Bologna - Italy	500,000	EUR	–	100% (1)
- Ciemme S.r.l.	Albavilla	Como - Italy	100,000	EUR	100% (2)	–
- 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% (3)	–
- Eurotekna S.r.l.	Milan	Milan - Italy	32,243	EUR	–	85.71% (4)
- Fillshape S.r.l.	Zola Predosa	Bologna - Italy	125,000	EUR	100%	–
- 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% (5)
- Mapster S.r.l.	Collecchio	Parma - Italy	10,000	EUR	–	100% (6)
- O.A.SYS. Open Automation System S.r.l.	Segrate	Milan - Italy	20,800	EUR	–	70% (4)
- Petroncini Impianti S.p.A.	Modena	Modena - Italy	120,000	EUR	–	80% (6)
- 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% (7)
- Teknoweb Converting S.r.l.	Palazzo Pignano	Cremona - Italy	1,000,000	EUR	100% (8)	–
- Telerobot S.p.A.	Alessandria	Alessandria - Italy	50,000	EUR	–	100% (6)
- Tissue Machinery Company S.p.A.	Castel Guelfo	Bologna - Italy	8,000,000	EUR	100% (9)	–
- Benhil GmbH	Neuss	Germany	5,500,000	EUR	100%	–
- Delta Systems & Automation Inc.	Lowell	USA	1,000	USD	–	81% (10)
- Hassia Packaging Pvt. Ltd.	Taluka Shirur Pune	India	42,000,000	INR	100%	–
- 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% (6)
- 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	1,176,616	ARS	100% (14)	–
- IMA Medtech Switzerland SA	La Chaux de Fonds	Switzerland	13,250,000	CHF	–	100% (6)
- 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%	–
- TMC Do Brasil Industria de Maquinarios e Servicos Ltda.	Valinhos	Brazil	678,405	BRL	–	100% (1)
- TMC North America Inc.	Appleton	USA	100,000	USD	–	100% (1)
- Valley Tissue Packaging Inc.	Kaukauna	USA	3,645	USD	–	100% (16)

(*) The nominal share capital of IMA Life The Netherlands B.V. amounts to Eur 45,400,000

Companies consolidated line-by-line (continued)	Registered office		Share capital	Currency	Direct investment	Indirect investment
Commercial companies:						
- Ilapak do Brasil Maquinas de embalagem Ltda.	Sao Paulo	Brazil	8,219,229	BRL	–	81% (11)
- Ilapak France SA	Lognes Paris	France	105,130	EUR	–	81% (5)
- Ilapak Inc.	Newtown	USA	12,500	USD	–	81% (5)
- Ilapak Israel Ltd.	Caesarea	Israel	5,310,505	ILS	–	81% (5)
- Ilapak Ltd.	Uxbridge London	UK	795,536	GBP	–	81% (5)
- Ilapak SNG OOO	Moscow	Russia	1,785,700	RUB	–	81% (5)
- Ilapak Sp. Z o.o.	Krakow	Poland	3,740,400	PLN	–	81% (5)
- Ilapak Verpackungsmaschinen GmbH	Haan Duesseldorf	Germany	102,500	EUR	–	81% (5)
- 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 (in liquidation)	Frankfurt am Main	Germany	100,000	EUR	100%	–
- IMA Life Japan KK	Tokyo	Japan	40,000,000	YEN	–	100% (17)
- IMA Pacific Co. Ltd.	Bangkok	Thailand	132,720,000	THB	99.99%	–
- IMA Packaging & Processing Equipment (Beijing) Co. Ltd.	Beijing	PRC	2,350,000	USD	100%	–
- IMA UK Ltd.	Alcester	UK	1	GBP	–	100% (18)
- Imautomatiche Do Brasil Ltda.	Sao Paulo	Brazil	6,651,550	BRL	99.98%	–
- OOO IMA Industries	Moscow	Russia	12,000,000	RUB	–	100% (7)
- Petroncini International Trading (Shanghai) Co. Ltd.	Shanghai	PRC	300,000	RMB	–	80% (19)
- Teknoweb N.A. Llc	Loganville Atlanta	USA	56,000	USD	–	75% (20)
Financial companies:						
- Packaging Systems Holdings Inc.	Wilmington	USA	1,000	USD	100%	–
- Tekno NA Inc.	Atlanta	USA	50,000	USD	–	100% (21)
- 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% (22)
- Dreamer S.r.l.	Bologna	Bologna - Italy	100,000	EUR	–	90% (6)
- 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%	–

Note:
(1) Held by Tissue Machinery Company S.p.A.
(2) The percentage interest held in Ciemme S.r.l. includes an option to purchase 30% of the quota capital
(3) The percentage interest held in Eurosicma - Costruzioni Macchine Automatiche S.p.A. includes an option to purchase 40% of the quota capital
(4) Held by Eurosicma - Costruzioni Macchine Automatiche S.p.A.
(5) Held by Ilapak International SA at 100% except Ilapak France SA held at 99.99%
(6) Held by GIMA S.p.A.
(7) Held by Corazza S.p.A.
(8) The percentage interest held in Teknoweb Converting S.r.l. includes an option to purchase 40% of the quota capital
(9) The percentage interest held in Tissue Machinery Company S.p.A. includes an option to purchase 17.5% of the quota capital
(10) Held by Ilapak Inc. at 100%
(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 Holding 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 TMC North America Inc. The percentage interest includes an option to purchase 49% of the quota capital
(17) Held by IMA Life The Netherlands B.V.
(18) Held by IMA Swiftpack Ltd.
(19) Held by Petroncini Impianti S.p.A. at 100%
(20) Held by Tekno NA Inc. at 75%
(21) Held by Teknoweb Converting S.r.l. at 100%
(22) Held by Packaging Manufactoring Industry S.r.l.

Investment accounted for using the equity method	Registered office		Share capital	Currency	Direct investment
- 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)
- BLQ S.r.l.	Castel Guelfo	Bologna - Italy	30,000	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)
- Ciemme Engineering S.r.l.	Albavilla	Como - Italy	100,000	EUR	40% (3)
- CMRE S.r.l.	Bologna	Bologna - Italy	50,000	EUR	50%
- Consorzio L.I.A.M.	Vignola	Modena - Italy	25.000 (4)	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)
- IMA Dairy & Food Holding GmbH	Stutensee	Germany	25,000	EUR	40%
- 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)
- O.M.S. S.r.l. Officina Meccanica Sonico S.r.l	Sonico	Brescia - Italy	31,200	EUR	40% (2)
- Powertransmission.it S.r.l.	Castenaso	Bologna - Italy	50,000	EUR	20% (2)
- RO.SI S.r.l.	Bentivoglio	Bologna - Italy	10,000	EUR	20.8% (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	Milan	Milan - Italy			

Note:
(1) Held by IMA Life North America Inc.
(2) Held by Packaging Manufacturing Industry S.r.l.
(3) Held by Ciemme S.r.l.
(4) Shares in the consortium fund

I) DISCLOSURE REQUIRED UNDER ARTICLE 149-DUODECIES OF THE CONSOB ISSUERS' REGULATION

The following table shows the fees in 2018 for auditing services and services other than auditing, relating to auditing of the non-financial disclosure required by Directive 2014/95/EU, additional activities carried out in this regard for verification of the opening balances of TMC S.p.A., AMS S.p.A., Ciemme S.r.l. and Petroncini S.p.A. and due diligence services, rendered by the same audit firm:

in thousands of euros	Service rendered by	To	Fees
Audit	EY S.p.A.	Parent company IMA S.p.A.	271
	EY S.p.A.	Subsidiary companies	699
	EY network	Subsidiary companies	313
Other services rendered in connection with the reviev	EY S.p.A.	Parent company IMA S.p.A.	47
	EY S.p.A.	Subsidiary companies	63
Other services	EY network	Subsidiary companies	130
Total			**1,523**

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS AMENDED

I.M.A. INDUSTRIA MACCHINE AUTOMATICHE S.P.A.
AND SUBSIDIARIES

(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 2018

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 (BO), 15 March 2019

Managing Director — Alberto Vacchi

Manager responsible for preparing financial reports — Sergio Marzo

Report of the independent auditors at 31 December 2018

I.M.A. INDUSTRIA MACCHINE AUTOMATICHE S.P.A.
AND SUBSIDIARIES

(The consolidated financial statements have been translated from the original Italian into English solely for the convenience of international readers)

Building a better
working world

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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, 2018, the income statement, the statement of comprehensive income, the statement of changes in equity, and the 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, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and 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.

EY S.p.A.
Sede Legale: Via Po, 32 - 00198 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
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Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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We identified the following key audit matters.

Key Audit Matters	Audit Responses
Valuation of goodwill	
At December 31, 2018 the carrying amount of goodwill, reported in line item Intangible Assets of the financial statements, amounts to Euro 222.4 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 complex assumptions that, due to their nature, imply the use of management's judgment, in particular with reference to the forecasted cash flows for the period 2019-2021, the normalized cash flows used to estimate terminal value and the discount and longterm 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 goodwill are included in note 3 *"Intangible assets"* of the financial statements, as well as in section *C) "Accounting policies and accounting standards applied"* 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 2019-2021; • 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. Lastly, 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 contract assets and liabilities of contract work	
The financial statements include Euro 726.1 million of revenue from contract work, and related contract assets and liabilities for Euro 189.5 million and Euro 40.4 million, respectively. Such revenues and margins from contract work are recognized on the stage-of-completion basis applying the "cost-to-cost	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 contracts, including the assessment of revenue recognition criteria;

2

method", which is based on the ratio of actual costs incurred for work performed to date on the estimated total costs to complete the contract.
The procedures and application for revenue recognition, and for the valuation of contract assets and liabilities of contract work, are based on complex assumptions that, due to their nature, imply the use of 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. Such changes could be influenced by multiple factors such as, for example, the timeframe required to develop and complete the projects, the high technological and innovative content, the possible presence of price variances and price adjustments, and the performance guarantees of the machines, including the estimation of contractual risks, if any.
Considering the economic and financial significance of contract work and the complexity of the assumptions used in forecasting total costs of the contracts, in addition to the potential impact of the changes in estimates, we considered that this item represents a key audit matter.

The disclosures relating to revenue recognition and valuation of contract assets and liabilities are included in note 10 "*Trade receivables and other receivables and contract assets*", as well as in section *C)* "*Accounting policies and accounting standards applied*" under paragraphs "*Revenue from contracts with customers*" and "*Use of estimates and assumptions*".

- the assessment, with reference to key projects, of the key assumptions used in forecasting total costs to complete the contracts and to determine total revenue, through testing the project progress reports, contractual supporting documentation and interviews of project managers;
- the comparative analysis of the main changes in contracts' results as compared to the original budget or the previous year estimates;
- the assessment of the assumptions that required significant management judgments, such as, for example, those related to the forecasting of costs related to projects with high technological and innovative content;
- the execution, on a sample basis, of substantive procedures on contract costs incurred;
- the testing of the mathematical accuracy of the calculation of the projects' percentage of completion.

Lastly, we verified the adequacy of the disclosures provided in the notes to the financial statements in relation to revenue recognition and to the evaluation of contract assets and liabilities.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation the consolidated financial statements hat give a true and fair view 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.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company I.M.A. Industria Macchine Automatiche S.p.A. or to cease operations, or have 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 have 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 have 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 have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have 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 have 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 have 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.

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We have 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.

We have provided those charged with governance with a statement that we complied with the ethical and independence requirements applicable in Italy, and we have communicated to them all 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 for each of the years ending December 31, 2013 to December 31, 2021.

We declare that we have not provide any prohibited non-audit services, referred to in article 5, paragraph 1, of EU Regulation n. 537/2014, and that we have 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 Operations and of the Report on Corporate Governance and Ownership Structure of I.M.A. Group at December 31, 2018, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have 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, 2018 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 Operations 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, 2018 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 has been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated December 30, 2016, such non-financial information is subject to a separate compliance report signed by us.

Bologna, March 27, 2019

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.