

ANNUAL FINANCIAL REPORT  
AT 31 DECEMBER 2019





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## REPORT ON OPERATIONS

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

HEAD OFFICE: OZZANO DELL'EMILIA (BOLOGNA) SHARE CAPITAL FULLY PAID-IN: € 22,470,504.68

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

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### 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

Giovanni Pecchioli

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

#### DIRECTORS

Sonia Bonfiglioli, Stefano Cataudella, Cesare Conti, Paolo Frugoni, Andrea Malagoli, 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 2021)

### **STANDING AUDITORS**

Francesco Schiavone Panni - Chairman  
Roberta De Simone  
Riccardo Andriolo

### **ALTERNATE AUDITORS**

Chiara Molon  
Giovanna Bolognese  
Federico Ferracini

## **INTERNAL CONTROL, RISK AND RELATED-PARTY TRANSACTIONS COMMITTEE**

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

## **NOMINATIONS AND REMUNERATION COMMITTEE**

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

## **MANAGER RESPONSIBLE FOR PREPARING FINANCIAL REPORTS**

Sergio Marzo

## **LEAD INDEPENDENT DIRECTOR**

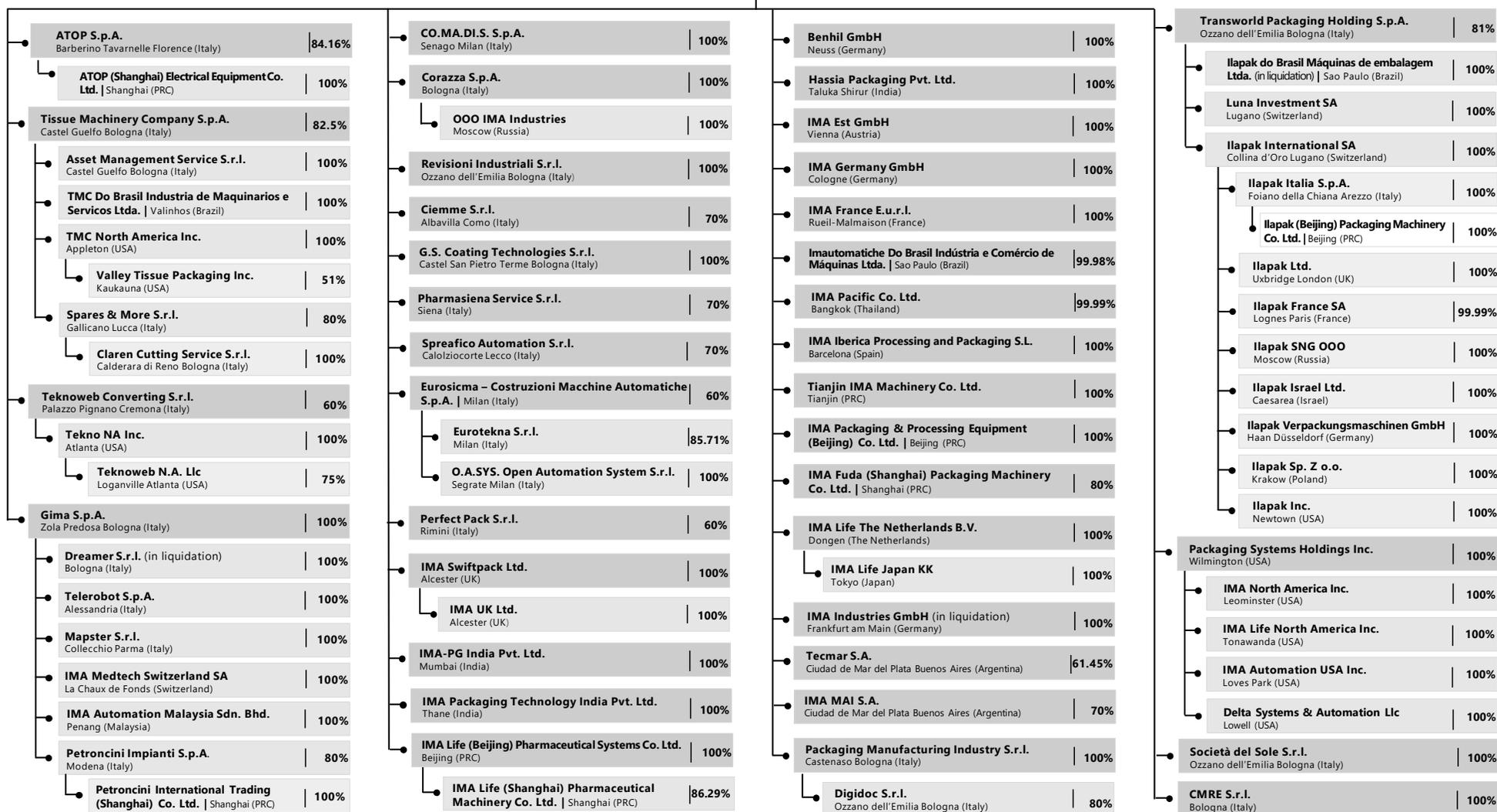
Paolo Frugoni

## **INDEPENDENT AUDITORS**

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

EY S.p.A.

GROUP STRUCTURE



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## GROUP PERFORMANCE

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### THE ECONOMIC SCENARIO

Shareholders,

in the January 2020 update of the World Economic Outlook, the IMF (International Monetary Fund) forecasts global economic growth of 3.3% in 2020 and 3.4% in 2021, compared with 2.9% in 2019. This is a downward revision of 0.1 percentage points for 2020 and 0.2 for 2021 compared with the estimates of the World Economic Outlook (WEO) of October, which reflects negative surprises for economic activity in some emerging markets, especially India, and growing social and geopolitical tensions.

For Italy, growth forecasts stand at 0.5% for 2020 and 0.7% for 2021, stable compared with the previous estimate for 2020 and slightly lower for 2021, but higher than the 0.2% in 2019, as well as those of the Eurozone countries, at 1.3% in 2020 and 1.4% in 2021, versus 1.2% in 2019.

As regards the USA, the IMF estimates GDP growth at 2% and 1.7% respectively for 2020 and 2021, down from the growth expected in 2019 of 2.3%.

Growth in China is expected to drop from an estimate of 6.1% in 2019 to 6.0% in 2020 and 5.8% in 2021. The suspension of further tariff increases under a "Phase One" trade agreement with the United States should alleviate short-term cyclical weakness. However, unresolved disputes over broader US-China economic relations and the necessary strengthening of internal financial regulation are expected to continue weighing on business. For the IMF, the priorities include stronger international cooperation, also to strengthen the architecture of international taxation, and a more balanced mix of international economic policies.

These forecasts appear to be surpassed by the IMF statements released at the G20 at the end of February in which the estimates have been revised downwards following the spread of COVID-19 in China.

The virus has subsequently spread throughout Europe as well, Italy in particular, where centres of contagion have been isolated. IMA is applying, and reinforcing, all of the recommendations of the national and European health authorities in defence of customers, workers and potential visitors. The situation is being constantly monitored to make all the necessary decisions in real time, the priority being to defend the health of everyone involved in the IMA Group in any capacity.

In this context, our Group managed to achieve its objectives for 2019, 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.

## CONSOLIDATED INCOME STATEMENT

The Group closed 2019 with a profit of 169.6 million euros, compared with 124.6 million euros in 2018.

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

in millions of euros	2019		2018		Change %
	Amount	%	Amount	%	
<b>Revenue from contracts with customers</b>	<b>1,595.5</b>		<b>1,500.4</b>		<b>6.3</b>
Cost of sales	(1,014.3)	63.6	(928.3)	61.9	
<b>Industrial gross profit</b>	<b>581.2</b>	<b>36.4</b>	<b>572.1</b>	<b>38.1</b>	<b>1.6</b>
R&D costs	(53.9)		(55.3)		
Commercial and sales costs	(143.5)		(136.7)		
General and administrative costs	(183.6)		(163.6)		
<b>Operating profit before writedowns/impairment/ non-recurring items (EBITA)</b>	<b>200.2</b>	<b>12.5</b>	<b>216.5</b>	<b>14.4</b>	<b>(7.5)</b>
Writedowns/impairment	(0.1)		–		
Non-recurring items	(7.6)		(6.4)		
<b>Operating profit (EBIT)</b>	<b>192.5</b>	<b>12.1</b>	<b>210.1</b>	<b>14.0</b>	<b>(8.4)</b>
Net financial income (expense)	36.6		(0.5)		
Profit (loss) from investments accounted for using the equity method	(4.7)		2.4		
<b>Profit before taxes</b>	<b>224.4</b>	<b>14.1</b>	<b>212.0</b>	<b>14.1</b>	<b>5.8</b>
Taxes	(54.8)		(61.2)		
<b>Net profit from continuing operations</b>	<b>169.6</b>	<b>10.6</b>	<b>150.8</b>	<b>10.1</b>	<b>12.5</b>
Profit (loss) from discontinued operations/disposal groups	–		(26.2)		
<b>Profit for the year</b>	<b>169.6</b>	<b>10.6</b>	<b>124.6</b>	<b>8.3</b>	<b>36.1</b>
Profit attributable to non-controlling interests	(0.4)		(20.6)		
<b>Profit attributable to equity holders of the parent</b>	<b>169.2</b>	<b>10.6</b>	<b>104.0</b>	<b>6.9</b>	<b>62.7</b>
<b>Gross operating profit (EBITDA) * before non-recurring items</b>	<b>281.0</b>	<b>17.6</b>	<b>260.0</b>	<b>17.3</b>	<b>8.1</b>
<b>Gross operating profit (EBITDA) *</b>	<b>273.4</b>	<b>17.1</b>	<b>253.6</b>	<b>16.9</b>	<b>7.8</b>
<b>Backlog</b>	<b>909.0</b>		<b>941.5</b>		<b>(3.5)</b>

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

As regards the composition of the items shown in the consolidated income statement, please refer to the comments in the section entitled "Alternative performance indicators".

## REVENUE BY SECTOR

in millions of euros	2019		2018		Change %
	Amount	%	Amount	%	
Tea, Food & Other	804.6	50.4	686.2	45.7	17.3
Pharmaceutical	699.6	43.9	631.3	42.1	10.8
Tobacco packaging	91.3	5.7	182.9	12.2	(50.1)
<b>Total</b>	<b>1,595.5</b>	<b>100.0</b>	<b>1,500.4</b>	<b>100.0</b>	<b>6.3</b>

Consolidated revenue in 2019 amounted to 1,595.5 million euros, an overall increase of 6.3%, of which 1.2% 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 +17.3% and the Pharmaceutical sector +10.8%, whereas the Tobacco sector reflects lower sales volumes.

As detailed in the consolidated financial statements in the section entitled "Scope of consolidation" and in the separate financial statements in the "General information" section, the subsidiary GIMA TT S.p.A. was absorbed by IMA S.p.A. with effect for tax and accounting purposes from 1 January 2019, giving rise to the Parent Company's IMA T&T Division. The transaction had no effect on the consolidated financial statements.

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

in millions of euros	2019		2018		Change %
	Amount	%	Amount	%	
Tea, Food & Other	326.3	35.9	326.1	34.6	0.1
Pharmaceutical	528.7	58.2	562.0	59.7	(5.9)
Tobacco packaging	54.0	5.9	53.4	5.7	1.1
<b>Total</b>	<b>909.0</b>	<b>100.0</b>	<b>941.5</b>	<b>100.0</b>	<b>(3.5)</b>

#### REVENUE BY GEOGRAPHICAL AREA

in millions of euros	2019		2018		Change %
	Amount	%	Amount	%	
European Union (excluding Italy)	451.3	28.3	450.0	30.0	0.3
Other European countries	109.1	6.8	115.0	7.7	(5.1)
North America	313.7	19.7	241.1	16.1	30.1
Asia & Middle East	354.7	22.2	375.7	25.0	(5.6)
Other countries	173.9	10.9	150.9	10.0	15.2
<b>Total exports</b>	<b>1,402.7</b>	<b>87.9</b>	<b>1,332.7</b>	<b>88.8</b>	<b>5.3</b>
Italy	192.8	12.1	167.7	11.2	15.0
<b>Total</b>	<b>1,595.5</b>	<b>100.0</b>	<b>1,500.4</b>	<b>100.0</b>	<b>6.3</b>

Export revenue represents approximately 88%, growing particularly in North America and other countries. 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 impact of the United Kingdom market is approximately 2.9% of total revenue.

In particular:

- sales to European Union countries, excluding Italy, have been growing in Spain, France, Ireland and Slovenia;
- sales in other European countries fell slightly compared with the previous year, especially in Russia;

- North America is growing significantly, helped by the fact that there is essentially no local competition in the sectors of reference;
- in Asia and the Middle East there was a slight decrease of 5.6%, but this confirms the importance of this market, which regularly accounts for more than 20% of Group sales. 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 significant growth in China and a reduction in Japan;
- revenue from other countries reflects a variety of trends with growth in Brazil, Mexico, Algeria and Morocco;
- the growth in Italy was solely due to the increased 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 market like Italy.

### INDUSTRIAL GROSS PROFIT

Industrial gross profit comes to 36.4% of revenue, compared with 38.1% in 2018, because of a different product mix which contributed to the slight decrease.

### R&D COSTS

Research and development costs amount to 53.9 million euros, with a slight reduction compared with 55.3 million euros last year, representing 3.4% 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 capitalized during the year in relation to the projects and new technologies for the Tea&Food, Pharmaceutical and Tobacco segments amounted to 24.3 million euros (14.3 million euros in 2018) 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 143.5 million euros, up 6.8 million euros with respect to 2018. Part of the change, 3.6 million euros, reflects the contribution made by the ATOP, Spreafico, Tecmar and Perfect Pack businesses. They slightly decreased as a percentage of sales at 9.0% compared with 9.1% in 2018, and include commissions paid to commercial intermediaries of 19.0 million euros (18.6 million euros in 2018) with a contribution from the new businesses of 1.9 million euros.

### GENERAL AND ADMINISTRATIVE COSTS

General and administrative costs increased by 20.0 million euros, from 163.6 million euros in 2018 to 183.6 million euros in 2019, with the ATOP, Spreafico, Tecmar and Perfect Pack businesses contributing 13.1 million euros. The increase is linked to the rise in unit labour costs and higher general costs.

### OPERATING PROFIT (EBIT)

Consolidated EBITA comes to 200.2 million euros, which is 12.5% of sales, a slight reduction compared with the previous year (14.4%).

The operating profit (EBIT) came to 192.5 million (210.1 million euros in 2018), after discounting non-recurring charges of 7.6 million euros relating mainly to the absorption of GIMA TT S.p.A. by IMA S.p.A. and the acquisitions of ATOP, Perfect Pack, Spreafico and Tecmar.

### NET FINANCIAL INCOME (EXPENSE)

As explained in detail in the notes to the financial statements, the balance between financial income and financial charges was positive for 36.6 million euros, whereas in 2018 it was negative for 0.5 million euros. The change is mainly due to the re-measurement at fair value of the 25% interest already held in ATOPbi S.p.A. equal to 54.9 million euros, which took place on the date of acquisition of control as a business combination achieved in several stages, or "step acquisition", as commented on in Note 30 of the consolidated financial statements, net of the higher financial charges relating to the application of IFRS 16 for 4.2 million euros, the remeasurement at fair value of the interest in Petroncini S.p.A. for 11.6 million euros that occurred in the previous year and the change in exchange differences for 4.3 million euros.

### PROFIT (LOSS) FROM DISCONTINUED OPERATIONS/DISPOSAL GROUPS

The negative balance relating to discontinued operations, 26.2 million euros in 2018, referred to the sale of 60% of IMA Dairy & Food Holding GmbH.

**PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT**

The profit attributable to the shareholders of the parent company amounts to 169.2 million euros, compared with 104.0 million euros in the previous year, net of taxes of 54.8 million euros (61.2 million euros in 2018).

**PROFITABILITY RATIOS**

The principal profitability parameters are presented below:

Ratio	Breakdown	2019	2018
Return on sales (ROS)	Operating profit (EBIT)	12.1%	14.0%
	Revenue		
Return on investment (ROI)	Operating profit (EBIT)	16.9%	34.7%
	Net invested capital		
Return on equity (ROE)	Profit attributable to equity holders of the parent	34.3%	26.2%
	Equity attributable to equity holders of the parent		

The change in ROI mainly reflects the increase in net invested capital following the adoption of IFRS 16 and the acquisitions for the year.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

The following table summarizes the Group's balance sheet and financial position at 31 December 2019:

in millions of euros	31.12.2019		31.12.2018		Change %
	Amount	%	Amount	%	
Trade receivables	419.6	36.8	384.0	63.4	9.3
Inventories	344.2	30.1	319.7	52.8	7.7
Trade payables	(520.5)	(45.6)	(514.7)	(85.0)	1.1
Other, net	(100.3)	(8.8)	(90.0)	(14.8)	11.4
<b>Net working capital</b>	<b>143.0</b>	<b>12.5</b>	<b>99.0</b>	<b>16.4</b>	<b>44.4</b>
Property, plant and equipment	313.0	27.4	111.9	18.5	179.7
Intangible assets	874.8	76.6	454.0	75.0	92.7
Investments	32.9	2.9	57.8	9.5	(43.1)
<b>Non-current assets</b>	<b>1,220.7</b>	<b>106.9</b>	<b>623.7</b>	<b>103.0</b>	<b>95.7</b>
Provision for severance indemnities and other provisions	(221.7)	(19.4)	(117.2)	(19.4)	89.2
<b>Net invested capital</b>	<b>1,142.0</b>	<b>100.0</b>	<b>605.5</b>	<b>100.0</b>	<b>88.6</b>
<b>FINANCED BY:</b>					
<b>Net debt</b>	<b>637.1</b>	<b>55.8</b>	<b>184.6</b>	<b>30.5</b>	<b>n.s.</b>
Non-controlling interests	11.4	1.0	23.9	3.9	(52.3)
<b>Group equity attributable to equity holders of the parent</b>	<b>493.5</b>	<b>43.2</b>	<b>397.0</b>	<b>65.6</b>	<b>24.3</b>
<b>Total sources of financing</b>	<b>1,142.0</b>	<b>100.0</b>	<b>605.5</b>	<b>100.0</b>	<b>88.6</b>

It is worth pointing out that "Other, net" mainly refers to amounts due to employees and provisions for risks and charges; Provision for severance indemnities and other provisions mainly include defined benefits due to employees, payables in respect of acquisitions and deferred tax liabilities.

## NET WORKING CAPITAL

Net working capital at 31 December 2019 amounted to 143.0 million euros. It has increased compared with 99.0 million euros in 2018.

The change includes the consolidation of the ATOP, Spreafico, Tecmar and Perfect Pack businesses for a total of 36.1 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 35.6 million euros, because of the effect of the consolidation of the ATOP, Spreafico, Tecmar and Perfect Pack businesses of 55.7 million euros;
- inventories increased by 24.5 million euros with the contribution of the ATOP, Spreafico, Tecmar and Perfect Pack businesses of 19.0 million euros, due to the higher backlog achieved at the end of 2019. In terms of rotation, this figure is substantially in line with the previous year thanks to the continuous efforts made to improve inventory levels through innovation in production scheduling processes and by improving management of the supply chain to reduce lead times;
- trade payables, including advances from customers, increased by 5.8 million euros with the contribution of the ATOP, Spreafico, Tecmar and Perfect Pack businesses of 35.7 million euros;
- "Other, net" increased slightly to -100.3 million euros versus -90.0 million euros in 2018, with the ATOP, Spreafico, Tecmar and Perfect Pack businesses contributing -2.9 million euros.

## NON-CURRENT ASSETS

In total, non-current assets have increased by 597.0 million euros since 31 December 2018, principally due to the acquisition of the ATOP, Spreafico, Tecmar and Perfect Pack businesses (+439.7 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:

in millions of euros	Non-current assets		
	Property, plant and equipment	Intangibles	Total
First time application IFRS 16	141.7	–	141.7
Increases	62.9	32.9	95.8
Decreases	(4.5)	(0.1)	(4.6)
Change in scope of consolidation	35.6	2.3	37.9
Acquisition business divisions/companies	–	430.1	430.1
Amortization and depreciation charges	(38.5)	(42.4)	(80.9)
Exchange rate differences and other changes	3.9	(2.0)	1.9
<b>Total</b>	<b>201.1</b>	<b>420.8</b>	<b>621.9</b>

For further information about the change in the scope of consolidation and the acquisitions, see Note 30 of the consolidated financial statements on business combinations.

Property, plant and equipment include the right-of-use assets. For further information, see Note 2 of the consolidated financial statements.

### NET INVESTED CAPITAL

Compared with 31 December 2018, net invested capital net of operating liabilities has increased by 536.5 million euros to 1,142.0 million euros as a result of the matters explained above.

### NET DEBT

Net debt at 31 December 2019 amounts to 637.1 million euros and comprises:

in millions of euros	31.12.2019	31.12.2018
A. Cash and cash equivalents	(110.7)	(140.9)
B. Other cash equivalents	(4.0)	(5.0)
C. Investments in securities	(11.7)	(8.0)
<b>D. Liquidity (A)+(B)+(C)</b>	<b>(126.4)</b>	<b>(153.9)</b>
<b>E. Current financial receivables</b>	<b>(2.5)</b>	<b>(9.1)</b>
F. Current payables to banks	81.8	79.2
G. Current portion of non-current payables	61.5	27.0
H. Other current financial payables	1.1	0.3
<b>I. Current financial debt (F)+(G)+(H)</b>	<b>144.4</b>	<b>106.5</b>
<b>J. Net current financial debt (D)+(E)+(I)</b>	<b>15.5</b>	<b>(56.5)</b>
K. Non-current portion of non-current bank payables	376.7	176.6
L. Bonds issued	145.0	100.3
M. Other non-current financial payables	142.4	6.4
N. Non-current financial assets	(42.5)	(42.2)
<b>O. Net non-current financial debt (K)+(L)+(M)+(N)</b>	<b>621.6</b>	<b>241.1</b>
<b>P. Net financial debt (J)+(O)</b>	<b>637.1</b>	<b>184.6</b>

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

With reference to 31 December 2018, the increase in indebtedness, equal to 452.5 million euros, mainly derives from first-time adoption (FTA) of IFRS 16 for 156.0 million euros, dividends paid in May 2019 by the Parent Company for 78.3 million euros and the purchase of the investments in ATOP, Perfect Pack, Spreafico and Tecmar for a total of 281.9 million euros. This result is due to the strong Group cash generation, once again confirming effective management of net working capital.

**EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT**

Equity totalled 493.5 million euros at year end. The increase of 96.5 million euros since 31 December 2018, was due to the following movements:

Distribution of dividends	(78.3)
Monetary revaluation for hiperinflation	1.4
Purchase and sale of treasury shares	-
Exchange rate differences on the translation of foreign currency financial statements	1.3
Measurement of financial instruments recognised in equity	(1.4)
Remeasurement of defined benefit plans	(2.1)
Changes in non-controlling interests	6.4
Profit attributable to equity holders of the parent	169.2
<b>Total</b>	<b>96.5</b>

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

The following table reconciles equity and profit for the year reported in the Parent Company's financial statements with the corresponding consolidated figures pertaining to the Group at 31 December 2019:

in millions of euros	Shareholders' equity	Profit for the year
<b>Equity and Profit attributable to equity holders of the parent</b>	<b>428.0</b>	<b>91.3</b>
Elimination of book value of consolidated investments and related dividends	(865.7)	(43.4)
Elimination of writedowns of consolidated investments	-	(9.9)
Equity and Result for the year of consolidated companies and measurement of investments using the equity method	396.3	100.7
Recognition of differences arising from purchase of investments	537.9	(21.8)
Fair value remeasurement of the interest held in ATOP S.p.A. and CMRE S.r.l.	-	53.9
Elimination of intercompany profit/loss on inventories and fixed assets and other adjustments	(3.0)	(1.6)
<b>Equity and Profit attributable to equity holders of the parent</b>	<b>493.5</b>	<b>169.2</b>



## ANALYSIS OF PERFORMANCE BY SECTOR

The following table analyzes consolidated performance by business segment in 2019:

in millions of euros	Tea, Food & Other	Pharmaceutical	Tobacco packaging	Not allocated	Total
Revenue from contracts with customers	804.6	699.6	91.3	–	1,595.5
Gross operating profit (EBITDA) before non-recurring items	123.8	126.0	31.2	–	281.0
Gross operating profit (EBITDA)	121.6	125.7	26.1	–	273.4
Operating profit (EBIT)	65.4	102.7	24.4	–	192.5
Net invested capital (*)	919.3	228.9	31.0	(37.2)	1,142.0
R&D costs	22.7	28.9	2.3	–	53.9
Average personnel	2,945	2,833	171	–	5,949
Backlog	326.3	528.7	54.0	–	909.0

(\*) 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 478.4 million euros of goodwill, attributed to the Tea, Food & Other Sector for 403.5 million euros and to the Pharmaceutical Sector for 74.9 million euros.

## TEA, FOOD &amp; OTHER

in millions of euros	2019	2018	Change %
Revenue from contracts with customers	804.6	686.2	17.3
Gross operating profit (EBITDA) before non-recurring items	123.8	75.6	63.8
Gross operating profit (EBITDA)	121.6	69.2	75.7
Operating profit (EBIT)	65.4	38.9	68.1
Net invested capital (*)	919.3	446.1	106.1
R&D costs	22.7	24.8	(8.5)
Average personnel	2,945	2,601	
Backlog	326.3	326.1	0.1

(\*) Net invested capital includes goodwill of 403.5 million euros (160.9 million euros at 31 December 2018).

Tea, Food & Other segment: it produces plants for the processing of coffee, machines for the packaging of tea and herbal teas in filter bags and the packaging of coffee, for the food & beverage sector, for the personal care sector, for end-of-line equipment, for the dairy sector and for stock cubes, 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, for the production of electric motors, plus related services.

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

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

Sector revenue has increased by 17.3% (+118.4 million euros) over the previous year, thanks to the contributions made by the ATOP, Spreafico and Tecmar businesses (72.7 million euros), generally confirming the strong leadership position held by the Group in these niche markets. The gross operating profit before non-recurring charges came to 123.8 million euros (15.4% of sales) compared with 75.6 million euros in 2018 (11.0% of sales) with a contribution from FTA of IFRS 16 of 11.7 million euros. In line with the previous year, the backlog provides good visibility for the coming year.

Net invested capital increased mainly thanks to the ATOP, Spreafico and Tecmar businesses as mentioned above.

## PHARMACEUTICAL

in millions of euros	2019	2018	Change %
Revenue from contracts with customers	699.6	631.3	10.8
Gross operating profit (EBITDA) before non-recurring items	126.0	111.4	13.1
Gross operating profit (EBITDA)	125.7	111.4	12.8
Operating profit (EBIT)	102.7	99.0	3.7
Net invested capital (*)	228.9	116.5	96.5
R&D costs	28.9	28.8	0.3
Average personnel	2,833	2,699	
Backlog	528.7	562.0	(5.9)

(\*) Net invested capital includes goodwill of 74.9 million euros (61.4 million euros at 31 December 2018).

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., Perfect Pack S.r.l., Pharmasiena Service S.r.l., IMA-PG India Pvt. Ltd., IMA Swiftpack Ltd., IMA North America Inc., IMA Life The Netherlands B.V., IMA Life North America Inc., IMA Life (Beijing) Pharmaceutical Systems Co. Ltd and IMA Life (Shanghai) Pharmaceutical Machinery 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.

Revenue in the Pharmaceutical sector shows growth of 10.8% (+68.3 million euros) with a contribution from the newly acquired Perfect Pack of 2.6 million euros. The sector saw a significant increase compared with the previous year, with a gross operating profit (EBITDA) of 125.7 million euros (18.0% of sales) compared with 111.4 million euros (17.6% of sales) in 2018, with a contribution from FTA of IFRS 16 of 10.7 million euros.

Net invested capital has risen to 228.9 million euros (116.5 million euros at the end of 2018), due the growth in revenue. The difference comes mainly from the rise in net working capital.

The backlog is down slightly, but still ensures good visibility for the following year, reflecting the success of this segment's product range.

## TOBACCO PACKAGING

in millions of euros	2019	2018	Change %
Revenue from contracts with customers	91.3	182.9	(50.1)
Gross operating profit (EBITDA) before non-recurring items	31.2	73.0	(57.3)
Gross operating profit (EBITDA)	26.1	73.0	(64.2)
Operating profit (EBIT)	24.4	72.2	(66.2)
Net invested capital	31.0	40.0	(22.5)
R&D costs	2.3	1.7	35.3
Average personnel	171	156	
Backlog	54.0	53.4	1.1

The Tobacco segment designs, manufactures and markets machines and plants for tobacco packaging and related services.

The subsidiary GIMA TT S.p.A. was absorbed by IMA S.p.A. with effect for tax and accounting purposes from 1 January 2019, so this sector's activity is now carried out by the IMA T&T Division of IMA S.p.A..

Revenue in the Tobacco sector shows a strong fall (-50%) compared with the previous year, due to a reduction in the backlog at the start of the year. The gross operating profit before non-recurring charges was down on the previous year as a result, coming in at 31.2 million euros compared with 73.0 million euros in 2018, mainly due to lower sales volumes, but still showing margins of 34.2%, confirming the great flexibility of IMA's Tobacco business.

Net invested capital decreased to 31.0 million euros at 31 December 2019 compared with 40.0 million euros at 31 December 2018 due to lower sales.

The backlog is at the same level as the previous year, but with a lower concentration on the main customers.

## CAPITAL EXPENDITURE

Capital expenditure on intangible assets amounted to 32.9 million euros (22.1 million euros in 2018) 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 468.0 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 tangible assets amounted to 62.9 million euros (35.7 million euros in 2018) and mainly refer to right-of-use assets, charges incurred for the construction, expansion and adaptation of buildings and the purchase of plant, machinery and electronic machines. In particular, in April 2019 IMA S.p.A. signed a contract concerning the lease of a building with a surface area of approximately 32,600 square metres, located in Castel San Pietro Terme (Bologna). As required by IFRS 16, this contract led to the recognition of ROUs for 13.5 million euros. Furthermore, during 2019 Tissue Machinery Company S.p.A. acquired the plant in Castel Guelfo (BO), previously rented, for 3.4 million euros and Ilapak Italia S.p.A. completed the construction of its new plant in Foiano della Chiana (AR).

Depreciation and amortization for the year amounted to 80.9 million euros (43.6 million euros the previous year); in 2019 the FTA of IFRS 16 entailed the recognition of depreciation on rights of use for 21.0 million euros.

## ALTERNATIVE PERFORMANCE INDICATORS

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

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

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 costs: these include costs connected with commercial operations, such as staff, commissions paid to agents, promotional and advertising costs and associated overheads;
- general and administrative costs: these include all the costs associated with general operations such as administrative offices in the broadest sense, the management of sectors or divisions, production planning and all depreciation and amortisation 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 of non-current assets. 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 operations/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 (including right-of-use assets) and intangible assets, equity attributable to the shareholders of the parent company 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, albeit incorporating highly sophisticated technology, but rather a solver of complex problems via specially designed solutions that are custom-tailored to meet their individual requirements. This means that all our business processes, from preparing bids, to sales, from production/design to after-sales support, including contractual and administrative matters, have to be conducted with an extremely low level of repetitiveness. Accordingly, the proper functioning of these processes depends on the initiative and pro-active approach of the individuals who work within them, and on their ability to work together with everyone else in the organization, in teamwork at its best. As such, although it is true for every firm that the quality of its human resources represents a critical success factor, this is even more true for the IMA Group where our people represent our principal asset, incorporating all our knowledge and skill.

Knowledge and skill that cannot easily be documented and codified, for the very reason that it is non-repetitive. In line with this vision, the Group dedicates considerable attention to the proper management of employees, investing heavily and continually in their professional development, adopting an organisational model with a high degree of participation and applying a bonus system based on the rigorous identification and assessment of the skills acquired by each employee.

### EMPLOYEES

In 2019, the average number of Group employees came to 5,949, compared with 5,456 in 2018.

The geographical breakdown of the workforce is as follows:

	2019	2018	Change
Italy	3,551	3,127	424
India	562	558	4
USA	491	481	10
Switzerland	307	301	6
China	288	278	10
Germany	206	208	(2)
Argentina	128	81	47
Eastern Europe	101	109	(8)
UK	96	101	(5)
Malaysia	62	63	(1)
France	48	47	1
Brazil	35	29	6
The Netherlands	33	34	(1)
Spain	21	18	3
Japan	9	10	(1)
Israel	8	8	-
Thailand	3	3	-
<b>Total</b>	<b>5,949</b>	<b>5,456</b>	<b>493</b>

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 17.8% of employees work in the commercial area, including pre-sales and after-sales, 22.1% in our R&D laboratories, 13.4% in central functions (Administration, IT, Procurement, Quality, Human Resources, etc.) and 46.7% 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 67.5% of employees occupy clerical and managerial grades.

### PERSONNEL COSTS

Personnel costs amounted to 429.0 million euros, compared with 394.8 million euros in the prior year, absorbing 26.9% of net revenue.

Personnel costs attributable to Petroncini Impianti S.p.A., Ciemme S.r.l. and TMC Group, which were included in the scope of consolidation for part of the previous year for 14.0 million euros, amount to 22.6 million euros, while the contribution of the newly acquired ATOP S.p.A., Perfect Pack S.r.l., Spreafico Automation S.r.l. and Tecmar S.A. amounts to 11.2 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 0.95%, 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 with the increased number of employees and collaborators in the year.

Lastly, personnel costs include 0.2 million euros of non-recurring charges (2.1 million euros in 2018).

### 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 77.1% 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 2019 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 certain specific activities carried out in 2019, we would highlight the maintenance of the BS OHSAS 18001 standard certification of the Safety at Work Management System by the Parent Company IMA S.p.A. and by GIMA S.p.A. and GIMA TT S.p.A. For CORAZZA S.p.A., following a specific audit in November 2019, the certification of the Health and Safety at Work Management System was upgraded from the standard mentioned previously to the new one: ISO 45001:2018.

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.

## ENVIRONMENTAL ISSUES AND CLIMATE CHANGE

The numerous projects currently underway demonstrate the environmental sensitivity and strong commitment to innovation that has always distinguished the Group.

The IMA NOP project is part of the Group's philosophy focused on environmental sustainability. After the approval by the European Parliament of the directive that limits the use of various disposable plastic items, new automatic machines will be required to lower the use of plastic in packaging. IMA has already developed some extremely innovative solutions in collaboration with the major market players, thereby anticipating the needs of the market in question.

IMA believes that the innovation efforts of mass consumer companies towards new materials or new solutions could be of benefit to IMA, which is always proposing innovations in packaging machinery that is able to handle new materials with the same efficiency as now.

Energy choices, global warming, human health, are all key topics and after acquiring control of ATOP, leader in the sector of machines and automatic lines for the production of stators and rotors for electric motors for the automotive sector, IMA wants to declare that the issue of electric traction is not just a virtuous business, but also central to global choices to achieve levels of environmental sustainability compatible with human health.

## 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](http://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 has relationships with related parties, mainly people who are responsible for administration and management at 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.

Transactions with related parties of greater significance are subject to the prior approval of the Board, which in turn must obtain a positive opinion on the proposed transaction by the specific committee, composed of only independent directors, though it can also be assisted by independent experts to express its opinion.

Note that during the period:

- there were no more significant 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.

Please refer to the section "Scope of consolidation" for detailed comments on the absorption of GIMA TT S.p.A. by IMA S.p.A. ("Merger"), communicated to the market on 11 June 2019 and approved by the Extraordinary Shareholders' Meetings of the two companies on 8 August 2019. The merger took effect on 5 November 2019, once the merger deed had been signed and registered with the Bologna Companies Register on 31 October 2019.

In relation to the Merger, the following is worth noting:

- as regards IMA S.p.A., the merger is exempt from the company procedure that regulates transactions with related parties, as it was a transaction carried out with a subsidiary in which there were no significant interests of other related parties;
- as regards GIMA TT S.p.A., the merger was considered a transaction with related parties that was not exempt from the company procedure, as it was concluded with the controlling shareholder. Moreover, from a size point of view, this operation is considered to be of "greater significance". Consequently, the merger project was approved by the Board of Directors of GIMA TT S.p.A. subject to the reasoned favourable opinion of the committee consisting solely of unrelated independent directors of GIMA TT S.p.A. regarding the company's interest in completing the transaction, as well as the convenience and substantial and procedural correctness of the terms and conditions of the merger of GIMA TT S.p.A. and IMA S.p.A., which was unanimously given on 10 June 2019.

## 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, commercial and sales costs, general and administrative costs and gross operating profit) reference should be made to the comments in the section of the Report on Operations on 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 tax, taxes, profit (loss) from discontinued operations/disposal groups and profit for the year.

The Parent Company's reclassified income statement for 2019, along with 2018 comparatives, is set out as follows:

in millions of euros	2019		2018		Change %
	Amount	%	Amount	%	
<b>Revenue from contracts with customers</b>	<b>836.4</b>		<b>715.7</b>		<b>16.9</b>
Cost of sales	(521.3)	62.3	(445.4)	62.2	
<b>Industrial gross profit</b>	<b>315.1</b>	<b>37.7</b>	<b>270.3</b>	<b>37.8</b>	<b>16.6</b>
R&D costs	(34.0)		(34.1)		
Commercial and sales costs	(76.1)		(71.6)		
General and administrative costs	(81.6)		(73.8)		
<b>Operating profit before writedowns/impairment/ non-recurring items (EBITA)</b>	<b>123.4</b>	<b>14.8</b>	<b>90.8</b>	<b>12.7</b>	<b>35.9</b>
Writedowns/impairment	(0.1)		-		
Non-recurring items	(5.2)		(1.8)		
<b>Operating profit (EBIT)</b>	<b>118.1</b>	<b>14.1</b>	<b>89.0</b>	<b>12.4</b>	<b>32.7</b>
Net financial income (expense)	8.6		27.6		
<b>Profit before taxes</b>	<b>126.7</b>	<b>15.1</b>	<b>116.6</b>	<b>16.3</b>	<b>8.7</b>
Taxes	(35.4)		(28.5)		
<b>Net profit from continuing operations</b>	<b>91.3</b>	<b>10.9</b>	<b>88.1</b>	<b>12.3</b>	<b>3.6</b>
Profit (loss) from discontinued operations/disposal groups	-		(26.1)		
<b>Profit for the year</b>	<b>91.3</b>	<b>10.9</b>	<b>62.0</b>	<b>8.7</b>	<b>47.3</b>
<b>Gross operating profit (EBITDA) * before non-recurring items</b>	<b>148.1</b>	<b>17.7</b>	<b>103.4</b>	<b>14.4</b>	<b>43.2</b>
<b>Gross operating profit (EBITDA) *</b>	<b>142.9</b>	<b>17.1</b>	<b>101.6</b>	<b>14.2</b>	<b>40.6</b>
<b>Backlog</b>	<b>595.4</b>		<b>568.7</b>		<b>4.7</b>

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

As regards the composition of the items shown in the income statement, please refer to the comments in the section entitled "Alternative performance indicators".

**REVENUE BY GEOGRAPHICAL AREA**

in millions of euros	2019		2018		Change %
	Importi	%	Importi	%	
European Union (excluding Italy)	265.6	31.7	225.2	31.5	17.9
Other European countries	56.9	6.8	55.9	7.8	1.8
North America	87.9	10.5	58.4	8.2	50.5
Asia & Middle East	194.7	23.3	156.6	21.9	24.3
Other countries	90.1	10.8	71.2	9.9	26.5
<b>Total exports</b>	<b>695.2</b>	<b>83.1</b>	<b>567.3</b>	<b>79.3</b>	<b>22.5</b>
Italy	141.2	16.9	148.4	20.7	(4.9)
<b>Total</b>	<b>836.4</b>	<b>100.0</b>	<b>715.7</b>	<b>100.0</b>	<b>16.9</b>

About 80% of revenue was generated outside Italy, slightly up on 2018. 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, North America, Asia and the Middle East.

**INDUSTRIAL GROSS PROFIT**

The industrial gross profit shows an increase thanks to the higher sales volumes linked in part to the change in scope following the absorption of GIMA TT during the year with effect on the entire year with a margin in substantial equilibrium despite a different sales mix.

**R&D COSTS**

The R&D costs incurred during the year amounted to 34.0 million euros (34.1 million Euro in 2018). 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 0.9 million euros in 2019 (0.6 million euros in 2018). With reference to the same facility, during the year the Company received another portion of the subsidized loan equal to 2.9 million euros. The residual liability of the subsidized loan at 31 December 2019 amounts to 4.5 million euros in total.

**COMMERCIAL AND SALES COSTS**

Commercial and sales cost, including commissions paid to agents and intermediaries, totalled 76.1 million euros, compared with 71.6 million euros in 2018 and include 27.3 million euros of commissions paid to agents (28.0 million in 2018).

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 81.6 million euros on 73.8 million euros in 2018. 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 118.1 million euros versus 89.0 million euros in 2018.

**NET FINANCIAL INCOME (EXPENSE)**

Net financial income, described further in the notes to the financial statements, amounted to 8.6 million euros (27.6 million euros in 2018).

The principal captions and changes are discussed below:

- dividends received from subsidiaries amounted to 26.2 million euros in 2019 compared with 55.7 million euros in the previous year; the difference is mainly due to the dividends received from GIMA TT S.p.A. in 2018;
- the interest paid to service debt, including discount interest, amounts to 12.4 million euros (8.8 million euros in 2018), of which 1.6 million euros relate to the lease liability following the adoption of IFRS 16.
- the impairment of investments in subsidiaries and associates amounted to 7.5 million euro (20.9 million euro in 2018) and mainly refers to the associate IMA Dairy & Food Holding GmbH.

**PROFIT (LOSS) FROM DISCONTINUED OPERATIONS/DISPOSAL GROUPS**

In 2018, the loss from discontinued operations amounted to 26.1 million euros and referred to the sale to third parties of 60% of the investment in IMA Dairy & Food Holding GmbH.

**PROFIT FOR THE YEAR**

The profit for the year was 91.3 million euros (62.0 million euros in 2018), net of income taxes of 35.4 million euros (28.5 million euros in 2018).

## 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 (including rights of use assets), 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 2019 are summarized below:

in millions of euros	31.12.2019		31.12.2018		Change %
	Amount	%	Amount	%	
Trade receivables	222.8	23.3	184.8	32.6	20.6
Inventories	173.9	18.2	157.5	27.8	10.4
Trade payables	(346.9)	(36.2)	(329.8)	(58.2)	5.2
Other, net	(31.2)	(3.3)	(21.6)	(3.8)	44.4
<b>Net working capital</b>	<b>18.6</b>	<b>2.0</b>	<b>(9.1)</b>	<b>(1.6)</b>	<b>n.s.</b>
Property, plant and equipment	126.1	13.2	44.8	7.9	n.s.
Intangible assets	72.8	7.6	51.8	9.2	40.5
Investments	748.2	78.2	486.4	85.8	53.8
<b>Non-current assets</b>	<b>947.1</b>	<b>99.0</b>	<b>583.0</b>	<b>102.9</b>	<b>62.5</b>
Provision for severance indemnities and other provisions	(9.1)	(1.0)	(7.1)	(1.3)	28.2
<b>Net invested capital</b>	<b>956.6</b>	<b>100.0</b>	<b>566.8</b>	<b>100.0</b>	<b>68.8</b>
<b>FINANCED BY:</b>					
<b>Net debt</b>	<b>528.6</b>	<b>55.3</b>	<b>179.4</b>	<b>31.7</b>	<b>n.s.</b>
<b>Equity</b>	<b>428.0</b>	<b>44.7</b>	<b>387.4</b>	<b>68.3</b>	<b>10.5</b>
<b>Total sources of financing</b>	<b>956.6</b>	<b>100.0</b>	<b>566.8</b>	<b>100.0</b>	<b>68.8</b>

### NET WORKING CAPITAL

Net working capital at 31 December 2019 amounted to 18.6 million euros, higher than in 2018 (-9.1 million euros) due to the rise in trade receivables and inventories, not offset by an increase in advances from customers and trade payables, also following the absorption of Gima TT S.p.A. by IMA S.p.A. It consists of the following items:

- trade receivables have increased by 38.0 million euros, from 184.8 million euros as of 31 December 2018, to 222.8 million euros at 31 December 2019, following the increase in sales volumes;
- inventories are up by 16.4 million euros (from 157.5 million euros at 31 December 2018 to 173.9 million euros at 31 December 2019) due to higher sales volumes;
- trade payables, including advances from customers, are up by 17.1 million euros (from 329.8 million euros at 31 December 2018 to 346.9 million euros at 31 December 2019), 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 euros 364.1 million since 31 December 2018. As part of this aggregate, equity investments have increased by 261.8 million euros and non-current assets by 102.3 million euros.

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

in millions of euros	Non-current assets		
	Property, plant and equipment	Intangibles	Total
First time application IFRS 16	59.9	–	59.9
Merger of GIMA TT S.p.A. and Fillshape S.r.l.	8.0	5.9	13.9
Increases	31.2	22.4	53.6
Decreases	(0.3)	–	(0.3)
Depreciation, amortization and write-downs	(17.5)	(7.3)	(24.8)
<b>Total</b>	<b>81.3</b>	<b>21.0</b>	<b>102.3</b>

Property, plant and equipment include the right-of-use assets. For further details, please refer to the Note 1 of the separate financial statements.

The change in equity investments is mainly due to the purchase of ATOP S.p.A., CMRE S.r.l., Perfect Pack S.r.l., Revisioni Industriali S.r.l. and Spreafico Automation S.r.l., net of the merger of GIMA TT S.p.A.. For changes in individual items, see Note 3 of the separate financial statements.

## NET INVESTED CAPITAL

Compared with 31 December 2018, net invested capital net of operating liabilities has increased by 389.8 million euros to 956.6 million euros for the reasons described above.



**NET DEBT**

Net debt at 31 December 2019 amounts to 528.6 million euros and comprises:

in millions of euros	31.12.2019	31.12.2018
A. Cash and cash equivalents	(20.0)	(29.1)
B. Other cash equivalents	-	-
C. Investments in securities	(11.7)	(7.9)
<b>D. Liquidity (A)+(B)+(C)</b>	<b>(31.7)</b>	<b>(37.0)</b>
<b>E. Current financial receivables</b>	<b>(90.3)</b>	<b>(127.2)</b>
F. Current payables to banks	38.2	42.1
G. Current portion of non-current payables	41.2	25.1
H. Other current financial payables	48.3	39.2
<b>I. Current financial debt (F)+(G)+(H)</b>	<b>127.7</b>	<b>106.4</b>
<b>J. Net current financial debt (D)+(E)+(I)</b>	<b>5.7</b>	<b>(57.8)</b>
K. Non-current portion of non-current bank payables	363.6	176.4
L. Bonds issued	145.0	100.3
M. Other non-current financial payables	62.1	7.0
N. Non-current financial assets	(47.8)	(46.5)
<b>O. Net non-current financial debt (K)+(L)+(M)+(N)</b>	<b>522.9</b>	<b>237.2</b>
<b>P. Net financial debt (J)+(O)</b>	<b>528.6</b>	<b>179.4</b>

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

Net financial indebtedness, equal to 528.6 million euros, has increased by 349.2 million euros on the figure at 31 December 2018 (179.4 million euros), mainly due to the introduction of IFRS 16 for 71.1 million euros, the acquisition of the investments in ATOP, Perfect Pack, Spreafico and Tecmar for 257.6 million euros and the payment of a dividend of 78.3 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 2020 in view of the improved results that we are looking for.

**SHAREHOLDERS' EQUITY**

Equity totalled 428.0 million euros at year end. The increase of 40.6 million euros since 31 December 2018, was due to the following movements:

Distribution of dividends	(78.3)
Effect of mergers	28.1
Purchase and sale of treasury shares	-
Measurement of financial instruments recognised in equity	(0.2)
Remeasurement of defined benefit plans	(0.3)
Profit for the year	91.3
<b>Total</b>	<b>40.6</b>

## CAPITAL EXPENDITURE

During 2019, the Company invested 22.4 million euros (11.5 million euros in 2018) in intangible assets and 31.2 million euros (13.1 million euros in 2018) in property, plant and equipment, for a total of 53.6 million euros (24.6 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 4.8 million euros and to the capitalisation of development costs incurred on totally new products for market segments not previously occupied and new technologies for 15.4 million euros.

Investments in property, plant and equipment mainly refer to assets for rights of use for 20.5 million euros, plant and machinery for 2.5 million Euros and electronic machines for 2.0 million Euros. In particular, in April 2019 IMA S.p.A. signed a contract concerning the lease of a building with a surface area of approximately 32,600 square metres, located in Castel San Pietro Terme (Bologna). As required by IFRS 16, this contract led to the recognition of ROUs for 13.5 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

During 2019 the Company employed an average of 2,273 workers, of which 171 referred to the IMA T&T Division (formerly GIMA TT), compared with 1,970 in 2018.

The breakdown of the workforce by grade is summarized below:

	2019	2018	Change
Management	74	63	11
Office workers	1,720	1,519	201
Production workers	479	388	91
<b>Total</b>	<b>2,273</b>	<b>1,970</b>	<b>303</b>

The excellent educational standard of the human resources employed by the Company is demonstrated by the fact that around 88.2% have a high-school diploma or a university degree.

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

	%	of which:	of which:
	Total employees	men	women
Sales and marketing, including pre-sales and post-sales	18.0%	56.1%	43.9%
Research and development	27.5%	93.5%	6.5%
Production	40.4%	94.9%	5.1%
Central and administrative functions	14.1%	47.4%	52.6%
<b>Total</b>	<b>100.0%</b>	<b>80.8%</b>	<b>19.2%</b>

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 also reflected in the fact that 79.3% of employees occupy clerical and managerial grades.

Women, who make up 19.2% 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 193.3 million euros, compared with 169.4 million euros in the prior year.

Taking into account the principal elements of remuneration, personnel costs have risen by 1.45% 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 the increase in the number of employees during the year.

Personnel costs attributable to IMA T&T Division (formerly GIMA TT) in 2019 amounted to 15.8 million Euros.

Lastly, it should be noted that in 2018 this item included non-recurring charges of 1.8 million euros.

## 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 2019, IMA S.p.A. provided more than 74,150 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 2019 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 2019 around 9,813 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, it is worth highlighting the innovative contents treated in the context of refresher courses for specific training on worker safety, with particular reference to aspects relating to the “Travel Security” of employees: all the protection measures put in place by the Company for the benefit of its frequent travellers were explained, covering the health aspects involved in work missions abroad, as well as the protection of workers’ physical integrity.

Particular emphasis was also given, as part of the same courses, to the methods of preventing the onset of musculoskeletal disorders related to work postures. This was aimed at both video terminal staff working in the offices and staff working in the production departments: the training project prepared in this regard provided for an innovative classroom collaboration with physiotherapists specialized in training staff to perform short exercises, easy to implement and dedicated to the purpose.

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: during 2019, a new-concept personnel alerting and evacuation system (EVAC) was installed at a new company production site. When activated, this system is based on the diffusion of messages and announcements in the workplace on the procedures to be followed in emergency situations.

Wanting to focus on specific activities carried out in 2019, we proceeded to innovate certain types of personal protective equipment (PPE) provided to workers exposed to particular categories of work risks, following the technical progress in the field (for example, there was the purchase and supply of electro-ventilated hoods for the personnel involved in testing automatic packaging machines in the pharmaceutical sector).

We have maintained BS OHSAS 18001 certification of our Safety at Work Management System. For this purpose, an audit was performed in January 2019 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 regarding the effectiveness of the initiatives undertaken are represented by the statistical indices of injury frequency (IF) and injury severity score (ISS), calculated on the basis of the company's accident performance with reference to the Uni 7249 Standard, which are very low compared with the national average of the sector in which IMA S.p.A. operates, equal to 3.04 (IF) and 0.092 (ISS) respectively for the whole year; these results substantially confirm the trend seen in previous years and effective application of the Safety Management System.

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 2019.

In 2019, IMA S.p.A. also maintained certification of its Environmental Management System according to ISO 14001:2015, 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 Ozzano dell'Emilia (BO) via Emilia 428/442 and sites in Ozzano dell'Emilia (BO) Via 1° Maggio 14/16 and via Piave 16, Bentivoglio (BO) via Romagnoli 2/4 and Calenzano (FI) via Petrarca 34/40.

This result was achieved through specific audits carried out in January and October 2019 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 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](http://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 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.

Transactions with related parties of greater significance are subject to the prior approval of the Board, which in turn must obtain a positive opinion on the proposed transaction by the specific committee, composed of only independent directors, though it can also be assisted by independent experts to express its opinion.

Transactions with related parties are described more fully in Note 31 to the Company's financial statements.

Please refer to the section "Overview" of the Company's financial statements for detailed comments on the absorption of GIMA TT S.p.A. by IMA S.p.A. ("Merger"), communicated to the market on 11 June 2019 and approved by the Extraordinary Shareholders' Meetings of the two companies on 8 August 2019. The merger took effect on 5 November 2019, once the merger deed had been signed and registered with the Bologna Companies Register on 31 October 2019.

In relation to the Merger, the following is worth noting:

- as regards IMA S.p.A., the merger is exempt from the company procedure that regulates transactions with related parties, as it was a transaction carried out with a subsidiary in which there were no significant interests of other related parties;
- as regards GIMA TT S.p.A., the merger was considered a transaction with related parties that was not exempt from the company procedure, as it was concluded with the controlling shareholder. Moreover, from a size point of view, this operation is considered to be of "greater significance". Consequently, the merger project was approved by the Board of Directors of GIMA TT S.p.A. subject to the reasoned favourable opinion of the committee consisting solely of unrelated independent directors of GIMA TT S.p.A. regarding the company's interest in completing the transaction, as well as the convenience and substantial and procedural correctness of the terms and conditions of the merger of GIMA TT S.p.A. and IMA S.p.A., which was unanimously given on 10 June 2019.

#### 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 97 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 Liguria 8 Ozzano dell'Emilia (Bologna) Factory

Via Nobel 1 Ozzano dell'Emilia (Bologna) Factory

Via Nobel 24 Ozzano dell'Emilia (Bologna) Warehouse

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

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

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 degli Artigiani 341 Castel San Pietro Terme (Bologna) Factory  
Via J. F. Kennedy 17 Zola Predosa (Bologna) Factory  
Via Ugo Ferrandi snc Parma (Parma) Factory  
Via Francesco Petrarca 34/38/40 Calenzano (Florence) Factory  
Via Francesco Petrarca 35/37 Calenzano (Florence) Warehouse  
Via Gabba Fratelli 6 Milan (Milan) Offices  
Via Piero della Francesca 26 Trezzano sul Naviglio (Milan) Offices  
The Company does not have any secondary offices.

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## OTHER INFORMATION

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### OUTLOOK FOR THE CURRENT YEAR

Following the spread of COVID-19 throughout Europe, Italy in particular, where centres of contagion have been isolated, IMA is taking initiatives to defend its customers, workers and potential visitors. IMA's companies in Europe are all operating at full speed. All of the recommendations of the national and European health authorities to reduce the possibility of contagion are of course being applied, even reinforced. Many products come from areas where the presence of the virus is still limited, the USA for example. The situation is being constantly monitored to make all the necessary decisions in real time, the priority being to defend the health of everyone involved in the IMA Group in any capacity. All goods and spare parts will undergo specific certified disinfection before each shipment. To help people stay in contact, IMA has enhanced all of its digital communication systems, available technologies and remote communications and is committed to ensuring that transparency is maintained in the face of difficulties, in order to pursue the best solutions.

Having turned in an excellent economic and financial performance, the Group closed 2019 with a backlog that guarantees good visibility on the current year, in both quantitative and qualitative terms. In view of the actions taken to cope with the current situation of considerable uncertainty due to the diffusion of Coronavirus (COVID-19), we believe that 2020 should not deviate significantly from the previous year; we will issue updates during the current year to disclose any variances from this forecast.

### 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 2019 treasury shares total 5.6 million euros, represented by 107,000 shares, 0.248% of share capital, with a par value of 56 thousand euros. The official market value at 31 December 2019 amounted to 6.9 million euros.

The Parent Company did not carry out any transactions on treasury shares during 2019.

During the previous year the Parent Company carried out transactions in equity instruments by acquiring 101,500 treasury shares for a total of 5.5 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.

### 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 (hereinafter OM&C Model). The OM&C Model is made up 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 2019 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 and the Code of Ethics are available on the Company's web page: [www.ima.it](http://www.ima.it).

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

- (i) Corazza S.p.A. (model adopted by resolution of 23 April 2012);
- (ii) CO.MA.DI.S. S.p.A. (model adopted by resolution of 13 March 2013);
- (iii) Pharmasiena Service S.r.l. (model adopted by resolution of 27 April 2015);
- (iv) Ilapak Italia S.p.A. (model adopted by resolution of 2 March 2018);
- (v) Eurosicma – Costruzioni Macchine Automatiche S.p.A. (model adopted by resolution of 18 September 2019);
- (vi) ATOP S.p.A. (model adopted by resolution of 21 December 2015);
- (vii) Tissue Machinery Company S.p.A. (model adopted by resolution of 13 October 2017);
- (viii) Asset Management Service S.r.l. (model adopted by resolution of 13 October 2017).

## 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 report that constitutes a separate report. The consolidated non-financial report for 2019, prepared according to GRI Standards, is available on the Company's website: [www.ima.it](http://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 modified 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:

**Bonfiglioli Sonia**

- Bon-fi S.r.l. (Chairman)
- Bonfiglioli Riduttori S.p.A. (Chairman)
- Bonfiglioli Italy S.p.A. (Chairman)
- Bonfiglioli Mechatronic Research S.p.A. (Chairman)
- Panariagroup Industrie Ceramiche S.p.A. (Director)
- Umbragroup S.p.A. (Director)

**Conti Cesare**

- DeLonghi S.p.A. (Chairman of the Board of Statutory Auditors)
- Aeroporto Olbia Costa Smeralda Geasar S.p.A. (Statutory Auditor)

**Malagoli Andrea**

- Ipercubo S.r.l. (Sole Director)
- SO.FI.M.A. Società Finanziaria Macchine Automatiche S.p.A. (Director)

**Poggi Luca**

- Boato Holding S.p.A. (Director)
- Boato International S.p.A. (Director)
- Fariniundici S.p.A. (Chairman)
- Orto Botanico S.r.l. (Sole Director)
- SO.FI.M.A. Società Finanziaria Macchine Automatiche S.p.A. (Chief Operating Officer)

**Rolli Rita**

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

**Schiavina Alessandra**

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

**Schiavina Maria Carla**

- 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. Società Finanziaria Macchine Automatiche S.p.A. (Director)

**Vacchi Alberto**

- Alva S.p.A. (Chairman)
- Nemo Investimenti S.r.l. (Chairman)
- SO.FI.M.A. Società Finanziaria Macchine Automatiche S.p.A. (Director)

**Vacchi Gianluca**

- Boato Holding S.p.A. (Chairman)
- Cofiva Holding S.A. (Director)
- First Investment S.p.A. (Sole Director)
- SO.FI.M.A. Società Finanziaria Macchine Automatiche S.p.A. (Director)

**Vacchi Marco**

- Alva S.p.A. (Chief Operating Officer)
- SO.FI.M.A. Società Finanziaria Macchine Automatiche S.p.A. (Chairman)

**Volta Valentina**

- Datalogic S.p.A. (Chief Executive 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 2019 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)

On 31 October 2019, the deed of merger between IMA and the subsidiary GIMA TT S.p.A. was stipulated, filed and registered with the local Companies Register. The exchange ratio was set at 11.4 IMA ordinary shares for every 100 GIMA TT S.p.A. ordinary shares: to service this exchange ratio, IMA carried out an increase in capital of 2,055,304.68 euros by issuing 3,952,509 new ordinary shares.

Consequently, the share capital at 31 December 2019 amounts to 22,470,504.68 euros represented by 43,212,509 ordinary shares with a par value of 0.52 euros each.

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

Declarant	Shareholder	Number of shares held	Percent of share capital	Percent of voting rights
SO.FI.M.A. Società Finanziaria Macchine automatiche S.p.A.	SO.FI.M.A. Società Finanziaria Macchine automatiche S.p.A.	22,295,194	51.594	66.956
Hydra S.p.A.	Hydra S.p.A.	1,082,750	2.506	3.067

During the year, there was a change in voting rights due to the vesting of the right to increased votes pursuant to art. 127-quinquies of the Consolidated Finance Act and art. 6 of the Articles of Association.

The composition of the share capital and related voting rights is shown in Table 1.

The Company's shares are listed on the STAR segment of the MTA.

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.

On 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 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 approval of the Report, there are 43,212,509 ordinary shares, which correspond to 66,596,241 voting rights; there are also 451,110 other shares on the list of increased votes, but in this case the rights are still in the process of vesting.

There are two shareholders who have a significant shareholding.

-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 30 April 2019, 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.

On 31 October 2019, the deed of merger between IMA and the subsidiary GIMA TT S.p.A. was stipulated, filed and registered with the local Companies Register. The exchange ratio was set at 11.4 IMA ordinary shares for every 100 GIMA TT S.p.A. ordinary shares: to service this exchange ratio, IMA carried out an increase in capital of 2,055,304.68 euros by issuing 3,952,509 new ordinary shares.

During the year, the Company did not exercise 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.

-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-five 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 2019

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 2019	31 December 2018
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	2	100,192	111,890
Right of use assets	2	212,792	–
Intangible assets	3	874,826	453,980
Investments accounted for using the equity method	4	26,077	52,909
Financial assets	5	49,763	47,505
Receivables from others	6	3,010	4,151
Deferred tax assets	8	58,353	49,226
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,325,013</b>	<b>719,661</b>
<b>CURRENT ASSETS</b>			
Inventories	9	344,244	319,724
Trade and other receivables	10	243,903	257,712
Contract assets	10	236,653	189,495
Income tax receivables	11	21,296	9,810
Financial assets	5	18,240	22,182
Derivative financial instruments	7	983	382
Cash and cash equivalents	12	110,699	140,867
<b>TOTAL CURRENT ASSETS</b>		<b>976,018</b>	<b>940,172</b>
<b>TOTAL ASSETS</b>		<b>2,301,031</b>	<b>1,659,833</b>
EQUITY AND LIABILITIES	Note	31 December 2019	31 December 2018
<b>EQUITY</b>			
Share capital		22,471	20,415
Reserves and retained earnings		301,806	272,589
Profit for the year		169,248	104,032
<b>Equity attributable to equity holders of the parent</b>	13	<b>493,525</b>	<b>397,036</b>
<b>Non-controlling interests</b>	14	<b>11,355</b>	<b>23,898</b>
<b>TOTAL EQUITY</b>		<b>504,880</b>	<b>420,934</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	15	521,943	283,281
Lease liabilities	15	142,179	–
Employee defined benefit liabilities	16	40,555	34,664
Provisions for risks and charges	17	6,305	4,654
Other payables	18	120,553	74,753
Derivative financial instruments	7	5,351	3,771
Deferred tax liabilities	8	108,827	58,789
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>945,713</b>	<b>459,912</b>
<b>CURRENT LIABILITIES</b>			
Borrowings	15	123,303	106,529
Lease liabilities	15	21,067	–
Trade and other payables	18	527,392	462,496
Contract liabilities	18	135,883	173,855
Income tax liabilities	11	12,935	7,368
Provisions for risks and charges	17	29,767	27,394
Derivative financial instruments	7	91	1,345
<b>TOTAL CURRENT LIABILITIES</b>		<b>850,438</b>	<b>778,987</b>
<b>TOTAL LIABILITIES</b>		<b>1,796,151</b>	<b>1,238,899</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,301,031</b>	<b>1,659,833</b>

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	2019	2018
<b>REVENUE FROM CONTRACTS WITH CUSTOMERS</b>	1	1,595,527	1,500,371
<b>OTHER REVENUE</b>	19	13,045	13,060
<b>OPERATING COSTS</b>			
<i>Change in work in progress, semifinished and finished goods</i>		1,553	(6,076)
<i>Change in inventory of raw, ancillary and consumable materials</i>		26	10,628
<i>Cost of raw, ancillary and consumable materials and goods for resale</i>	20	(598,127)	(555,378)
<i>Services, rentals and leases</i>	21	(324,112)	(321,141)
<i>Personnel costs</i>	22	(429,015)	(394,842)
<i>Capitalized costs</i>	19	27,142	20,771
<i>Depreciation, amortization and write-downs</i>	23	(81,631)	(44,078)
<i>Provisions for risks and charges</i>		(1,025)	(92)
<i>Other operating costs</i>	24	(10,908)	(13,166)
<b>TOTAL OPERATING COSTS</b>		<b>(1,416,097)</b>	<b>(1,303,374)</b>
<i>- of which: effect of non-recurring items</i>	34	(7,607)	(6,346)
<b>OPERATING PROFIT</b>	1	<b>192,475</b>	<b>210,057</b>
<i>- of which: effect of non-recurring items</i>	34	(7,607)	(6,346)
<b>FINANCIAL INCOME AND EXPENSE</b>			
<i>Financial income</i>	25	79,696	34,104
<i>Financial expense</i>	26	(43,118)	(34,642)
<b>TOTAL FINANCIAL INCOME AND EXPENSE</b>		<b>36,578</b>	<b>(538)</b>
<b>PROFIT (LOSS) FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD</b>		<b>(4,682)</b>	<b>2,419</b>
<b>PROFIT BEFORE TAXES</b>		<b>224,371</b>	<b>211,938</b>
<b>TAXES</b>	27	<b>(54,728)</b>	<b>(61,180)</b>
<b>NET PROFIT FROM CONTINUING OPERATIONS</b>		<b>169,643</b>	<b>150,758</b>
<b>PROFIT (LOSS) FROM DISCONTINUED OPERATIONS/DISPOSAL GROUPS</b>	28	<b>-</b>	<b>(26,165)</b>
<b>PROFIT FOR THE YEAR</b>		<b>169,643</b>	<b>124,593</b>
<b>ATTRIBUTABLE TO:</b>			
<b>EQUITY HOLDERS OF THE PARENT</b>		169,248	104,032
<b>NON-CONTROLLING INTERESTS</b>		395	20,561
		<b>169,643</b>	<b>124,593</b>
<b>BASIC/DILUTED EARNINGS PER SHARE (in euros)</b>	<b>29</b>	<b>4.26</b>	<b>2.65</b>
<i>- of which from continuing operations</i>		4.26	3.32
<i>- of which from discontinued operations/disposal groups</i>		-	(0.67)

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	2019	2018
<b>Net profit for the year</b>		169,643	124,593
Other comprehensive income to be reclassified to profit or loss in subsequent year:			
<i>Exchange rate gains (losses) on the translation of foreign currency financial statements</i>		1,288	(104)
<i>Gains (losses) on financial assets measured at FVOCI</i>	13	(1,032)	540
<i>Gains (losses) on cash flow hedges</i>	13	1,134	(2,573)
<i>Tax effect</i>		(564)	491
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent year</b>		<b>826</b>	<b>(1,646)</b>
Other comprehensive income not being reclassified to profit or loss in subsequent year:			
<i>Actuarial gains (losses) on post employment benefit obligations</i>	13	(3,956)	569
<i>Tax effect</i>		787	(86)
<b>Net other comprehensive income not being reclassified to profit or loss in subsequent year</b>		<b>(3,169)</b>	<b>483</b>
<b>Gains and losses recognized in equity</b>		<b>(2,343)</b>	<b>(1,163)</b>
<b>Total comprehensive income</b>		<b>167,300</b>	<b>123,430</b>
<b>Attributable to:</b>			
<b>Equity holders of the parent</b>		166,956	102,849
<b>Non-controlling interests</b>		344	20,581
		<b>167,300</b>	<b>123,430</b>

## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(THOUSANDS OF EUROS)

	Share capital	Share premium reserve	Treasury shares	Translation 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
<b>Balance at 01.01.2018</b>	<b>20,415</b>	<b>122,818</b>	<b>(71)</b>	<b>(728)</b>	<b>(1,324)</b>	<b>142,515</b>	<b>85,590</b>	<b>369,215</b>	<b>21,309</b>	<b>390,524</b>
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
<b>Balance at 31.12.2018</b>	<b>20,415</b>	<b>122,818</b>	<b>(5,589)</b>	<b>(650)</b>	<b>(2,885)</b>	<b>158,895</b>	<b>104,032</b>	<b>397,036</b>	<b>23,898</b>	<b>420,934</b>
Monetary revaluation by hiperinflation	-	-	-	-	-	1,439	-	1,439	-	1,439
Distribution of dividends	-	-	-	-	-	(16,355)	(61,951)	(78,306)	(14,607)	(92,913)
Allocation of earnings for 2018	-	-	-	-	-	42,081	(42,081)	-	-	-
Share capital increases	2,056	-	-	-	-	(2,056)	-	-	-	-
Change of non-controlling interests	-	-	-	-	-	6,400	-	6,400	1,720	8,120
Total comprehensive income	-	-	-	1,235	(1,388)	(2,139)	169,248	166,956	344	167,300
<b>Balance at 31.12.2019</b>	<b>22,471</b>	<b>122,818</b>	<b>(5,589)</b>	<b>585</b>	<b>(4,273)</b>	<b>188,265</b>	<b>169,248</b>	<b>493,525</b>	<b>11,355</b>	<b>504,880</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

(THOUSANDS OF EUROS)

	Note	31 December 2019	31 December 2018
<b>OPERATING ACTIVITIES</b>			
Net profit from continuing operations		169,248	130,197
Profit (loss) from discontinued operations/disposal groups	28	–	(26,165)
Profit attributable to equity holders of the parent		169,248	104,032
Adjustments for:			
- Depreciation and amortization		80,869	52,599
- of which from continuing operations	23	80,869	43,571
- (Writebacks) or write-downs of non-current assets	23	97	–
- Capital (gains) losses on disposal of non-current assets	19-24	(33)	43
- Fair value remeasurement of the interest held in investment accounted for using the equity method		(53,906)	(11,625)
- Changes in provisions for risks and charges and employee defined benefit liabilities		(480)	4,995
- Unrealized losses (gains) on exchange rate differences	26	58	(2,554)
- Other changes		(1,332)	(842)
- Taxes	27	54,728	60,055
- Capital gain from discontinued operations		–	(5,578)
- Non-controlling interests		395	20,561
- Result from investments accounted for using the equity method		4,682	(2,419)
Operating profit before changes in working capital		254,326	219,267
(Increase) decrease in trade and other receivables, including contracts assets	10	12,575	(78,867)
(Increase) decrease in inventories	9	(2,678)	(5,275)
Increase (decrease) in trade and other payables, including contracts liabilities	18	(40,998)	52,114
Taxes paid		(61,715)	(66,717)
<b>CASH FLOW PROVIDED BY OPERATING ACTIVITIES (A)</b>		<b>161,510</b>	<b>120,522</b>
<b>INVESTING ACTIVITIES</b>			
Investments in property, plant and equipment		(25,366)	(36,511)
- of which from continuing operations	2	(25,366)	(35,663)
Investments in intangible assets		(32,925)	(24,944)
- of which from continuing operations	3	(32,925)	(22,062)
Acquisition business divisions/companies	30	(251,229)	(75,124)
Definition of amounts paid for acquisitions		–	(1,300)
Purchase of investments	4	(626)	(1,487)
Sale of subsidiaries and joint venture		–	389
Sale of non-current assets		682	770
Other changes		3,908	1,096
<b>CASH FLOW USED IN INVESTING ACTIVITIES (B)</b>		<b>(305,556)</b>	<b>(137,111)</b>
<b>FINANCING ACTIVITIES</b>			
Granting of loans	15	225,487	172,113
Repayment of borrowings	15	(33,625)	(103,940)
Issue of bonds	15	50,000	–
Repayment of bonds	15	(5,229)	(5,229)
Increase (decrease) in other financial payables		(16,366)	38,359
Change in non-controlling interests		–	(4,252)
Consideration for exercise of option on non-controlling interests		–	(4,327)
Net change in financial assets and other non-current receivables		206	(44,778)
Dividends paid to equity holders of the parent	13	(78,306)	(66,733)
Dividends paid to non-controlling interests	14	(14,607)	(17,204)
(Purchase) and sale of treasury shares	13	–	(5,518)
Payment of interest		(14,034)	(8,000)
Receipt of interest		352	284
<b>CASH FLOW PROVIDED BY FINANCING ACTIVITIES (C)</b>		<b>113,878</b>	<b>(49,225)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS (D = A+B+C)</b>		<b>(30,168)</b>	<b>(65,814)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (E)</b>	12	<b>140,867</b>	<b>206,681</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (F = D+E)</b>	12	<b>110,699</b>	<b>140,867</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

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 decorative graphic consisting of a white, wavy, curved shape that starts from the bottom left and extends towards the top right, set against a dark grey background.

## A) OVERVIEW

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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 2019, IMA S.p.A. was held 51.594% by SO.FI.M.A. Società Finanziaria Macchine Automatiche S.p.A. (56.789% at 31 December 2018), with registered offices at Via Farini 11, Bologna (hereinafter SO.FI.M.A.).

Following the total asymmetric spin-off of Lopam Fin S.p.A., the former parent company of SO.FI.M.A., which took place on 16 July 2019, and its consequent cancellation from the companies register, the entity at the highest hierarchical level that holds control of IMA S.p.A. at 31 December 2019 is SO.FI.M.A., which draws up the consolidated financial statements including the largest group of companies belonging to the Group. These consolidated financial statements are available at the Bologna Companies Register.

Furthermore, it is worth pointing out that IMA S.p.A. adopts the system of shares with increased voting rights pursuant to art. 127-quinquies of the CFA, as commented on in Note 13.

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 2019 were approved by the Board of Directors on 12 March 2020 and have been audited by EY S.p.A.

## B) GENERAL PREPARATION POLICIES

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### 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 has been applying International Accounting Standards since 2005, whereas the Parent Company IMA S.p.A., using the options provided for by Legislative Decree 38 of 28 February 2005, adopted International Accounting Standards in its own financial statements from 1 January 2006.

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.

Lastly, it should be noted that, following the Delegated Regulation 2018/815 which integrates Directive 2004/109, regulatory technical standards have been established for the single electronic format to be used for communicating annual reports. In particular, from 1 January 2020, European listed companies have to prepare annual reports according to the same single electronic communication format known as the European Single Electronic Format (ESEF), using the XHTML computer language integrated by appropriate markings in XBRL.

The Group is assessing what has to be done to comply with the new methods on schedule, also monitoring any further developments during the year.

#### Financial statements

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

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 flow 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 2019 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.

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 capitalized 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.

When accounting for the sale of property, plant and equipment, the date on which the buyer obtains control of the asset is considered the disposal date, in accordance with the requirements of IFRS 15 to determine when a performance obligation is satisfied. Furthermore, the amount of the consideration included in the profit or loss deriving from derecognition of these assets is determined in accordance with the requirements of IFRS 15 for determining the transaction price.

### LEASES

The contract is, or contains, a lease if, in exchange for a fee, it grants the right to control the use of a specified asset for a certain period of time. When the Group acts as a lessee, at the effective date it recognises an asset consisting of the right of use and a lease liability.

#### Right-of-Use Assets

Right-of-use assets are recognised at cost and include the amount of the initial measurement of the lease liability, the payments due for the lease made on or before the effective date, net of *lease incentives* received, the *initial* direct costs incurred and, if applicable, dismantling costs.

Right-of-use assets are depreciated on a straight-line basis for the lower of the lease term and the estimated useful life. If, at the end of the lease term, the property is transferred to the lessee or if the cost

of the right-of-use asset reflects the fact that the lessee will exercise the purchase option, the depreciation period corresponds to the useful life of the underlying asset.

Right-of-use assets are subject to impairment testing as explained in the section entitled "Impairment of assets".

#### Lease liabilities

Lease liabilities are recognised at the present value of payments due over the life of the lease not paid at the start date, and include fixed payments net of any lease incentives to be received, variable payments due for the lease which depend on an index or rate, the amounts that the lessee is expected to pay as guarantees of the residual value, the exercise price of the purchase option, if it is reasonably certain that the lessee will exercise the option, and any penalty payments for termination of the lease if the duration of the lease takes into account the lessee exercising the option to terminate the lease.

The lease payments are estimated using the implicit interest rate of the lease, if this can be easily determined. If this is not possible, the incremental borrowing rate is used, i.e. the interest rate that would have to be paid for a loan, with a similar duration and guarantees, needed to obtain an asset of similar value to the right-of-use asset in a similar economic context. The marginal financing rates applied were determined on the basis of the geographical area in which the contracts were stipulated and according to the maturity band to which the contracts belong.

The value of lease liabilities is increased to take interest into account and is decreased to take payments made into account. In addition, the carrying amount of the lease liabilities is re-measured if there is a change in the lease duration, a change in the valuation of a purchase option for the underlying asset, a change in future payments due for the lease deriving from a change in the index or rate used to determine payments.

The Group has included any extension periods covered by the renewal option in the duration of the contract, when it is assumed with reasonable certainty that it will be exercised, also in consideration of the experience acquired. A condition for renewal of the term is also that the Group can exercise the option without the consent of the counterparty or that the lessor is exposed to a significant penalty in case of termination of the contract. The contracts that may envisage a renewal option refer mainly to property leases.

The Group did not apply this accounting method to the leases involving intangible assets, to short-term leases of property, plant and equipment and leases involving low-value assets. Low-value contracts refer mainly to electronic devices.

## **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.

When accounting for the sale of intangible assets, the date on which the buyer obtains control of the asset is considered the disposal date, in accordance with the requirements of IFRS 15 to determine when a performance obligation is satisfied. Furthermore, the amount of the consideration included in the profit or loss deriving from derecognition of these assets is determined in accordance with the requirements of IFRS 15 for determining the transaction price.

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 or a right-of-use asset, is impaired if its carrying amount 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

At the time of initial recognition, financial assets are classified according to the subsequent methods of measurement, i.e. at amortised cost, at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVPL).

The classification of financial assets at the time of initial recognition depends on the characteristics of the contractual cash flows of the financial assets and on the business model that the Group uses for their management. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially assesses a financial asset at its fair value plus transaction costs, in the case of a financial asset not 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 transaction price determined according to IFRS 15, as commented on in the section entitled "Revenue from contracts with customers". For a financial asset to be classified and valued at amortised cost or at FVOCI, 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 or SPPI"). This assessment is referred to as an SPPI test and is performed at instrument level.

For the purpose of subsequent measurement, 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 owned within the framework of a business model whose objective is to own financial assets in order to collect the contractual cash flows, and

- the contractual terms of the financial asset provide for cash flows at 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. 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 measures assets from debt instruments at FVOCI if both the following conditions are met:

- the financial asset is owned within the framework of a business model whose objective is achieved by collecting contractual cash flows and by selling the financial assets, and
- the contractual terms of the financial asset provide for cash flows at 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. Other changes in fair value are recognized in OCI. At the time of elimination, the cumulative change in fair value recognised in OCI is reclassified to the income statement.

Investments in equity instruments

At the time of initial recognition, the Group may irrevocably choose to classify its equity investments as equity instruments recognised 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. Classification is determined for each individual instrument.

Profits and losses achieved on these financial assets are never transferred to the income statement. Dividends are recognized as financial income 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 for sale or repurchase in the short term. Derivatives, including those that are carved out, 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 with changes recognised in the income statement are recorded in the statement of financial position at fair value and net changes in fair value are recognised in profit/(loss) for the year.

## HEDGING INSTRUMENTS

The fundamental characteristics of financial instruments are described in the preceding section with regard to financial assets and in the sections "Finance leases" and "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.

With regard to impairment, the IAS 39 model based on incurred losses was replaced in 2018 by the expected credit loss (ECL) model, as provided for in IFRS 9. The model assumes a significant level of estimation regarding the impact of changes in economic factors on ECL which are weighted according to probabilities. The impairment loss model is applied to financial assets valued at amortised cost or at FVOCI, except for equity instruments and assets deriving from contracts with customers.

Credit hedging funds are measured using the following methodological approaches: the General deterioration method and the Simplified approach; in particular:

- the General Deterioration Method requires the classification of financial instruments included in the scope of application of IFRS 9 into three stages. The three stages reflect the level of deterioration in credit quality when the financial instrument is acquired and involve a different method of calculating the ECL;
- the Simplified Approach envisages, for trade receivables, contract assets and receivables deriving from lease contracts, the adoption of some simplifications, in order to avoid entities being forced to monitor changes in credit risk, as required by the General Model. Recognition of the impairment according to the simplified approach should be lifetime, so stage allocation is not required. One of the operational examples falling within the simplified approaches for the estimation of ECLs is that of the Provision Matrix, particularly suitable, in terms of its construction, for assessing trade receivables from a particularly fractioned clientele but which offers the possibility of being categorised in the same risk classes. In fact, different impairment rates are determined in the provision matrix, making it possible to group together in the proposed matrix, first of all the receivables based on the days' delay in payment of the trade receivables. In addition to this aggregation variable, impairment rates are estimated by customer classes 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. According to the individual customer base, therefore, each entity organises the provision matrix by dividing customers into clusters using different factors and variables such as geographical area, product area and credit rating.

As anticipated above, when the General Deterioration Method is applied, financial instruments are classified into three stages according to the deterioration of their credit quality between the date of initial recognition and the measurement date:

- 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: the expected losses are estimated on the basis of possible default events in the following 12 months, with a reduced impact of the calculation on the ECLs. In fact, for this category of instruments, the standard makes it possible to reduce the coefficients, as the parameters are not 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").

When defining the methodological approach to be applied to the assets in the scope of impairment, the financial assets in the portfolio subject to impairment were analysed with particular reference to trade receivables and contract assets, which represent the majority of the Group's credit exposure.

For trade receivables and contract assets, the Group generally determines qualitative and quantitative thresholds to define the default of these positions which are valued using the IFRS 9 simplified approach ( $ECL = EAD \times PD \times LGD$ ). 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. For trade receivables deemed individually significant by management and for which more detailed information on the significant increase in credit risk is available, a simplified approach has been applied within the simplified model.

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

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 on the basis of wage trends.

## BORROWINGS

Financial liabilities are split 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 to 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

As regards the put & call options on minority interests, the Group recognizes a financial liability equal to the current value of the option's strike price, which is classified under Other payables.

At the time of initial recognition of the liability, this value is reclassified from net equity by reducing the minority interest if 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 share as if it had already been purchased. The liability is subsequently re-measured at each closing date in accordance with 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 article 1, paragraph 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 off-set only when there is a legal entitlement to do so and when they relate to taxes due to the same tax authority.

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

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

## REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue deriving from contracts with customers are recognized 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.

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 the technical assistance, commissioning services in particular, are obligations to be fulfilled over time. The method of measuring progress in fulfilling contract work in progress, on projects carried out according to specific customer needs, is the cost-to-cost input method that accounts for revenues based on the effort (or input, i.e. costs) that the Group makes in fulfilling the performance obligation guaranteed to the client 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. The directors base their estimates on the information deriving from the internal contract reporting, forecasting and accounting system; they also examine and, where necessary, review the estimates of revenue and costs at the various stages of completion of an order. 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 analysis tools, designed to identify, monitor and quantify the risks relating to the performance of such contract work.

The machines, kits, 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 goods to the buyer and therefore generally coincides with the 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. Presentation in the financial statements is as follows:

- Contract assets: the right to a consideration in exchange for goods or services transferred to the customer. If the transaction is fulfilled before payment of the consideration or before the payment is due, the contract is presented as an asset deriving from a contract, excluding the amounts presented as receivables. At each balance sheet date, the Group checks whether the asset deriving from a contract has suffered impairment according to IFRS 9;
- Receivables: the unconditional right to a consideration. The right to consideration is unconditional if only the passage of time is required to make the payment due. At each reporting date, the Group checks for any impairment according to IFRS 9;
- Contract liabilities: the obligation to transfer to the customer any goods or services for which consideration has been received from the customer. If the customer pays the consideration before the

goods or services have been transferred, the contract is presented as a liability deriving from a contract 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 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:

Currency	2019		2018	
	Final exchange rate	Average exchange rate for the year	Final exchange rate	Average exchange rate for the year
US dollar	1.123	1.120	1.145	1.181
GB pound sterling	0.851	0.878	0.895	0.885
Indian rupee	80.187	78.836	79.730	80.733
Chinese yuan	7.821	7.736	7.875	7.808
Swiss franc	1.085	1.112	1.127	1.155
Argentine peso	67.275	67.275	43.159	43.159

Following the adoption of IAS 29 Accounting in Hyperinflationary Economies, the year-end exchange rate of the Argentine Peso is used as the average exchange rate. The Group has applied this standard to the subsidiaries whose functional currency is the Argentine Peso.

**HYPERINFLATION**

In application of IAS 29 Accounting in Hyperinflationary Economies, the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy must be reported in the current unit of measurement at the year-end date.

The balance sheet values not yet expressed in the current unit of measurement at the balance sheet date, i.e. non-monetary assets and liabilities and equity, are restated by applying a general price index that reflects the changes in general purchasing power.

The monetary elements, represented by any cash held and by the asset or liability items whose values must be received or paid in cash, are not restated as they are already expressed in the current unit of measurement at the balance sheet date.

The gain or loss on the net monetary position is recognized in the income statement. Income statement balances are translated by applying the closing exchange rate instead of the average exchange rate, as required by IAS 21.

The standard is applied to the subsidiaries in Argentina.

## 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,
- identification of a lease contract, estimate of its duration in the presence of options for renewal or early termination, estimate of the components of a liability by lease and the related discount rate,

- provisions for risks and charges.

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

As regards 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 affected by multiple factors, such as the time span of several years over which some projects are developed, their high level of technology and innovative content, the possible presence of price variations and revisions, and machinery performance guarantees, including an estimate of contractual risks, where applicable. 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 is divided into the Tea, Food & Other, Pharmaceutical and Tobacco Packaging segments, grouped together by reference markets.

## IMPLEMENTATION OF ACCOUNTING STANDARDS

### ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 1 JANUARY 2019

The Group has applied IFRS 16 - Leases from 1 January 2019. This standard, published in January 2016, 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 Group has applied 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

due, discounted using the lessee's marginal financing rate on the date of the initial application, and recognising the asset consisting of the right of use for an amount equal to that of the liability. There are therefore no cumulative effects to adjust the opening balance of the equity and the figures for the comparative period have not been restated. In particular, the net assets recorded at the date of FTA amounted to 141,091 thousand euros (property, plant and equipment of 141,712 thousand euros, net of deferred costs of 621 thousand euros) and lease liabilities of 141,091 thousand euros.

For leases previously classified as finance leases, the carrying amount of the right-of-use asset and the lease liability at the date of first-time adoption is the carrying amount of the leased asset and the lease liability measured immediately before this date by applying IAS 17.

Furthermore, the Group has used the right not to re-examine whether a contract is, or contains, a lease on the date of first application.

In these consolidated financial statements, right-of-use assets and lease liabilities are shown in the statement of financial position under Right-of-use assets and Lease liabilities, respectively. Details of the rights of use assets and of the lease liabilities are provided in Notes 2 and 15.

In the statement of cash flows, repayment of the principal and interest on the financial liability is shown as part of the cash flows of the financing activity.

The lease contracts entered into by the Group are essentially attributable to real estate and car leases. Non-lease components were not included in determining the right-of-use assets and lease liabilities.

The Group 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 marginal financing rates applied were determined on the basis of the geographical area in which the contracts were stipulated and according to the maturity band to which the contracts belong. The weighted average of the rate applied is approximately 3%.

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
<b>Gross lease liabilities at 1 January 2019</b>	<b>171,069</b>
Discounting	(22,059)
<b>Lease liabilities at 1 January 2019</b>	<b>149,010</b>
Present value of finance lease liabilities at 31 December 2018	(7,919)
<b>Additional lease liabilities as result of the initial application of IFRS 16 at 1 January 2019</b>	<b>141,091</b>

The amount shown in Other refers mainly to various considerations made about the duration of the contracts when analysing those that were outstanding at the transition date.

First-time adoption (FTA) of IFRS 16 had no effect on the calculation of the financial parameters foreseen in existing covenants.

In the 2019 income statement, the FTA of IFRS 16 led to the elimination of operating lease payments for 23,170 thousand euros and the recognition of depreciation of the right of use assets and interest expense on the lease liabilities of 21,024 thousand euros and 4,208 thousand euros, respectively.

The Group has applied IFRIC 23 - Uncertainty over Income Tax Treatments from 1 January 2019. The interpretation clarifies how to apply the requirements relating to the recognition and measurement referred to in IAS 12 when there is uncertainty about the treatments for income tax purposes and, in particular, about any tax treatments adopted which may not be accepted by the tax authorities. Following adoption of the interpretation, the Group looked to see if there were any uncertain tax positions and came to the conclusion that they would not have any impact on its consolidated financial statements.

The other amendments and interpretations of accounting standards and methods in force from 1 January 2019 govern circumstances and situations that are not present or relevant to the Group's consolidated financial statements:

- Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures;
- Amendments to IFRS 9 - Prepayment Features with Negative Compensation;
- Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement;
- Annual cycle of improvements to IFRS 2015-2017 - includes some amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23.

#### **ACCOUNTING STANDARDS ISSUED BUT NOT YET IN FORCE**

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;
- Amendments to References to the Conceptual Framework in IFRS Standards;
- Amendments to IFRS 3 - Definition of a business;
- Amendments to IAS 1 and IAS 8 - Definition of material;
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform;
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IAS 1 - Presentation of financial statements: classification of liabilities as current or non-current.

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

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### 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 at Group companies and are therefore considered to be at a likelihood of immaterial risk.

It should be noted that at 31 December 2019 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 2019 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

The 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
<b>31.12.2019</b>				
Borrowings and lease liabilities	144,370	510,333	153,789	808,492
Commitments	44,823	1,338	–	46,161
Trade Payables	412,793	984	–	413,777
<b>Total</b>	<b>601,986</b>	<b>512,655</b>	<b>153,789</b>	<b>1,268,430</b>
<b>31.12.2018</b>				
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
<b>Total</b>	<b>499,574</b>	<b>311,086</b>	<b>88,655</b>	<b>899,315</b>

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

At 31 December 2019 the Group had about 550 million euros available in unused lines of credit (462 million euros at 31 December 2018) and cash and cash equivalents of 111 million euros (141 million euros

at 31 December 2018). As to the balancing of net working capital, especially the coverage of payables to suppliers, net trade receivables came to 420 million euros at 31 December 2019 (384 million euros at 31 December 2018).

## 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. 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:

in thousands of euros	Carrying value	Of which subject to ERR	Exchange rate risk (ERR)			
			Increase effect		Decrease effect	
			Profits (Losses)	Other changes in FVR	Profits (Losses)	Other changes in FVR
<b>Financial assets:</b>						
Cash and cash equivalents	110,699	50,926	(995)	–	964	–
Trade and other receivables	480,556	118,390	(2,169)	–	2,257	–
Financial assets at amortized cost, at FVOCI and at FVPL	68,003	–	–	–	–	–
Derivative financial instruments	983	983	–	343	–	(49)
Tax effect			759	(82)	(773)	12
			<b>(2,405)</b>	<b>261</b>	<b>2,448</b>	<b>(37)</b>
<b>Financial liabilities:</b>						
Borrowings	492,840	34,028	431	80	(449)	(83)
Bonds	152,406	25,433	–	–	–	–
Lease liabilities	163,246	–	–	–	–	–
Trade and other payables	783,828	161,597	3,141	–	(3,270)	–
Derivative financial instruments	5,442	91	–	11	–	(317)
Tax effect			(857)	(22)	893	96
			<b>2,715</b>	<b>69</b>	<b>(2,826)</b>	<b>(304)</b>
<b>Total increases (decreases) for 2019 (*)</b>			<b>310</b>	<b>330</b>	<b>(378)</b>	<b>(341)</b>
<b>Total increases (decreases) for 2018 (**)</b>			<b>(283)</b>	<b>608</b>	<b>286</b>	<b>(630)</b>

2019 and 2018 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2019 and 31 December 2018:

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	318,901	43,024	472,585	207,373
US dollar	60,531	4,202	44,911	14,176
Swiss franc	16,965	3,437	8,705	2,464
Indian rupee	3,813	2,240	4,175	2,907
GB Pound sterling	3,421	720	2,536	682
Thai baht	3,391	3,766	2,991	570
Chinese yuan	6,695	1,483	10,145	3,727
Japanese yen	713	11	149	146
Brazilian real	877	553	555	679
Russian ruble	1,242	498	979	242
Other	3,030	1,043	1,929	1,202
<b>Total at 31 December 2019</b>	<b>419,579</b>	<b>60,977</b>	<b>549,660</b>	<b>234,168</b>
Euro	292,844	47,715	458,308	153,308
US dollar	56,659	3,516	42,165	7,777
Swiss franc	12,978	2,002	12,573	2,297
Indian rupee	3,610	2,328	5,492	2,392
GB Pound sterling	4,490	978	2,134	1,320
Thai baht	2,421	3,456	2,079	477
Chinese yuan	4,419	1,890	10,533	3,126
Japanese yen	975	37	283	172
Brazilian real	1,418	431	1,106	614
Russian ruble	642	60	619	241
Other	3,580	758	2,757	1,331
<b>Total at 31 December 2018</b>	<b>384,036</b>	<b>63,171</b>	<b>538,049</b>	<b>173,055</b>

It should also be noted that at 31 December 2019 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 purchases of IRS and caps and sales of floors which, once a certain level has been reached, transform a floating rate into a fixed rate.

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

in thousands of euros	Carrying value	Of which subject to IRR	Interest rate risk (IRR)			
			Increase effect		Decrease effect	
			Profits (Losses)	Other changes in FVR	Profits (Losses)	Other changes in FVR
<b>Financial assets:</b>						
Cash and cash equivalents	110,699	52,452 (*)	229	–	(19)	–
Trade and other receivables	480,556	–	–	–	–	–
Financial assets at amortized cost, at FVOCI and at FVPL	68,003	–	–	–	–	–
Derivative financial instruments	983	–	–	–	–	–
Tax effect			(55)	–	5	–
			<b>174</b>	<b>–</b>	<b>(14)</b>	<b>–</b>
<b>Financial liabilities:</b>						
Borrowings	492,840	496,563 (*)	(2,834)	–	2,834	–
Bonds	152,406	–	–	–	–	–
Lease liabilities	163,246	(**) –	–	–	–	–
Trade and other payables	783,828	–	–	–	–	–
Derivative financial instruments	5,442	3,842	–	3,216	–	(3,093)
Tax effect			680	(772)	(680)	742
			<b>(2,154)</b>	<b>2,444</b>	<b>2,154</b>	<b>(2,351)</b>
<b>Total increases (decreases) for 2019</b>			<b>(1,980)</b>	<b>2,444</b>	<b>2,140</b>	<b>(2,351)</b>
<b>Total increases (decreases) for 2018</b>			<b>(770)</b>	<b>2,050</b>	<b>921</b>	<b>(2,194)</b>

2019 and 2018 variability parameters +/- 50 bp €/£

(\*) Annual average.

(\*\*) Not considered as they are fixed rate

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.

The Group considered that to date the variables underlying the determination of variable interest rates continue to be quantities widely traded on the markets.

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 2019, 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	2019	2018
Net debt (A)	637,080	184,583
Equity (B)	504,880	420,934
Total capital (A)+(B)=(C)	1,141,960	605,517
<b>Gearing ratio (A)/(C)</b>	<b>56%</b>	<b>30%</b>

The change occurred due to the adoption in 2019 of IFRS 16 for 155,970 thousand euros.

As regards 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 2019 and 31 December 2018 by fair value hierarchy level:

in thousands of euros	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Financial assets	–	–	22,881	22,881
Derivative financial instruments	–	983	–	983
<b>Total assets at 31 December 2019</b>	<b>–</b>	<b>983</b>	<b>22,881</b>	<b>23,864</b>
<b>Liabilities:</b>				
Payables for acquisitions	–	–	113,172	113,172
Derivative financial instruments	–	5,442	–	5,442
<b>Total liabilities at 31 December 2019</b>	<b>–</b>	<b>5,442</b>	<b>113,172</b>	<b>118,614</b>
in thousands of euros	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Financial assets	–	–	19,048	19,048
Derivative financial instruments	–	382	–	382
<b>Total assets at 31 December 2018</b>	<b>–</b>	<b>382</b>	<b>19,048</b>	<b>19,430</b>
<b>Liabilities:</b>				
Payables for acquisitions	–	–	61,993	61,993
Derivative financial instruments	–	5,116	–	5,116
<b>Total liabilities at 31 December 2018</b>	<b>–</b>	<b>5,116</b>	<b>61,993</b>	<b>67,109</b>

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 2019, 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
<b>Balance at 01.01.2018</b>	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
<b>Balance at 31.12.2018</b>	<b>19,048</b>	<b>61,993</b>
Profit/(losses) recognized in PL	2,740	340
Profit/(losses) recognized in OCI	(1,032)	–
Acquisition of ATOP S.p.A.	–	24,685
Acquisition of Perfect Pack S.r.l.	–	14,019
Acquisition of Spreafico Automation S.r.l.	–	9,252
Acquisition of Tecmar S.A. and Spare & More S.r.l.	–	3,232
Increases/(decreases)	2,125	(349)
<b>Balance at 31.12.2019</b>	<b>22,881</b>	<b>113,172</b>

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, represented by potential payments associated with the purchase of minority interests in subsidiaries 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

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The consolidated financial statements at 31 December 2019 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 main events in 2019 regarding the companies included in the consolidation area are as follows:

- on 2 January 2019, Delta Systems & Automation Inc., 100% owned by Ilapak Inc., was sold to the subsidiary Packaging Systems Holdings Inc. for a total of 12.5 million US Dollars. On the same date, Delta Systems & Automation Inc. was absorbed by Delta Systems & Automation LLC, a newly formed company of Packaging Systems Holdings Inc.;
- on 4 February 2019, Transworld Packaging Holding S.p.A. acquired 100% of the Swiss company Luna Investment SA, based in Lugano with share capital of 100 thousand CHF, for 2,033 thousand euros. The company has as its object to purchase, hold, manage and sell equity investments;
- on 11 February 2019, IMA Packaging India Pvt. Ltd. was set up, with head office in Thane (India) and share capital of 10 million INR, 100% owned by IMA S.p.A. It is a trading company deals with a commercial activity;
- on 11 April 2019, IMA completed the closing of the acquisition of 61.45% of Tecmar S.A., based in Mar del Plata (Argentina), an important player in the South American market in the design, production and marketing of automatic packaging machines in the coffee and food sectors. IMA has also signed put & call options on the other 38.55%. The cost of the acquisition of 3,928 thousand euros includes the amount paid of 1,691 thousand euros and the fair value of payables related to options of 2,237 thousand euros;
- on 16 April 2019, IMA completed the closing for the purchase of 70% of Spreafico Automation S.r.l.; the company, based in Calolziocorte (LC), is an important player in the design, production and marketing of automatic machines for filling and preparing capsules for coffee and other soluble products. IMA has also been granted a purchase option for the other 30% of the company. The cost of the acquisition of 21,603 thousand euros includes the amount paid of 12,351 thousand euros and the

potential consideration equal to 9,252 thousand euros, as commented in Note 30 Business combinations;

- on 19 June 2019 IMA acquired a further 50% of CMRE S.r.l., a real estate company based in Bologna, from related parties for 5,000 thousand euros, bringing its total interest in the company to 100%;
- on 2 July 2019, IMA completed the closing for the purchase of 56.1% of ATOPbi S.p.A. and 16% of Stator S.p.A. As a result of this agreement, IMA, which has been a shareholder of ATOPbi S.p.A. since 2017, now has a total interest in the company of around 81.1%. Following this transaction, IMA S.p.A. indirectly held approximately 84% of ATOP S.p.A., a company based in Barberino Tavarnelle (FI) and a market leader in automatic machines and lines for the production of stators and rotors used in electric motors for the automotive sector. Subsequently, in December 2019, as a consequence of the absorption of Stator S.p.A. by ATOP S.p.A. and the reverse merger of ATOPbi S.p.A. with ATOP S.p.A., effective from 1 January 2019, at the reporting date, IMA holds 84.165% of ATOP S.p.A.; put & call options were also taken out on the shares reinvested by the founding shareholders for a total of 6.8% of the capital, to be exercised after the date of approval of the financial statements at 31 December 2021. As regards details about the cost of acquisition and the fair value of the option subscribed, please refer to Note 30 Business combinations;
- on 26 July 2019 Tissue Machinery Company S.p.A. completed the acquisition of 80% of the share capital of Spares & More S.r.l., based in Galliciano (LU) and active in the sector of industrial overhaul and reconditioning of used machines. On 31 July 2019 Spares & More S.r.l. subscribed an increase of capital of 100 thousand euros, approved by Claren Cutting Service S.r.l., based in Calderara di Reno (BO) and active in the supply of compatible spare parts for tissue machines, resolved following the complete cancellation of Claren's share capital. The interest that Spares & More S.r.l. has in Claren Cutting Service S.r.l. is therefore 100%;
- on 7 August 2019, IMA acquired 60% of Perfect Pack S.r.l., based in Rimini, an important player in the design, production and marketing of automatic enveloping machines and complete lines for single-dose packs for various different markets: pharmaceutical, cosmetic, nutraceutical and chemical. A put option was also granted on the other 40% of the company. The total cost of the acquisition amounts to 26,400 thousand euros, commented in detail in Note 30 Business combinations;
- on 1 October 2019 GIMA S.p.A. and Eurosicma S.p.A. purchased from third parties 10% of Dreamer S.r.l. for 83 thousand euros and 30% of O.A.SYS. S.r.l. for 228 thousand euros, respectively, thereby reaching 100% of the share capital of the companies. It should also be noted that O.A.SYS. S.r.l. will be absorbed by Eurosicma S.p.A. with effect from 1 January 2020, whereas Dreamer S.r.l. has been put into liquidation;
- on 2 December 2019, the Chinese company ATOP (Shanghai) Electrical Equipment Co. Ltd. was set up, with registered office in Shanghai and share capital of 200,000 euros, held 100% by ATOP S.p.A., which organises technical assistance for the Chinese market.

See Note 30 "Business combinations" for further information.

Merger for the absorption of GIMA TT S.p.A. by the parent company IMA S.p.A.

On 11 June 2019 the Boards of Directors of IMA S.p.A. and GIMA TT S.p.A. approved the merger plan for the absorption of GIMA TT S.p.A. by IMA S.p.A. The merger also received the favourable opinion of the committee consisting solely of unrelated independent directors of GIMA TT S.p.A. in accordance with the provisions of the related party procedure of GIMA TT S.p.A.

The merger was carried out for the following purposes: (i) to create a company with a higher free float, both in terms of percentage of capital and in absolute value, with shares that are easier to trade and more attractive to investors; (ii) to reduce operating costs for the maintenance of two listed companies and simplify the shareholding structure and the corporate governance structure, thereby generating synergies for the benefit of all shareholders; and (iii) to allow management to devote itself fully to operational management of the "Tobacco" division, minimizing elements of distraction attributable to the volatility that has occurred in the sector, which was not foreseeable at the time that GIMA TT S.p.A. was listed in 2017.

To identify the economic elements of the merger, the Boards of Directors of the companies participating in the merger, with the help of financial advisors of proven professionalism and experience, have applied valuation methods commonly used for mergers between companies with characteristics similar to those of IMA S.p.A. and GIMA TT S.p.A.. The exchange ratio is based on assessments of the companies resulting from the application of various methods according to best national and international market practices. The merger plan was prepared on the basis of the financial statements at 31 December 2018 of the companies participating in the merger, approved by their respective ordinary shareholders' meetings on 30 April 2019 and used as merger balance sheets for the purposes of art. 2501-quater of the Italian Civil Code.

On 14 June 2019, the President of the Bologna Business Tribunal, in the section that specialises in company law, appointed EY S.p.A., chosen by both IMA S.p.A. and GIMA TT S.p.A., as the joint expert to draw up the report on the fairness of the exchange ratio. Their report said that the methods used to calculate the exchange ratio were suitable.

The Extraordinary Shareholders' Meetings of IMA S.p.A. and GIMA TT S.p.A. approved the merger plan by absorption on 8 August 2019.

Subsequently, on 31 October 2019 IMA S.p.A. and GIMA TT S.p.A. signed the merger deed, which was registered with the Bologna Companies Register on the same date.

The procedure was therefore successfully concluded and the merger took effect from 5 November 2019 (Effective Date), with the consequent termination of GIMA TT S.p.A.. On the other hand, the accounting and tax effects of the merger were backdated to 1 January 2019, in line with the fact that, in this transaction, control over the merged company's activities does not change, but goes from indirect to direct control. The reverse merger in question qualifies as a combination of companies under common control. This transaction only generated impacts on the consolidated financial statements with reference to relations with minority shareholders, in compliance with the provisions of IFRS 10.

On the Effective Date, IMA S.p.A. increased its share capital by a total nominal amount of 2,055,304.68 euros by issuing 3,952,509 shares to service the share exchange at a ratio of 11.4 ordinary shares of IMA with a par value of 0.52 euros each for every 100 ordinary shares of GIMA TT S.p.A. In application of this exchange ratio, GIMA TT S.p.A. shareholders, other than IMA, were assigned 3,952,509 new ordinary shares of IMA, with the same dividend date and characteristics as the IMA ordinary shares already in circulation on the Effective Date. Their holders were also granted the same rights as those due to holders of the ordinary shares of IMA in circulation at the time of the assignment. These newly issued shares were listed on the Electronic Stock Market organised and managed by Borsa Italiana S.p.A. (MTA).

Since the Effective Date, the share capital of IMA S.p.A. has therefore had a nominal amount of 22,470,504.68 euros, divided into 43,212,509 ordinary shares with a par value of 0.52 euros each, listed on the MTA.

The IMA shares assigned to serve the merger were made available to GIMA TT S.p.A. shareholders starting from the Effective Date through the depositary intermediaries belonging to Monte Titoli S.p.A. (Appointed Intermediaries). On that date, the ordinary shares representing the entire share capital of GIMA TT S.p.A. were cancelled and delisted from the MTA.

The Merger Deed is available to the public on the websites [www.ima.it](http://www.ima.it) and [www.gimatt.it](http://www.gimatt.it).

*Merger plan for the absorption of GIMA S.p.A., G.S. Coating Technologies S.r.l., Mapster S.r.l. and Revisioni Industriali S.r.l. by the parent company IMA S.p.A.*

In June 2019, the plans for IMA S.p.A. to absorb its direct or indirect subsidiaries GIMA S.p.A., G.S. Coating Technologies S.r.l., Mapster S.r.l. and Revisioni Industriali S.r.l. were filed with the local Companies Register. These mergers, in a simplified form and, therefore without a share exchange, without an increase in capital and without any change in the articles of association of the merging company, have been implemented on the basis of their respective financial statements at 31 December 2018.

The merger resolutions were approved by the Board of Directors of IMA S.p.A. and by the Shareholders' Meetings of the companies being merged.

These mergers were completed in December 2019, with effect from 1 January 2020.

## G) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The changes reported below have been calculated on figures at 31 December 2018 for balance sheet items and on figures for the year 2018 for income statement items. The figures relating to increases in non-current assets for internal work, previously included under Other revenue, were shown separately under Capitalized costs in the consolidated income statement.

### 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 plants for the processing of coffee, machines for the packaging of tea and herbal teas in filter bags and the packaging of coffee, for the food & beverage sector, for the personal care sector, for end-of-line equipment, for the dairy sector and for stock cubes and for primary packaging in the food sector with the use of flexible material (horizontal and vertical flow packs) for assembling medical products, for the tissue segment and the production of electric motors, 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;
  - pouch-filling machines through the Flex Pack Division;
- ATOP S.p.A. produces machines and automatic lines for manufacturing electric motors and rotors for the automotive sector;
- Benhil GmbH and Hassia Packaging Pvt. Ltd. produce machines for forming, filling and sealing, for containers and sticks, for ultraclean closure and wrapping machines;
- 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 Llc. 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;

- Spreafico Automation S.r.l. produces machines for filling and packaging coffee capsules;
- Tecmar S.A. produces packaging machines for the coffee and food sectors;
- 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 the 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 the following companies:

- IMA S.p.A. manufactures:
  - blister-pack machines, machines for the packaging of gelcaps, capsules and tablets and cartoning machines through IMA Safe division;
  - machines for the filling of flacons and vials with liquid products and powders under sterile and non-sterile conditions and freeze-drying systems through IMA Life division;
  - tablet pressing machines, capsule filling machines, coating and granulating machines, machines for the movement of powders and depowdering of tablets through the IMA Active division;
- CO.MA.DIS. 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 (Shanghai) Pharmaceutical Machinery Co. Ltd. produces filling systems under sterile conditions.
- 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 emerging nations;
- Swiftpack Ltd. and IMA North America Inc. manufacture machines for the bottling of capsules and tablets for the pharmaceutical industry;
- Perfect Pack S.r.l. produces automatic enveloping machines and complete lines for single-dose packs for various different markets: pharmaceutical, cosmetic, nutraceutical and chemical;
- Pharmasiena Service S.r.l. produces filling systems for phials and syringes under sterile conditions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Tobacco packaging

It designs, manufactures and markets machines and plants for tobacco packaging and related services. Activities in this sector are carried out by the IMA T&T division of IMA S.p.A. As mentioned in the Scope of Consolidation section, GIMA TT S.p.A. was absorbed by IMA S.p.A. with effect for tax and accounting purposes from 1 January 2019, thereby giving rise to the Parent Company's IMA T&T division.

### **ANALYSIS BY BUSINESS SEGMENT**

Information by business segment for 2019 and 2018 is shown below:

in thousands of euros	<b>2019</b>				Total
	Tea, Food & Other	Pharmaceutical	Tobacco packaging	Not allocated (*)	
Revenue from contracts with customer	804,570	699,594	91,363	–	1,595,527
Segment operating profit	65,392	102,713	24,370	–	192,475
Net financial income (expense) (**)					36,578
Profit (loss) from investments accounted for using the equity method	(7,438)	3,022	–	(266)	(4,682)
Profit before taxes					224,371
Taxes					(54,728)
Net profit from continuing operations					169,643
Profit (loss) from discontinued operations/disposal groups	–	–	–	–	–
Profit for the year					169,643

in thousands of euros	<b>2018</b>				Total
	Tea, Food & Other	Pharmaceutical	Tobacco packaging	Not allocated (*)	
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

(\*) 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following table gives a breakdown of revenue by business segment, with changes in revenues over the corresponding period of 2018:

in thousands of euros	2019	2018	Change
Tea, Food & Other	804,570	686,170	118,400
Pharmaceutical	699,594	631,269	68,325
Tobacco packaging	91,363	182,932	(91,569)
<b>Total</b>	<b>1,595,527</b>	<b>1,500,371</b>	<b>95,156</b>

Consolidated revenue in 2019 amounted to 1,595,527 thousand euros, an overall increase of 6.3%, of which 1.2% due to the organic growth, with respect to the previous year. Revenue by segment is discussed below:

- the Tea, Food & Other sector recorded a 17.3% increase in revenue over the previous year, thanks to the contribution of the ATOP, Spreafico and Tecmar businesses (72,729 thousand euros), generally confirming the strong leadership position held by the Group in these niche markets;
- the Pharmaceutical sector shows a significant increase in revenue of 10.8% (+68,325 thousand euros) with the newly acquired Perfect Pack contributing 2,616 thousand euros;
- the Tobacco sector is showing a strong contraction (-50%) compared with the previous year, mainly because of the lower backlog at the beginning of the year.

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

The following table shows operating profit by segment:

in thousands of euros	2019	2018	Change
Tea, Food & Other	65,392	38,906	26,486
Pharmaceutical	102,713	99,024	3,689
Tobacco packaging	24,370	72,127	(47,757)
<b>Total</b>	<b>192,475</b>	<b>210,057</b>	<b>(17,582)</b>

The operating profit of the Tea, Food & Other sector amounted to 65,392 thousand euros (8.1% of revenue) compared with 38,906 thousand euros in 2018 (5.7% of revenue), after having deducted non-recurring charges of 2,178 thousand euros (6,346 thousand euros the previous year).

The Pharmaceutical sector posted a good increase in operating profit compared with the previous year, while the decrease in the Tobacco sector's operating profit reflects lower sales volumes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The tables below provide other income statement information regarding Group operations by sector:

<b>2019</b>				
in thousands of euros	Tea, Food & Other	Pharma- ceutical	Tobacco packaging	Total
Amortization, depreciation, impairment and writedowns	56,249	22,994	1,723	80,966
Other non-monetary costs (revenues)	5,814	2,048	454	8,316

<b>2018</b>				
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

The increase in depreciation and amortisation in the various sectors mainly reflects the adoption of IFRS 16.

Capital expenditure by operating segment are as follows:

in thousands of euros	2019	2018	Change
Tea, Food & Other	444,930	188,991	255,939
Pharmaceuticals	77,315	19,430	57,885
Tobacco packaging	3,751	3,629	122
<b>Total</b>	<b>525,996</b>	<b>212,050</b>	<b>313,946</b>

See Note 30 as regards the allocation of the intangible assets recognized in 2019 in connection with the acquisition of ATOP S.p.A., Spreafico Automation S.r.l. and Tecmar S.A. for 396,715 thousand euros, attributable to the Tea, Food & Other sector, as well as Perfect Pack S.r.l. for 26,595 thousand euros attributable to the Pharmaceutical sector.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Balance sheet information at 31 December 2019 is shown below:

31 December 2019					
in thousands of euros	Tea, Food & Other	Pharmaceutical	Tobacco packaging	Non allocated (*)	Total
Segment operating assets	1,368,836	588,255	59,512	–	2,016,603
Investments accounted for using the equity method	4,602	16,805	–	4,670	26,077
Financial assets	3,419	3,094	–	61,490	68,003
Deferred tax assets					58,353
Income tax receivables					21,296
Cash and cash equivalents					110,699
<b>Total assets</b>					<b>2,301,031</b>

31 December 2019					
in thousands of euros	Tea, Food & Other	Pharmaceutical	Tobacco packaging	Non allocated	Total
Segment operating liabilities	457,583	379,217	28,507	–	865,307
Borrowings and lease liabilities					808,492
Deferred tax liabilities					108,827
Income tax liabilities and other provision for risks					13,525
<b>Total liabilities</b>					<b>1,796,151</b>

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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
<b>Total assets</b>					<b>1,659,833</b>

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
<b>Total liabilities</b>					<b>1,238,899</b>

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

Following the adoption of IFRS 15 in 2018, 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, business segment and timing of recognition.

**ANALYSIS BY GEOGRAPHICAL AREA**

<b>2019</b>				
in thousands of euros	Tea, Food & Other	Pharma- ceutical	Tobacco packaging	Total
European Union (excluding Italy)	222,508	197,105	31,707	451,320
Other European countries	75,912	28,552	4,594	109,058
North America	182,074	130,505	1,095	313,674
Asia & Middle East	144,146	171,741	38,808	354,695
Italy	92,382	85,599	14,854	192,835
Other countries	87,548	86,092	305	173,945
<b>Total</b>	<b>804,570</b>	<b>699,594</b>	<b>91,363</b>	<b>1,595,527</b>

<b>2018</b>				
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
<b>Total</b>	<b>686,170</b>	<b>631,269</b>	<b>182,932</b>	<b>1,500,371</b>

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 Spain, France, Ireland and Slovenia;
- sales in other European countries are slightly decreasing compared with the previous year, especially in Russia;
- North America is growing significantly in a context essentially without significant local competition;
- in Asia and the Middle East there was a slight decrease of 5.6%, but this confirms the importance of this market, which regularly accounts for more than 20% of Group sales. 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 and a decrease in Japan;
- revenue from other countries reflects a variety of trends with growth in Brazil, Mexico, Algeria and Morocco;
- the growth in Italy was 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 market like Italy.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	31.12.2019	31.12.2018
Italy	989,349	449,699
European Union (excluding Italy)	68,078	62,004
Other European countries	58,323	38,055
North America	58,069	43,673
Asia & Middle East	35,079	24,349
Other countries	14,850	10,038
<b>Total</b>	<b>1,223,748</b>	<b>627,818</b>

Operations are allocated to the geographical areas in which they are located. The increase in Italy mainly reflects the acquisition of ATOP S.p.A., Perfect Pack S.r.l. and Spreafico Automation S.r.l.

### **REVENUE BY BUSINESS CATEGORY**

<b>2019</b>				
in thousands of euros	Tea, Food & Other	Pharma- ceutical	Tobacco packaging	Total
Original Equipment	595,222	476,966	50,733	1,122,921
After-Sales	209,348	222,628	40,630	472,606
<b>Total</b>	<b>804,570</b>	<b>699,594</b>	<b>91,363</b>	<b>1,595,527</b>

<b>2018</b>				
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
<b>Total</b>	<b>686,170</b>	<b>631,269</b>	<b>182,932</b>	<b>1,500,371</b>

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 kits.

**REVENUE BY TIMING OF RECOGNITION**

<b>2019</b>				
in thousands of euros	Tea, Food & Other	Pharma- ceutical	Tobacco packaging	Total
Revenue at a point in time	392,652	280,133	35,105	707,890
Revenue over time	411,918	419,461	56,258	887,637
<b>Total</b>	<b>804,570</b>	<b>699,594</b>	<b>91,363</b>	<b>1,595,527</b>

<b>2018</b>				
in thousands of euros	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
<b>Total</b>	<b>686,170</b>	<b>631,269</b>	<b>182,932</b>	<b>1,500,371</b>

Contract work and part of the technical assistance, commissioning services in particular, are obligations to be fulfilled over time.

The machines, kits, spare parts and other materials and the after-sales technical assistance represent obligations to fulfil at a point in time.

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

in thousands of euros	
Tea, Food & Other	326,344
Pharmaceutical	528,745
Tobacco packaging	53,960
<b>Total</b>	<b>909,049</b>

It is expected that approximately 88.5% of orders not yet processed at 31 December 2019 will be fulfilled in the next financial year.



## 2. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS

### PROPERTY, PLANT AND EQUIPMENT

The changes during the year were as follows:

in thousands of euros	Land and Building	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
<b>Balances at 01.01.2018</b>						
Gross amount	92,230	62,730	35,124	42,879	3,255	236,218
Accumulated depreciation and write-downs	(34,477)	(45,556)	(29,399)	(31,694)	–	(141,126)
<b>Balances at 01.01.2018</b>	<b>57,753</b>	<b>17,174</b>	<b>5,725</b>	<b>11,185</b>	<b>3,255</b>	<b>95,092</b>
Monetary revaluation for hiperinflation	–	497	–	5	–	502
Additions	16,116	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	(5,107)	(1,891)	(1,412)	(746)	(231)	(9,387)
Change in scope of consolidation	2,526	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	244	(216)	3	(8)	9	32
<b>Balances at 31.12.2018</b>	<b>66,560</b>	<b>21,800</b>	<b>5,011</b>	<b>12,832</b>	<b>5,687</b>	<b>111,890</b>
<b>Balances at 01.01.2019</b>						
Gross amount	97,340	70,896	33,521	44,390	5,687	251,834
Accumulated depreciation and write-downs	(30,780)	(49,096)	(28,510)	(31,558)	–	(139,944)
<b>Balances at 01.01.2019</b>	<b>66,560</b>	<b>21,800</b>	<b>5,011</b>	<b>12,832</b>	<b>5,687</b>	<b>111,890</b>
Reclassifications for adoption of IFRS 16	(40,723)	(20)	–	(605)	(326)	(41,674)
Monetary revaluation for hiperinflation	–	290	–	26	–	316
Additions	6,937	5,283	1,846	4,686	6,614	25,366
Sales and eliminations	(4)	(405)	(5)	(105)	(3)	(522)
Change in scope of consolidation	10,706	1,688	325	736	256	13,711
Depreciation	(1,198)	(5,273)	(2,138)	(4,052)	–	(12,661)
Reclassifications and other changes	3,969	927	560	146	(1,808)	3,794
Exchange rate difference	128	(215)	7	43	9	(28)
<b>Balances at 31.12.2019</b>	<b>46,375</b>	<b>24,075</b>	<b>5,606</b>	<b>13,707</b>	<b>10,429</b>	<b>100,192</b>
Gross amount	54,614	78,536	36,997	48,051	10,429	228,627
Accumulated depreciation and write-downs	(8,239)	(54,461)	(31,391)	(34,344)	–	(128,435)
<b>Balances at 31.12.2019</b>	<b>46,375</b>	<b>24,075</b>	<b>5,606</b>	<b>13,707</b>	<b>10,429</b>	<b>100,192</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Land and buildings refer to the following Group companies:

in thousands of euros	Land		Buildings	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
IMA S.p.A.	2,591	2,299	1,528	2,897
ATOP S.p.A.	151	–	10,420	–
Ciemme S.r.l.	780	780	4,150	1,581
Delta Systems & Automation Inc.	1,231	1,208	4,962	5,036
GIMA S.p.A.	573	2,556	1,397	8,154
Hassia Packaging Pvt. Ltd.	43	43	559	591
Ilapak Inc.	169	166	888	928
Ilapak Italia S.p.A.	763	763	3,492	1,660
Ilapak Sp. Z o.o.	450	445	853	873
Ilapak Verpackungsmaschinen GmbH	115	115	480	496
IMA France Eurl	183	183	355	374
IMA-PG India Pvt. Ltd.	1,968	1,980	1,612	1,319
Società del Sole S.r.l.	2,977	2,977	–	–
Tissue Machinery Company S.p.A.	728	–	2,669	–
Other	89	31	199	209
<b>Total</b>	<b>12,811</b>	<b>13,546</b>	<b>33,564</b>	<b>24,118</b>

During the year, the subsidiary Tissue Machinery Company S.p.A. acquired the plant in Castel Guelfo (BO), previously rented, for 3,437 thousand euros and Ilapak Italia S.p.A. completed the construction of its new plant in Foiano della Chiana (AR).

Other additions for the period mainly relate to costs incurred to extend and upgrade buildings and the purchase of plant, machinery and electronic machines.

The change in the scope of consolidation reflects the acquisitions during the period as commented on in Note 30. The reclassifications and other changes essentially refer to the Krakow (Poland) factory of Ilapak Sp. Z o.o. and Ciemme S.r.l.

The "Currency revaluation due to hyperinflation" relates to the Argentine subsidiaries IMA MAI S.A. and Tecmar S.A.

"Other assets" comprise:

in thousands of euros	31.12.2019	31.12.2018
Electronic office machines	8,422	7,210
Office furniture and fittings	2,941	2,828
Vehicles	1,630	1,996
Other	714	798
<b>Total</b>	<b>13,707</b>	<b>12,832</b>

Assets under construction and advances mainly include equipment and machinery under construction.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Mortgages have been granted on the properties of Castel Guelfo (BO) and Barberino Tavarnelle (FI), owned by Tissue Machinery Company S.p.A. and ATOP S.p.A., against loans as commented in Note 15.

There are no internal or external elements to suggest that assets have suffered an impairment in value.

### RIGHT OF USE ASSETS

The following table provides details of the right of use assets and related changes during the period:

in thousands of euros	Land and Building	Plant and machinery	Industrial & comm. equipment	Other assets	Assets under construction	Total
<b>Balances at 01.01.2019</b>	<b>137,327</b>	<b>–</b>	<b>25</b>	<b>4,360</b>	<b>–</b>	<b>141,712</b>
Reclassifications for adoption of IFRS 16	40,723	20	–	605	326	41,674
Monetary revaluation for hiperinflation	177	–	–	–	–	177
Additions	26,847	395	36	2,950	7,356	37,584
Decreases	(3,748)	–	–	(212)	–	(3,960)
Change in scope of consolidation	14,091	728	–	270	6,828	21,917
Depreciation	(23,493)	(70)	(22)	(2,270)	–	(25,855)
Reclassifications	(708)	(12)	–	–	(184)	(904)
Exchange rate difference	421	–	–	24	2	447
<b>Balances at 31.12.2019</b>	<b>191,637</b>	<b>1,061</b>	<b>39</b>	<b>5,727</b>	<b>14,328</b>	<b>212,792</b>
Gross amount	240,269	1,415	75	8,412	14,328	264,499
Accumulated depreciation	(48,632)	(354)	(36)	(2,685)	–	(51,707)
<b>Balances at 31.12.2019</b>	<b>191,637</b>	<b>1,061</b>	<b>39</b>	<b>5,727</b>	<b>14,328</b>	<b>212,792</b>

In April 2019 IMA S.p.A. signed a contract concerning the lease of a building with a surface area of approximately 32,600 square metres, located in Castel San Pietro Terme (Bologna). As required by IFRS 16, this contract led to the recognition of ROUs for 13,473 thousand euros in 2019.

The other assets are essentially cars and assets under construction are mainly attributable to CMRE S.r.l.'s building complex under construction in Ozzano dell'Emilia (BO).

As regards the accounting impact of FTA of IFRS 16, please refer to the comments in the section entitled "Implementation of accounting standards".

It should be noted that in the consolidated financial statements at 31 December 2018, property, plant and equipment included the contractual value of assets held under finance leases and presented in accordance with IAS 17, which was in force until 31 December 2018. From 1 January 2019, the balances outstanding at 31 December 2018 of 12,452 thousand euros were reclassified to assets for rights of use, in accordance with IFRS 16. In addition, 29,222 thousand euros of leasehold improvements have been reclassified.

For further information on lease liabilities, see Note 15.

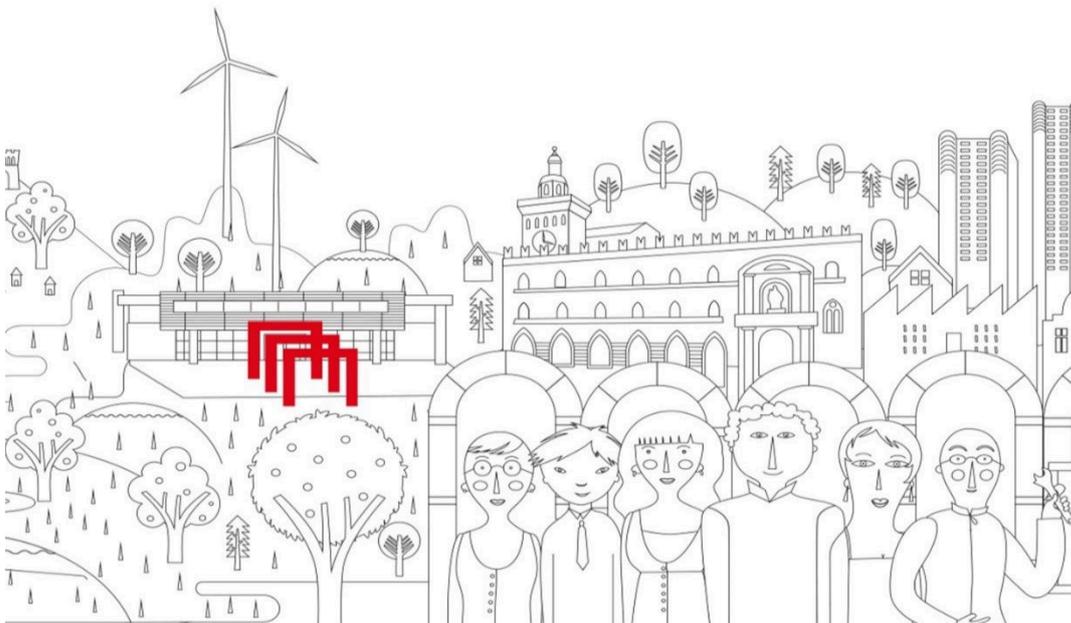
## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In the income statement for 2019, the FTA of IFRS 16 led to the elimination of operating lease payments for 23,170 thousand euros and recognition of depreciation on the right-of-use assets and interest expense on the lease liabilities, as reported below:

in thousands of euros	2019
Depreciation of right of use assets	21,024
Short-term or low-value lease fees	4,591
Interest expense on lease liabilities	4,208
<b>Amounts recognized in PL</b>	<b>29,823</b>

The lease instalments relating to contracts excluded from IFRS 16 refer to short-term leases for property, plant and equipment and/or leases involving low-value assets, classified in the costs for services, rentals and leases for 3,262 thousand euros and personnel costs for 1,329 thousand euros.

Leases attributable to intangible assets, on the other hand, are not included.



### 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
<b>Balances at 01.01.2018</b>						
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)
<b>Balances at 01.01.2018</b>	<b>89,945</b>	<b>5,547</b>	<b>62,444</b>	<b>191,639</b>	<b>12,587</b>	<b>362,162</b>
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 business divisions/companies	35,448	–	67,932	50,945	–	154,325
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
<b>Balances at 31.12.2018</b>	<b>106,065</b>	<b>5,534</b>	<b>103,091</b>	<b>222,374</b>	<b>16,916</b>	<b>453,980</b>
<b>Balances at 01.01.2019</b>						
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)
<b>Balances at 01.01.2019</b>	<b>106,065</b>	<b>5,534</b>	<b>103,091</b>	<b>222,374</b>	<b>16,916</b>	<b>453,980</b>
Monetary revaluation for hiperinflation	–	11	6	–	–	17
Additions	5,228	2,702	5,376	–	19,619	32,925
Sales and eliminations	–	(125)	(2)	–	–	(127)
Changes in scope of consolidation	1,588	488	204	–	–	2,280
Acquisition of ATOP S.p.A.	45,263	–	83,588	239,761	–	368,612
Acquisition of Perfect Pack S.r.l.	5,037	–	9,150	12,408	–	26,595
Acquisition of Spreafico S.r.l.	18,355	–	4,989	695	–	24,039
Acquisition of Tecmar S.A.	2,061	–	966	1,037	–	4,064
Acquisition of Spare & More and Claren	–	–	2,644	1,227	–	3,871
Acquisition of other companies	–	–	–	2,940	–	2,940
Amortization	(24,626)	(2,002)	(15,725)	–	–	(42,353)
Writedowns/impairment	–	–	(97)	–	–	(97)
Reclassifications and other changes	5,192	100	66	(2,240)	(5,384)	(2,266)
Exchange rate difference	42	(8)	10	218	84	346
<b>Balances at 31.12.2019</b>	<b>164,205</b>	<b>6,700</b>	<b>194,266</b>	<b>478,420</b>	<b>31,235</b>	<b>874,826</b>
Gross amount	311,291	33,873	281,703	478,420	31,235	1,136,522
Accumulated amortization and write-downs	(147,086)	(27,173)	(87,437)	–	–	(261,696)
<b>Balances at 31.12.2019</b>	<b>164,205</b>	<b>6,700</b>	<b>194,266</b>	<b>478,420</b>	<b>31,235</b>	<b>874,826</b>

Development costs include the costs incurred for unpatented technology, the useful life of which has been estimated to be between 5 and 13 years and is attributable to the following acquisitions:

in thousands of euros	Year of acquisition	31.12.2019	31.12.2018
ATOP S.p.A.	2019	42,926	–
Spreafico Automation S.r.l.	2019	16,978	–
Perfect Pack S.r.l.	2019	4,827	–
Tecmar S.A.	2019	1,906	–
Ciemme S.r.l.	2018	4,087	4,568
Gruppo TMC	2018	21,617	24,211
Petroncini Impianti S.p.A.	2018	6,357	7,128
Eurosicma S.p.A.	2017	14,741	16,583
Benhil GmbH and Hassia Packaging Pvt. Ltd.	2015	6,923	8,263
Ilapak Group	2013	6,013	7,692
Dairy&Convenience Food business of Corazza Group	2011	1,925	3,706

In addition, this caption includes costs of 9,188 thousand euros incurred by the Parent Company on projects related to the Pharmaceutical sector, 7,269 thousand euros on project development for the Tea, Food & Other sector and 2,556 thousand euros on projects relating to the Tobacco sector.

As also mentioned in the report on operations, research and development costs that do not meet the requirements for capitalization were charged to profit and loss for an amount of 53,946 thousand euros (55,314 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, as well as the purchase of patents for 920 thousand euros relating to machines for the production of filter bags with infusion products.

Software, licences, trademarks and other rights mainly include applications, management and technical software and intangible assets related to customers ("customer list") and trademarks for 126,147 thousand euros and 55,037 thousand euros respectively, recognized following the acquisitions of ATOP, Perfect Pack, Spreafico, Eurosicma, Ilapak, 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	31.12.2019	31.12.2018
Tea, Food & Other:		
CGU ATOP	239,761	–
CGU Automation	16,442	16,442
CGU Coffee	12,457	11,025
CGU Food & Dairy	41,835	41,835
CGU Flex Pack	38,460	38,110
CGU Tea	16,904	16,904
CGU Tissue	37,628	36,623
	<b>403,487</b>	<b>160,939</b>
Pharmaceutical:		
CGU Active	12,505	12,505
CGU Life	27,467	27,455
CGU Safe	34,961	21,475
	<b>74,933</b>	<b>61,435</b>
<b>Total</b>	<b>478,420</b>	<b>222,374</b>

In consideration of the important growth of the IMA Group, dictated by a strong inorganic component in recent years, which has led to a significant increase in terms of size and the number of companies included in the scope of consolidation, also reflected in the increased granularity of financial reporting, in a steady decline in the individual company's contribution to the Group result and in the adoption of strategies that tend to shift from the individual companies to the Division that aggregates them, it was decided to change the structure of the CGUs to follow this logic of aggregation. This change reflects the fact that monitoring for internal management purposes, which was previously handled in a more independent manner by each company, since 2019 now takes place Division by Division, using the same approach for them all. So, from this Annual Report, management has identified new "CGU Groups" which represent the new minimum unit for monitoring goodwill. This revision of the CGUs complies with the accounting standards and the guidelines laid down in the OIV's discussion paper, Exposure Draft 2019, also through the assistance of an external consultant, and was approved by the Board of Directors on 12 March 2020.

As regards the goodwill recognized on the acquisitions of ATOP, CMRE, Luna Investment, Spares & More and Claren, Spreafico, Tecmar and Perfect Pack, please refer to the comments in Note 30.

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 divisions and/or business units 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 produced from managing the operations*

*WACC = Weighted Average Cost of Capital*

*N = Number of years in the discount period*

*TV = Terminal Value, i.e. the current 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 for all CGUs, except the ATOP CGU for which it is 5 years. At the end of the explicit forecast period (2022, or 2024 for the ATOP CGU), 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 2020 budget (approved by the Board of Directors on 12 March 2020) and the 2021-2022 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, with the exception of the ATOP CGU where it is equal to 1 due to the significant growth expected for the E-traction market. 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 the formation of WACC, would result in better impairment results.

With reference to the values of goodwill at 31 December 2019, the impairment test procedures, applied on the basis of the methodologies and assumptions described above, found the carrying amounts to be

fully recoverable. 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.

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 2020-2022 Sales %
CGU ATOP (*)	239,761	6.17	18.6
CGU Automation	16,442	5.24	2.2
CGU Coffee	12,457	6.17	5.3
CGU Food & Dairy	41,835	6.17	3.4
CGU Flex Pack	38,460	6.14	2.7
CGU Tea	16,904	6.17	2.8
CGU Tissue	37,628	6.17	3.4
CGU Active	12,505	6.17	4.0
CGU Life	27,467	6.23	1.5
CGU Safe	34,961	6.17	2.0

(\*) The CAGR of the ATOP CGU refers to the period 2020-2024.

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. This monitoring was carried out on the basis of the new aggregation of CGUs, considered to be 1st level, and on the basis of the previous aggregation, considered to be 2nd level.

In addition, during prior years, the amounts of goodwill of the Nova Group (Safe CGU), Zanchetta and ICO OLEODINAMICI (Active CGU) 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 (20,282 thousand euros), GIMA S.p.A. (2,341 thousand euros) and Tissue Machinery Company S.p.A. (1,323 thousand euros) and concern new products that were not previously

available and are targeted at new market segments. Assets under development have been tested for impairment, but no adjustments emerged.

#### 4. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Below is a breakdown:

in thousands of euros	31.12.2019	31.12.2018
Associates:		
Amherst Stainless Fabrication LLC	422	356
APM Assembly Packaging Machinery S.r.l.	360	–
ATOPbi S.p.A.	–	16,322
B.C. S.r.l.	3,254	2,992
Bacciottini F.lli S.r.l.	876	852
Bolognesi S.r.l.	1,254	1,139
Doo Officina-Game East Vrsac	380	341
I.E.M.A. S.r.l.	1,794	1,498
IMA Dairy & Food Holding GmbH	4,560	12,000
Inkbit LLC	1,810	2,110
LA.CO S.r.l.	533	508
Logimatic S.r.l.	1,190	941
Meccanica Sarti S.r.l.	1,254	1,214
MORC2 S.r.l.	1,784	1,696
OLTRE S.r.l.	250	–
O.M.S. Officina Meccanica di Sonico S.r.l.	1,102	1,040
RO.SI S.r.l.	286	347
SIL.MAC. S.r.l.	1,588	1,055
Talea S.r.l.	212	211
Sirio S.p.A. Associazione in partecipazione	2,648	3,298
Other associates	520	833
	<b>26,077</b>	<b>48,753</b>
Joint venture:		
CMRE S.r.l.	–	4,156
	–	<b>4,156</b>
<b>Total</b>	<b>26,077</b>	<b>52,909</b>

In relation to ATOPbi S.p.A. and CMRE S.r.l., refer to the comments in section "Scope of consolidation".

At the reporting date, the Group assessed whether there was any evidence that investments in associated companies had suffered an impairment loss. In this case, the Group calculated the amount of the impairment as the difference between the recoverable value of the associated company and their carrying value in its financial statements, recognizing this difference in the income statement. An impairment loss was recorded for the associated company IMA Dairy & Food, held 40% by the Parent Company, for an amount equal to 7,440 thousand euros.

The summary data was prepared using the financial statements at 31 December 2018 of the Italian associated companies prepared in accordance with the national accounting standards; on the basis of analyses, the adjustments to align these financial statements with international accounting standards would not have led to significant differences.

The Group does not have any associated companies that are individually significant. 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 Group's share of the aggregate amount of profit from associated companies accounted for using the equity method in 2019 amounts to -4,682 thousand euros (2,485 thousand euros the previous year). The amount for the current year includes the impairment loss of IMA Dairy & Food commented on above.

During 2019, the subsidiary Packaging Manufacturing Industry S.r.l. acquired 32% of A.P.M. Assembly Packaging Machinery S.r.l., based in Castel Bolognese (RA), which operates in the assembly, production and sale of mechanical parts, machinery and equipment in general, 30% of OLTRE S.r.l., based in Ozzano dell'Emilia (BO), which provides consultancy services in the field of mechanical engineering, and 20% of OMEGA S.r.l., based in Castel Guelfo (BO), which operates in the business security sector.

Brief information about transactions with associates is given below:

- Amherst Stainless Fabrication Llc operates in the field of mechanical engineering and industrial assembly;
- 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;
- IMA Dairy & Food Holding GmbH, through its subsidiaries, looks after the design, construction and sale of automatic machines and integrated systems, to form, fill and seal food products, particularly in the dairy sector;
- Inkbit Llc is a start-up located in the USA 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;
- O.M.S. Officina Meccanica di Sonico S.r.l. is active in the machining of mechanical parts and machine construction;
- RO.SI S.r.l. operates in the field of mechanical engineering in general and in particular in the mechanical engineering of plastic materials;
- SIL.MAC. S.r.l. operates in the field of mechanical engineering, specialising in the construction of machines for third parties;

- Talea S.r.l. operates in the IT sector.

Other investments in associates consist of the following:

- Powertransmission.it S.r.l. manufactures and sells engineering components, assemblies and complete plant;
- Masterpiece S.r.l. operates in the field of mechanical engineering;
- STA.MA. S.r.l. is active in the assembly, construction and overhaul of automated machines;
- BLQ S.r.l., CAIMA S.r.l., FID S.r.l. Impresa Sociale, Me.Mo. S.r.l., OMEGA S.r.l., Scriba Nanotecnologie S.r.l. and S.I.Me. S.r.l.

During 2019 Packaging Manufacturing Industry S.r.l. recognized dividends from associated companies totalling 1,487 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., Powertransmission.it S.r.l., RO.SI S.r.l., SIL.MAC. S.r.l., STA.MA. S.r.l. and Talea S.r.l. and the Parent Company IMA S.p.A. of 180 thousand euros from B.C. S.r.l.

The following table sets out the goodwill included in the carrying amount of the above equity investments at 31 December 2019:

in thousands of euros	31.12.2019	31.12.2018
Associates:		
A.P.M. Assembly Packaging Machinery S.r.l.	122	–
ATOPbi S.p.A.	–	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	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
OLTRE S.r.l.	237	–
O.M.S. Officina Meccanica di Sonico S.r.l.	167	167
RO.SI S.r.l.	232	232
Scriba Nanotecnologie S.r.l.	123	123
SIL.MAC. S.r.l.	131	131
Talea S.r.l.	145	145
<b>Total</b>	<b>6,582</b>	<b>20,094</b>

As regards guarantees granted to associated companies, please read Note 31.

## 5. FINANCIAL ASSETS

The item breaks down as follows:

in thousands of euros	31.12.2019	31.12.2018
Non-current:		
· Financial asset measured at amortized cost	42,472	42,178
· Financial asset measured at FVOCI	6,852	4,888
· Financial asset measured at FVPL	439	439
	<b>49,763</b>	<b>47,505</b>
Current:		
· Financial asset measured at amortized cost	2,650	8,461
· Financial asset measured at FVOCI	15,590	12,901
· Financial asset measured at FVPL	–	820
	<b>18,240</b>	<b>22,182</b>
<b>Total</b>	<b>68,003</b>	<b>69,687</b>

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 2019, the Group does not have any financial assets held for trading purposes.

Non-current financial assets measured at amortised cost at 31 December 2019 essentially refer to the loan granted by the Parent Company to the associate IMA Dairy & Food Holding GmbH for 40,000 thousand euros.

Non-current financial assets measured at FVOCI include investments in other companies.

Current financial assets measured at amortised cost mainly consist of loans granted by the Parent Company and Packaging Manufacturing Industry S.r.l. to some associates for a total of 2,530 thousand euros (6,276 thousand euros at 31 December 2018). For completeness, it should be noted that at 31 December 2018 there were loans granted to third parties by Ilapak International SA for 2,058 thousand euros.

Current financial assets valued at FVOCI mainly include investment funds attributable to the Parent Company for 11,750 thousand euros (7,853 thousand euros at 31 December 2018), classified in level 3 of the fair value hierarchy, whose benchmark for measurement is their net asset value at 31 December 2019.

Movements in financial assets break down as follows:

in thousands of euros	2019	2018
<b>Opening balance</b>	69,687	22,915
Increases	11,067	52,304
Profit/(losses) recognized in OCI	(1,032)	540
Profit/(losses) recognized in PL	2,590	(543)
Change in scope of consolidation	–	753
Decreases	(14,298)	(6,109)
Exchange rate difference	(11)	(173)
<b>Closing balance</b>	<b>68,003</b>	<b>69,687</b>

## 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		Liabilities	
	31.12.2019	31.12.2019	31.12.2018	31.12.2018
Interest rate hedging instruments - cash flow hedges	–	5,351	–	3,808
Exchange rate hedging instruments - cash flow hedges	983	91	382	1,308
<b>Total</b>	<b>983</b>	<b>5,442</b>	<b>382</b>	<b>5,116</b>

### INTEREST RATE DERIVATIVES

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

At 31 December 2019, the amount of 3,711 thousand euros in liabilities represents the fair value of derivative contracts to hedge the interest rate risk arranged by the Parent Company with leading banks and connected to a bond loan, and part of the medium-term loans that expire by the end of 2024, on a nominal value of 28.6 million US dollars and 289.0 million euros (35.7 million US dollars and 180.0 million euros at 31 December 2018).

In addition, the residual amount of 1,640 thousand euros in liabilities represents the fair value of interest rate hedging derivative contracts entered into by GIMA S.p.A., ATOP S.p.A., CMRE S.r.l. and Tissue Machinery Company S.p.A. on a total nominal amount of 43.0 million euros.

### EXCHANGE RATE DERIVATIVES

For the disclosure requirements of IFRS 7.24A, it should be noted that as regards exchange rate derivatives, only forward contracts with 100% effectiveness are stipulated, as per the Group Policy. 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 2019, the amounts of 983 thousand euros in assets and 91 thousand euros in liabilities represent the fair value of these derivative contracts.

The notional amount of these exchange rate hedges were 60.2 million US dollars and 60.0 million Chinese yuan (62.8 million US dollars, 61.6 million Chinese yuan and 0.9 million Turkish Lire at 31 December 2018).

All foreign currency derivatives at 31 December 2019 mature within 12 months.

## 8. DEFERRED TAX ASSETS AND LIABILITIES

At 31 December 2019, the deferred tax asset of 58,353 thousand euros (49,226 thousand euros at 31 December 2018), 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 108,827 thousand euros (58,789 thousand euros at 31 December 2018) and mainly relate to temporary differences between the book values of certain tangible and intangible assets and their values recognized for tax purposes. The increase during the year mainly reflects the recognition of deferred tax liabilities on intangible assets recognized as part of the acquisitions during the period.

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

in thousands of euros	31.12.2019	31.12.2018
Opening balance at the beginning of the year	(9,563)	6,351
Credited/(Charged) to PL	5,527	(211)
Credited/(Charged) to equity	223	343
Change in scope of consolidation	(46,265)	(25,040)
Sale of 60% of IMA D&F	-	16,678
Exchange rate difference and other changes	(396)	(7,684)
<b>Net amount at the end of the year</b>	<b>(50,474)</b>	<b>(9,563)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	Amortization	Income (losses) from fair value	Actuarial valuation	Other	Total
<b>Balances at 01.01.2018</b>	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)
<b>Balances at 31.12.2018</b>	<b>22,973</b>	<b>5,984</b>	<b>(53,039)</b>	<b>908</b>	<b>1,940</b>	<b>11,671</b>	<b>(9,563)</b>
Effect on PL	531	571	7,238	–	–	(2,813)	5,527
Effect on equity	–	–	–	(564)	787	–	223
Change in scope of consolidation	3,758	420	(49,290)	299	137	(1,589)	(46,265)
Exchange rate difference and other changes	40	146	(866)	–	15	269	(396)
<b>Balances at 31.12.2019</b>	<b>27,302</b>	<b>7,121</b>	<b>(95,957)</b>	<b>643</b>	<b>2,879</b>	<b>7,538</b>	<b>(50,474)</b>

"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 3,197 thousand euros (2,421 thousand euros at 31 December 2018).

On the basis of the projections of the Group's expected tax results, there are no critical issues that preclude the recoverability of the deferred tax assets.

### 9. INVENTORIES

Below is a breakdown:

in thousands of euros	31.12.2019			31.12.2018		
	Gross value	Impairment provision	Net value	Gross value	Impairment provision	Net value
Raw, ancillary and consumable materials	90,047	(13,536)	76,511	76,587	(10,670)	65,917
Work in progress and semifinished goods	294,689	(41,356)	253,333	274,590	(34,730)	239,860
Finished products and goods for resale	17,267	(2,867)	14,400	16,825	(2,878)	13,947
<b>Total</b>	<b>402,003</b>	<b>(57,759)</b>	<b>344,244</b>	<b>368,002</b>	<b>(48,278)</b>	<b>319,724</b>

At 31 December 2019 the inventories attributable to the companies acquired in 2019 amounted to 21,639 thousand euros, of which 13,832 thousand euros and 2,347 thousand euros relate to ATOP S.p.A. and Spreafico Automation S.r.l., respectively.

The increase in inventories since 31 December 2018 mainly reflects the substantial amount of the backlog at the end of the year.

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

in thousands of euros	
<b>Balances at 01.01.2018</b>	<b>51,486</b>
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
<b>Balances at 31.12.2018</b>	<b>48,278</b>
Net provisions (uses)	4,744
Change in scope of consolidation	4,610
Exchange rate difference	127
<b>Balances at 31.12.2019</b>	<b>57,759</b>

The net increase in inventories reported in the consolidated cash flow statement differs from the change in the corresponding item of the balance sheet as a result of inventories attributable to business combinations, as commented in Note 30.

## 10. TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

### TRADE AND OTHER RECEIVABLES

This item breaks down as follows:

in thousands of euros	31.12.2019	31.12.2018
Trade receivables	182,926	194,541
Advances to suppliers	29,145	23,359
Tax receivables	15,919	19,981
Deferred costs	10,060	9,585
Other receivables	5,853	10,246
<b>Total</b>	<b>243,903</b>	<b>257,712</b>

### TRADE RECEIVABLES

Trade receivables include customer receivables of 171,779 thousand euros (183,084 thousand euros at 31 December 2018) and trade receivables from associates of 11,147 thousand euros (11,457 thousand euros at 31 December 2018).

At 31 December 2019, trade receivables attributable to business combinations carried out during the year came to a total of 22,440 thousand euros.

Trade receivables from customers are carried net of accumulated provisions amounting to 19,411 thousand euros (18,392 thousand euros at 31 December 2018).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

in thousands of euros	2019	2018
<b>Opening balance</b>	<b>18,392</b>	<b>18,908</b>
Effect on PL	665	507
Uses	(696)	(1,595)
Change in scope of consolidation	938	1,486
Sale of 60% of IMA D&F	–	(934)
Exchange rate difference and other	112	20
<b>Closing balance</b>	<b>19,411</b>	<b>18,392</b>

Customer receivables falling due beyond 12 months amounted to 1,414 thousand euros (1,195 thousand euros at 31 December 2018).

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 2019 amounted to around 67,951 thousand euros (51,946 at 31 December 2018) of which 55,667 thousand euros is assigned to factoring companies and 12,284 thousand euros to other financial institutions. The period saw the assignment without recourse of receivables with an overall nominal value of around 100,304 thousand euros (86,386 thousand euros in 2018). The requirements for eliminating these receivables exist in accordance with IFRS 9.

The breakdown by maturity is as follows:

in thousands of euros	Not yet due	Past due		Total
		< 12 months	> 12 months	
<b>31.12.2019</b>				
Gross trade receivables	108,196	61,762	21,232	191,190
Bad debt provision	(1,388)	(1,101)	(16,922)	(19,411)
<b>Net trade receivables</b>	<b>106,808</b>	<b>60,661</b>	<b>4,310</b>	<b>171,779</b>
<b>31.12.2018</b>				
Gross trade receivables	127,344	53,114	21,018	201,476
Bad debt provision	(2,394)	(1,009)	(14,989)	(18,392)
<b>Net trade receivables</b>	<b>124,950</b>	<b>52,105</b>	<b>6,029</b>	<b>183,084</b>

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 2019 these relate to advances paid to suppliers for inventory goods of 17,739 thousand euros (15,864 thousand euros at 31 December 2018) and services of 11,406 thousand euros (7,495 thousand euros at 31 December 2018).

This item also includes advances to associates of 3,221 thousand euros (3,327 thousand euros at 31 December 2018).

**TAX RECEIVABLES**

Tax receivables mainly consist of VAT recoverable.

**CONTRACT ASSETS**

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

in thousands of euros	31.12.2019	31.12.2018
Contract assets related to contract works	594,991	432,606
Advances received	(358,338)	(243,111)
<b>Total</b>	<b>236,653</b>	<b>189,495</b>

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 2019 amounted to 821,468 thousand euros (726,141 thousand euros in 2018).

The net increase in trade and other receivables reported in the consolidated cash flow statement differs from the change in the corresponding item of the balance sheet as a result of trade receivables attributable to business combinations, as commented in Note 30.

**11. INCOME TAX RECEIVABLES AND PAYABLES**

At 31 December 2019 income tax receivables and payables amount to 21,296 thousand euros and 12,935 thousand euros (9,810 thousand euros and 7,368 thousand euros respectively at 31 December 2018).

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. 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 2019 receivables from SO.FI.M.A. amount to 10,816 thousand euros (receivables for 3,680 thousand euros at 31 December 2018).

**12. CASH AND CASH EQUIVALENTS**

This item breaks down as follows:

in thousands of euros	31.12.2019	31.12.2018
Bank current accounts	107,707	140,561
Deposits	2,802	74
Cheques and cash	190	232
<b>Total</b>	<b>110,699</b>	<b>140,867</b>

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
<b>Balance at 01.01.2018</b>	39,254	20,415	122,818	(71)
Capital increases	–	–	–	–
Purchase and sale of treasury shares	(101)	–	–	(5,518)
<b>Balance at 31.12.2018</b>	<b>39,153</b>	<b>20,415</b>	<b>122,818</b>	<b>(5,589)</b>
Capital increases	3,953	2,056	–	–
Purchase and sale of treasury shares	–	–	–	–
<b>Balance at 31.12.2019</b>	<b>43,106</b>	<b>22,471</b>	<b>122,818</b>	<b>(5,589)</b>

**SHARE CAPITAL AND SHARE PREMIUM RESERVE**

The share capital at 31 December 2019, equal to 22,471 thousand euros, represents the share capital of IMA S.p.A. (fully subscribed and paid in) divided into 43,212,509 ordinary shares with a nominal value of 0.52 euros each (39,260,000 shares at 31 December 2018).

As commented on in the section "Scope of consolidation", on 31 October 2019 IMA S.p.A. and GIMA TT S.p.A. signed the merger deed, which was registered with the Bologna Companies Register on the same date.

The merger took effect from 5 November 2019 ("Effective Date"), with the consequent termination of GIMA TT S.p.A. On the other hand, the accounting and tax effects of the merger were backdated to 1 January 2019.

On the Effective Date, IMA S.p.A. increased its share capital by a total nominal amount of 2,055,304.68 euros by issuing 3,952,509 shares to service the share exchange at a ratio of 11.4 ordinary shares of IMA with a par value of 0.52 euros each for every 100 ordinary shares of GIMA TT S.p.A.. As of 31 December 2019, the share capital of IMA S.p.A. is therefore equal to a nominal amount of 22,470,504.68 euros, divided into 43,212,509 ordinary shares with a par value of 0.52 euros each, listed on the MTA.

By resolution of 21 April 2017, the Extraordinary Shareholders' Meeting of IMA S.p.A. 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). After uninterrupted

ownership of the shares for twenty-four months from the date of registration in the specific list, a number of shareholders have acquired this right.

The total amount of voting rights, which has been disclosed in the terms of art. 85 bis of the Issuers Regulation, is, as of today, equal to 66,596,241. It should also be noted that there are 451,110 shares registered in the list of increased voting rights, which are currently maturing.

As of today's date, following the Merger, the shareholders holding equity investments to which a percentage of voting rights exceeding 3% of the total voting rights is due by reason of the accrual of the increased voting rights pursuant to art. 127 quinquies of the TUF are: SO.FI.MA. and HYDRA S.p.A. with 66.956% and 3.067%, respectively.

#### TREASURY SHARES

In 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. 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. held 107,000 treasury shares.

The Parent Company did not carry out any transactions in its own shares during 2019; as a result, at 31 December 2019 it holds 107,000 treasury shares, equal to 0.248% of the share capital.

#### DIVIDENDS

In May 2019, a total dividend of 78,306 thousand euros was paid, equal to 2.00 euros (gross) per ordinary share in circulation (66,733 thousand euros, equal to 1.70 euros gross in May 2018).

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 2019.



FAIR VALUE RESERVE

Changes in the fair value reserve break down as follows:

in thousands of euros	
<b>Balance at 01.01.2018</b>	<b>(1,324)</b>
<i>Financial assets at FVOCI</i>	
Measurement at fair value	540
Fair value - tax effect	(131)
<i>Cash flow hedges/Hedging instruments</i>	
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
<b>Balance at 31.12.2018</b>	<b>(2,885)</b>
<i>Financial assets at FVOCI</i>	
Measurement at fair value	(1,035)
Fair value - tax effect	(286)
Realization recognized in financial income and expense	3
<i>Cash flow hedges/Hedging instruments</i>	
Change in scope of consolidation	(926)
Measurement at fair value	586
Fair value - tax effect	(145)
Realization recognized in revenue from contracts with customer	1,639
Realization recognized in costs	(484)
Realization recognized in financial income and expense	(607)
Tax effect - realization recognized in PL	(133)
<b>Balance at 31.12.2019</b>	<b>(4,273)</b>

At 31 December 2019 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, the distribution of dividends and the changes in minority 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	
<b>Balance at 01.01.2018</b>	<b>(11,595)</b>
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)
<b>Balance at 31.12.2018</b>	<b>(6,002)</b>
Change in scope of consolidation	(438)
Actuarial value	(3,723)
Tax effect	757
Exchange rate difference and other changes	(98)
<b>Balance at 31.12.2019</b>	<b>(9,504)</b>

MONETARY REVALUATION FOR HYPERINFLATION

Argentina is considered a country operating in a situation of hyperinflation, as commented 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. and Tecmar 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 2018 is shown as a contra-entry to equity reserves for 1,439 thousand euros;
- the effect of remeasuring the same non-monetary items, the equity items and the income statement components recorded in 2019 was recognized under financial charges in Note 26 for 721 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:

	Country	31 December 2019		31 December 2018	
		% held by the Group	% held by third parties	% held by the Group	% held by third parties
ATOP S.p.A. (*)	Italy	90.98%	9.02%	–	–
Digidoc S.r.l.	Italy	80%	20%	80%	20%
Dreamer S.r.l. (in liquidation)	Italy	100%	–	90%	10%
Eurotekna S.r.l.	Italy	85.71%	14.29%	85.71%	14.29%
GIMA TT S.p.A. (**)	Italy	–	–	60.39%	39.61%
IMA Fuda (Shanghai) Packaging Mach. Co. Ltd.	PRC	80%	20%	80%	20%
IMA Life (Shanghai) Ph. Mach. Co. Ltd.	PRC	86.29%	13.71%	86.29%	13.71%
O.A.SYS. S.r.l.	Italy	100%	–	70%	30%
Petroncini Impianti S.p.A.	Italy	80%	20%	80%	20%
Petroncini International Trad. (Shanghai) Co. Ltd.	PRC	80%	20%	80%	20%
Pharmasiena Service S.r.l.	Italy	70%	30%	70%	30%
Teknoweb N.A. Llc	USA	75%	25%	75%	25%
Transworld Packaging Holding S.p.A.	Italy	81%	19%	81%	19%

(\*) At 31 December 2018 the Parent company held 25% of ATOPbi S.p.A.. For detailed information, please refer to the comments in the "Scope of consolidation" section.

(\*\*) Absorbed by IMA S.p.A. in November 2019. For detailed information, please refer to the comments in the "Scope of consolidation" section.

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 2019, minority interests amount to 11,355 thousand euros (23,898 thousand euros at 31 December 2018) and relate to ATOP S.p.A. for 9,347 thousand euros.

As previously commented in Note 13, "Share capital", the absorption of GIMA TT S.p.A. by IMA S.p.A. took effect from 5 November 2019, with effect for accounting and tax purposes backdated to 1 January 2019. IMA S.p.A. increased its share capital by 11.4 IMA ordinary shares for every 100 ordinary shares of GIMA TT S.p.A. and therefore the interest in GIMA TT S.p.A., which at 31 December 2018 amounted to 22,374 thousand euros, is zero at the reporting date.

The dividends paid to minority shareholders in 2019 amounted to 14,607 thousand euros and refer for 14,562 thousand euros to GIMA TT S.p.A. (17,204 thousand euros in 2018, of which 14,754 thousand euros attributable to GIMA TT S.p.A.).

During 2019, GIMA S.p.A. and Eurosicma S.p.A. purchased 10% of Dreamer S.r.l. and 30% of O.A.SYS. 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 275 thousand euros.

The IMA Group does not have any subsidiaries with significant minority interests at 31 December 2019. During the previous year, GIMA TT S.p.A. was the only company with significant minority interests.

**15. BORROWINGS AND LEASE LIABILITIES****BORROWINGS**

The item includes financial liabilities valued at amortised cost and, in particular, amounts due to banks of 491,537 thousand euros (273,597 thousand euros at 31 December 2018), amounts due to other lenders of 1,303 thousand euros (8,224 thousand euros at 31 December 2018) and bonds of 152,406 thousand euros (107,989 thousand euros at 31 December 2018).

At 31 December 2019, 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	31.12.2019	31.12.2018
Non-current:		
· Applied research and technological innovation loans	4,589	3,885
· Other loans	372,121	172,675
	<b>376,710</b>	<b>176,560</b>
Current:		
· Current accounts	2,661	2,102
· Advances on domestic transactions (Italy)	8,672	4,107
· Advances on export transactions	58,390	51,898
· Advances on export transactions to be carried out	11,328	20,048
· Applied research and technological innovation loans	2,052	1,724
· Other loans	31,724	17,158
	<b>114,827</b>	<b>97,037</b>
<b>Total</b>	<b>491,537</b>	<b>273,597</b>

*Applied research and technological innovation loans*

During the period, instalments of 1,919 thousand euros were paid regularly as they fell due and new loans of 2,931 thousand euros were received.

*Other loans*

The principal changes in other loans relate to the Parent Company and comprise new loans of 220,000 thousand euros, mainly involved in the acquisition of ATOP as commented on below, and repayments of 25,800 thousand euros.

Payables to banks are analyzed by maturity as follows:

in thousands of euros	31.12.2019	31.12.2018
Due within 1 year	114,827	97,037
Due from 1 to 5 years	334,625	175,884
Due beyond 5 years	42,085	676
<b>Total</b>	<b>491,537</b>	<b>273,597</b>

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

in thousands of euros	31.12.2019	31.12.2018
Euro	410,212	194,377
US dollar	263	906
Other	11	159
<b>Total</b>	<b>410,486</b>	<b>195,442</b>

Mortgages have been granted on the properties of Castel Guelfo (BO) and Barberino Tavarnelle (FI) owned by Tissue Machinery Company S.p.A. and ATOP S.p.A. against loans for 1,537 thousand euro and 2,837 thousand euros, respectively. In addition, there is a pledge on the shares representing the capital of ATOP S.p.A. against a loan of 16,000 thousand euros. Lastly, it is worth pointing out that a loan obtained by the Parent Company in 2014 from the European Investment Bank (EIB), at 31 December 2019 is secured by a SACE guarantee of 1,400 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 2019, all covenant requirements have been met.

Interest rates on financial payables are on average less than 5% (less than 5% in 2018).

At 31 December 2019 the Group had around 550 million euros of unutilised borrowing facilities (around 462 million euros at 31 December 2018).

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 19 million euros.

#### **PAYABLES TO OTHER LENDERS**

The item includes current payables to factoring companies for 1,053 thousand euros (305 thousand euros at 31 December 2018) and payables to others for 250 thousand euros.

At 31 December 2019, there are no payables to other lenders that fall due beyond 5 years.

Note that starting from 1 January 2019, in accordance with IFRS 16, the balances of payables to lease companies outstanding at 31 December 2018, previously valued according to IAS 17 and equal to 7,919 thousand euros, have been reclassified to lease liabilities.

## **BONDS**

In June 2019, the Parent Company finalised the placement with European institutional investors (through a so-called “Euro private placement”) of a senior bond loan, non-guaranteed and non-convertible, for 50 million euros. The bond loan and a medium-long term cash loan of 180,000 thousand euros granted by leading credit institutions in July 2019 are designed to finance the acquisition of ATOP. The bonds are unrated, with a duration of 7 years and are admitted to trading on the Third Market of the Vienna Stock Exchange. The capital will be repaid at par at the scheduled due date, though early redemption is possible. The bonds bear interest from the issue date at a fixed rate of 1.923% per annum.

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 third tranche was repaid in February 2019 for a total of 7,143 thousand US dollars.

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

At 31 December 2019, outstanding bonds total 152,406 thousand euros, representing their nominal redemption value of 130 million euros and 28.6 million US dollars.

Bonds are made up of:

in thousands of euros	31.12.2019	31.12.2018
Non-current portion	144,983	100,308
Current portion	7,423	7,681
<b>Total book value</b>	<b>152,406</b>	<b>107,989</b>

## **LEASE LIABILITIES**

The item breaks down as follows:

in thousands of euros	31.12.2019	31.12.2018
Non-current:		
· Lease liabilities	142,179	–
	<b>142,179</b>	<b>–</b>
Current:		
· Lease liabilities	21,067	–
	<b>21,067</b>	<b>–</b>
<b>Total</b>	<b>163,246</b>	<b>–</b>

This item includes payables to leasing companies for finance leases previously valued according to IAS 17.

As regards the accounting impact of FTA of IFRS 16, please refer to the comments in the section entitled "Implementation of accounting standards" and Note 2.

Lease liabilities are analysed by maturity as follows:

in thousands of euros	31.12.2019	31.12.2018
Due within 1 year	21,067	–
Due from 1 to 5 years	80,368	–
Due beyond 5 years	61,811	–
<b>Total</b>	<b>163,246</b>	<b>–</b>

Lease liabilities essentially include property leases.

#### CHANGES IN LIABILITIES DERIVING FROM FINANCING ACTIVITIES

The changes that affected the main liabilities deriving from financing activities are as follows:

in thousands of euros	Applied research loans	Other loans	Lease liabilities	Bonds	Total
<b>Balances at 01.01.2019</b>	<b>5,609</b>	<b>189,833</b>	<b>7,919</b>	<b>107,989</b>	<b>311,350</b>
Adoption of IFRS 16	–	–	141,091	–	141,091
Change in scope of consolidation	–	22,514	7,092	–	29,606
Granting	2,931	222,556	–	50,000	275,487
Repayment	(1,919)	(31,706)	–	(5,229)	(38,854)
Other net changes	20	648	7,144	(354)	7,458
<b>Balances at 31.12.2019</b>	<b>6,641</b>	<b>403,845</b>	<b>163,246</b>	<b>152,406</b>	<b>726,138</b>

The other net changes in liabilities for leased assets mainly reflect the opening of new lease contracts, net of decreases.



## NET DEBT

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

in thousands of euros	31.12.2019	31.12.2018
A. Cash and cash equivalents	(110,699)	(140,867)
B. Other cash equivalents	(3,960)	(5,028)
C. Investments in securities	(11,750)	(8,000)
<b>D. Liquidity (A)+(B)+(C)</b>	<b>(126,409)</b>	<b>(153,895)</b>
<b>E. Current financial receivables</b>	<b>(2,530)</b>	<b>(9,154)</b>
F. Current payables to banks	81,823	79,220
G. Current portion of non-current payables	61,493	27,004
H. Other current financial payables	1,053	305
<b>I. Current financial debt (F)+(G)+(H)</b>	<b>144,369</b>	<b>106,529</b>
<b>J. Net current financial debt (D)+(E)+(I)</b>	<b>15,430</b>	<b>(56,520)</b>
K. Non-current portion of non-current bank payables	376,710	176,560
L. Bonds issued	144,983	100,308
M. Other non-current financial payables	142,429	6,413
N. Non-current financial assets	(42,472)	(42,178)
<b>O. Net non-current financial debt (K)+(L)+(M)+(N)</b>	<b>621,650</b>	<b>241,103</b>
<b>P. Net financial debt (J)+(O)</b>	<b>637,080</b>	<b>184,583</b>

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 113,866 thousand euros (65,880 thousand euros at 31 December 2018), essentially relating to the options agreed for the purchase of the minority interests in subsidiaries. The change compared with the previous period is mainly due to the recognition of payables relating to the acquisitions of ATOP, Perfect Pack, Spreafico and Tecmar. See Note 30 for further information.

With reference to 31 December 2018, the increase in debt, 452,497 thousand euros, mainly derives from the application of the new IFRS 16 for 155,970 thousand euros, the dividends paid by the Parent Company for 78,306 thousand euros in May 2019 (66,733 thousand euros paid in May 2018) and the acquisition of the investments in ATOP, Perfect Pack, Spreafico and Tecmar for 281,886 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 the pension funds belonging to the newly-acquired companies of the Dairy&Food business and severance indemnity provisions made by the Group's Italian companies.

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

in thousands of euros	
<b>Balance at 01.01.2018</b>	<b>55,961</b>
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 IMAD&F	(23,779)
Benefit paid out during the year	(1,765)
Exchange rate difference	200
<b>Balance at 31.12.2018</b>	<b>34,664</b>
Service cost	1,762
Financial charges	463
Net actuarial losses (gains) recognized during the year	3,852
Change in scope of consolidation	2,203
Benefit paid out during the year	(2,558)
Exchange rate difference	169
<b>Balance at 31.12.2019</b>	<b>40,555</b>

The change in the scope of consolidation includes the defined benefit plans of ATOP S.p.A., Claren Cutting Service S.r.l., Perfect Pack S.r.l., Spares & More S.r.l. and Spreafico Automation S.r.l.

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

in thousands of euros	31.12.2019	31.12.2018
Italy	25,076	22,405
Germany	6,492	6,487
Switzerland	6,857	3,722
France	310	256
North America	957	954
Other countries	863	840
<b>Total</b>	<b>40,555</b>	<b>34,664</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	31.12.2019	31.12.2018
Annual discount rate	0.68%	1.58%
Annual inflation rate	1.00%	1.50%
Annual rate of increase of total compensation	2.50%	3.00%
Annual rate of increase of severance indemnity	2.25%	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	2,372
Fair value of plan assets	(1,773)
<b>Net defined benefit liabilities at 31 December 2018</b>	<b>599</b>
Present value of defined benefit obligations	2,478
Fair value of plan assets	(1,926)
<b>Net defined benefit liabilities at 31 December 2019</b>	<b>552</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

in thousands of euros	2019	2018
Opening balance	2,372	2,479
Financial expense	97	93
Actuarial losses (gains)	20	98
Severance payments made during the year	(56)	(409)
Exchange rate difference	45	111
<b>Present value of defined benefit obligations</b>	<b>2,478</b>	<b>2,372</b>
Opening balance	1,773	2,107
Return on plan assets	131	(12)
Severance payments made during the year	(56)	(409)
Exchange rate difference	78	87
<b>Fair value of plan assets</b>	<b>1,926</b>	<b>1,773</b>

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 2019 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 2019 of 24,897 thousand euros.

The results are summarized in the following table:

in thousands of euros	Annual discount rate		Annual inflation rate		Turnover rate	
	+0.50%	-0.50%	+0.25%	-0.25%	+2.00%	-2.00%
Provision for severance indemnities						
italian companies	23,699	26,195	25,195	24,605	24,242	25,740

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	2019	2018
Within 1 year	1,585	1,336
From 1 to 5 years	5,514	5,552
From 5 to 10 years	8,717	8,791
<b>Total expected payments italian companies</b>	<b>15,816</b>	<b>15,679</b>

## 17. PROVISIONS FOR RISKS AND CHARGES

These provisions are analyzed as follows:

in thousands of euros	Balance at 31.12.2018	Net increases	Net decreases	Change in scope of consolidation	Exchange rate differences	Balance at 31.12.2019
Non-current:						
Agency termination indemnities	3,360	30	(500)	337	–	3,227
Other provisions	1,294	49	(352)	2,120	(33)	3,078
	<b>4,654</b>	<b>79</b>	<b>(852)</b>	<b>2,457</b>	<b>(33)</b>	<b>6,305</b>
Current:						
Product guarantee provision	24,971	2,456	(1,578)	1,883	58	27,790
Other provisions	2,423	415	(866)	–	5	1,977
	<b>27,394</b>	<b>2,871</b>	<b>(2,444)</b>	<b>1,883</b>	<b>63</b>	<b>29,767</b>
<b>Total</b>	<b>32,048</b>	<b>2,950</b>	<b>(3,296)</b>	<b>4,340</b>	<b>30</b>	<b>36,072</b>

The change in scope of consolidation mainly refers to ATOP S.p.A.

The product guarantee provision was established on the basis of estimated expenses for work to be performed under guarantee after 31 December 2019, 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 charges that might arise from contractual obligations; Group companies used experienced 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	31.12.2019	31.12.2018
Trade payables	413,777	364,194
Social security and defined-contribution plan payables	15,100	14,202
Tax payables	12,890	12,070
Due to employees	78,972	67,205
Payables in respect of acquisitions	113,866	65,880
Deposits	1,331	2,064
Other payables	12,009	11,634
<b>Total</b>	<b>647,945</b>	<b>537,249</b>

### TRADE PAYABLES

These include trade payables to suppliers of per 297,782 thousand euros (264,738 thousand euros at 31 December 2018), payables to agents of 16,777 thousand euros (15,971 thousand euros at 31 December 2018) and trade payables to associates of 99,218 thousand euros (83,485 thousand euros at 31 December 2018).

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**

The item mainly reflects the payable relating to deferred monthly payments, bonuses and accrued holidays. This item includes 14,188 thousand euros classified among the non-current liabilities (7,701 thousand euros at 31 December 2018).

**PAYABLES IN RESPECT OF ACQUISITIONS**

At 31 December 2019 these include payables for the purchase of investments relating to the acquisitions that took place in 2019 for 53,030 thousand euros, mainly relating to ATOP S.p.A., Perfect Pack S.r.l., Spares & More S.r.l., Spreafico Automation S.r.l. and Tecmar S.A., the acquisitions that took place in 2018 for 29,397 thousand euros, which mainly relate to Ciemme S.r.l. and TMC Group, and the acquisitions that took place in previous years for 31,439 thousand euros, which mainly relate to Eurosicma S.p.A. and Teknoweb Converting S.r.l.

The total amount of payables for acquisitions classified under non-current liabilities comes to 102,417 thousand euros (62,675 thousand euros at 31 December 2018).

**OTHER PAYABLES**

At 31 December 2019, other payables include 3,948 thousand euros classified under non-current liabilities (4,377 thousand euros at 31 December 2018).

**CONTRACT LIABILITIES**

The item breaks down as follow:

in thousands of euros	31.12.2019	31.12.2018
Advances received from customer	105,132	133,495
Contract liabilities related to contract works	30,751	40,360
<b>Total</b>	<b>135,883</b>	<b>173,855</b>

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

in thousands of euros	31.12.2019	31.12.2018
Advances received	113,640	104,124
Contract assets related to contract works	(82,889)	(63,764)
<b>Total</b>	<b>30,751</b>	<b>40,360</b>

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 as a result of trade payables attributable to the business combinations, as commented on in Note 30.

## 19. OTHER REVENUE AND CAPITALIZED COSTS

This item breaks down as follows:

in thousands of euros	2019	2018	Change
Capital gains on disposal of non-current assets	346	204	142
Out-of-period income	2,244	3,092	(848)
Other revenue and income	10,455	9,764	691
<b>Total</b>	<b>13,045</b>	<b>13,060</b>	<b>(15)</b>

In the 2018 Annual Report, other revenue also included capitalized costs of 20,771 thousand euros. From 2019, the figures relating to increases in non-current assets for internal work were shown separately as capitalized costs in the consolidated income statement.

Capitalized costs of 27,142 thousand euros relate to increases in non-current assets for internal work and refer for 23,291 thousand euros to development costs and new technologies (12,481 thousand euros in 2018) and for 3,851 thousand euros to equipment and machinery (8,290 thousand euros in 2018).

Capitalized costs attributable to the newly acquired ATOP S.p.A. amount to 3,417 thousand euros.

### INFORMATION PURSUANT TO ART. 1, PARAGRAPH 125 OF LAW 124, 4 AUGUST 2017

In compliance with the transparency and disclosure requirements contained in Law 124 of 4 August 2017, article 1 paragraphs 125-129 (replaced by article 35 of Decree Law 34 of 30 April 2019) which imposed on companies the obligation to indicate in the notes "the amounts and information on grants, subsidies, benefits, contributions or aid, in cash or in kind, not of a general nature and without a consideration, remuneration or compensation, actually disbursed by public administrations", in 2019 the Group benefited from:

- Training plans financed by Fondirigenti and Fondimpresa for 276 thousand euros;
- Contributions from the Lombardy Region for energy efficiency, as per the regional tender, approved with Decree 8675 of 8 September 2016 for 2 thousand euros;
- Support for sickness shortages for employees by the Bilateral Metalworking Entity for 4 thousand euros.

During 2019, the Group benefited from State aid and de minimis aid contained in the National Register of State Aid referred to in article 52 of Law 234 of 24 December 2012, for which reference is made to the following website

<https://www.rna.gov.it/RegistroNazionaleTrasparenza/faces/pages/TrasparenzaAiuto.jspx>.

The main types are the following:

- Tender for the promotion of investment projects in implementation of article 6 of the Emilia-Romagna Regional Law 14/2014;
- Tender for Sustainable Industry Large Projects, in reference to the Concession Decree 4086 of 6 July 2016 of the Ministry of Economic Development.

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

This item breaks down as follows:

in thousands of euros	2019	2018	Change
Raw materials and semifinished goods	514,579	487,041	27,538
Consumables and ancillary materials	20,390	20,489	(99)
Marketable goods	57,408	42,643	14,765
Other purchases	5,750	5,205	545
<b>Total</b>	<b>598,127</b>	<b>555,378</b>	<b>42,749</b>

The cost of raw, ancillary and consumable materials and goods attributable to the companies acquired in 2019, amounted to 34,195 thousand euros.

## 21. SERVICES, RENTALS AND LEASES

This item breaks down as follows:

in thousands of euros	2019	2018	Change
Outsourced work and fitting	91,725	93,051	(1,326)
Maintenance and repair	12,870	10,946	1,924
Energy, telephone, gas, water and postal charges	15,443	13,691	1,752
Commissions	18,970	18,612	358
Technical, legal, tax and administrative consulting services	81,991	65,434	16,557
Advertising and promotions	4,909	4,722	187
Exhibitions	6,230	8,842	(2,612)
Travel and insurance	37,204	35,499	1,705
Transport	22,947	20,439	2,508
Bank charges	2,234	2,108	126
Rental charges	–	20,710	(20,710)
Operating lease fees	–	477	(477)
Rental fees	3,349	4,256	(907)
Short-term or low-value lease fees	3,262	–	3,262
Other services	22,978	22,354	624
<b>Total</b>	<b>324,112</b>	<b>321,141</b>	<b>2,971</b>

Rental fees in 2019 mainly refer to intangible assets.

Services, rentals and leases attributable to the companies that joined the scope of consolidation in 2019 amounted in total to 10,945 thousand euros.

The item also includes non-recurring charges for 7,406 thousand euros (2,524 thousand euros in 2018), mainly relating to the absorption of GIMA TT S.p.A. by IMA S.p.A., as commented in Note 34.

**22. PERSONNEL COSTS**

Personnel costs break down as follows:

in thousands of euros	2019	2018	Change
Wages and salaries	308,405	278,914	29,491
Social security contributions	72,219	65,192	7,027
Board of Directors' emoluments	10,063	12,487	(2,424)
Pensions - defined-benefit plans	1,797	1,383	414
Pensions - defined-contribution plans	15,757	14,605	1,152
Other personnel costs	20,774	22,261	(1,487)
<b>Total</b>	<b>429,015</b>	<b>394,842</b>	<b>34,173</b>

Personnel costs attributable to Petroncini Impianti S.p.A., Ciemme S.r.l. and the TMC Group, which were included in the scope of consolidation for part of the previous year for 14,019 thousand euros, come to a total of 22,593 thousand euros.

In addition, personnel costs attributable to ATOP S.p.A., Perfect Pack S.r.l., Spreafico Automation S.r.l. and Tecmar S.A. total 11,165 thousand euros.

The item includes non-recurring charges for 201 thousand euros (2,089 thousand euros in 2018) as commented 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 0.95%, 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 5.949 people on average during 2019, as analyzed below:

	2019	2018	Change
Managers	314	289	25
Office workers	3,775	3,490	285
Production workers	1,860	1,677	183
<b>Total</b>	<b>5,949</b>	<b>5,456</b>	<b>493</b>

At 31 December 2019, the Group had 6,159 employees (5,623 at 31 December 2018), of whom 365 work for ATOP S.p.A., Perfect Pack S.r.l., Spreafico Automation S.r.l. and Tecmar S.A.

## 23. DEPRECIATION, AMORTIZATION AND WRITE-DOWNS

This item breaks down as follows:

in thousands of euros	2019	2018	Change
Depreciation of property, plant and equipment	12,661	15,006	(2,345)
Depreciation of right of use assets	25,855	–	25,855
Amortization of intangible assets	42,353	28,565	13,788
Write-downs/impairment	97	–	97
Bad debt provision	665	507	158
<b>Total</b>	<b>81,631</b>	<b>44,078</b>	<b>37,553</b>

Depreciation of right-of-use assets mainly refers to the application of IFRS 16. 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	2019	2018	Change
Capital losses on disposal of non-current assets	313	247	66
Property tax and other taxes	3,363	3,100	263
Out-of-period expenses	1,587	1,594	(7)
Membership fees	531	471	60
Penalties and charges on sales	461	2,117	(1,656)
Sundry promotional materials	327	360	(33)
Other operating expenses	4,326	5,277	(951)
<b>Total</b>	<b>10,908</b>	<b>13,166</b>	<b>(2,258)</b>

In 2018, the item included non-recurring charges of 1,733 thousand euros.

## 25. FINANCIAL INCOME

This item breaks down as follows:

in thousands of euros	2019	2018	Change
Fair value remeasurement of the interest held in ATOPbi S.p.A.	54,862	–	54,862
Fair value remeasurement of the interest held in Petroncini S.p.A.	–	11,625	(11,625)
Interest income from banks	408	367	41
Interest income from associates	1,065	352	713
Interest income on amounts due from customers	239	298	(59)
Income from current investments at FVOCI	2,757	98	2,659
Change in fair value for contingent considerations	2,965	1,443	1,522
Other interest and financial income	630	609	21
Income from derivative financial instruments	432	453	(21)
Net financial income by hiperinflation	–	141	(141)
Exchange rate gains	16,338	18,718	(2,380)
<b>Total</b>	<b>79,696</b>	<b>34,104</b>	<b>45,592</b>

With regard to the proceeds of the remeasurement at fair value of the interest in ATOPbi S.p.A., please refer to the comments in Note 30.

Interest income on associates mainly refers to IMA Dairy & Food Holding GmbH.

## 26. FINANCIAL EXPENSE

This item breaks down as follows:

in thousands of euros	2019	2018	Change
Fair value remeasurement of the interest held in CMRES.r.l.	956	–	956
Interest expense on bank payables	6,809	4,220	2,589
Interest expense on bonds	4,785	5,181	(396)
Interest expense on discounting	280	454	(174)
Interest expense on finance leases pursuant to ex IAS 17	–	121	(121)
Interest expense on lease liabilities	4,208	–	4,208
Net financial expense on defined-benefit plans	593	544	49
Various interest expense	301	315	(14)
Loss on financial assets at FVPL	–	543	(543)
Change in fair value for contingent considerations	3,305	3,778	(473)
Bank guarantee expenses	640	605	35
Expense from derivative financial instruments	1,301	1,730	(429)
Net expense from hyperinflation	721	–	721
Other financial expense	2,195	2,007	188
Exchange rate losses	17,024	15,144	1,880
<b>Total</b>	<b>43,118</b>	<b>34,642</b>	<b>8,476</b>

At 31 December 2019, exchange rate gains and losses included an unrealized gain of 8,007 thousand euros and an unrealized loss of 8,065 thousand euros (6,989 thousand euros and 4,435 thousand euros, respectively, in the previous year).

## 27. TAXES

This item is analyzed as follows:

in thousands of euros	2019	2018	Change
Taxes for the period:			
Current taxes	57,539	58,076	(537)
Net deferred tax assets and liabilities	(5,527)	211	(5,738)
	<b>52,012</b>	<b>58,287</b>	<b>(6,275)</b>
Prior year taxes	2,716	2,893	(177)
<b>Total</b>	<b>54,728</b>	<b>61,180</b>	<b>(6,452)</b>

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

in thousands of euros	2019	2018
<b>Profit before taxes</b>	<b>224,371</b>	<b>211,938</b>
<b>Taxes determined on the theoretical tax rate</b>	<b>55,168</b>	<b>52,530</b>
Effect of income not subject to tax	(14,368)	(3,764)
Effect of non-deductible costs	6,355	2,316
IRAP	8,403	8,565
Other changes	(3,546)	(1,360)
Prior year taxes	2,716	2,893
<b>Total</b>	<b>54,728</b>	<b>61,180</b>

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 closing of the sale of 60% of its investment in IMA Dairy & Food Holding GmbH to 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 operate in 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.

For further information, please refer to the 2018 Annual Report.

## 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:

	2019	2018
Net profit from continuing operations (thousands of euros)	169,248	130,197
Average number of outstanding ordinary shares (thousands of shares)	39,761	39,247
<b>Earning per share from continuing operations (in euros)</b>	<b>4.26</b>	<b>3.32</b>
Net profit from discontinued operations/disposal groups (thousands of euros)	–	(26,165)
Average number of outstanding ordinary shares (thousands of shares)	39,761	39,247
<b>Earning per share from discontinued operations/ disposal groups (in euros)</b>	<b>–</b>	<b>(0.67)</b>
Profit for the year (thousands of euros)	169,248	104,032
Average number of outstanding ordinary shares (thousands of shares)	39,761	39,247
<b>Earning per share (in euros)</b>	<b>4.26</b>	<b>2.65</b>

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 4 February 2019, Transworld Packaging Holding S.p.A. acquired 100% of the Swiss company Luna Investment SA, based in Lugano with share capital of 100 thousand CHF, for a total of 2,033 thousand euros. The company has as its object to purchase, hold, manage and sell equity investments. The goodwill recognized provisionally amounts to approximately 2,069 thousand euros.

On 11 April 2019, IMA completed the closing of the acquisition of 61.45% of Tecmar S.A., based in Mar del Plata (Argentina), an important player in the South American market in the design, production and

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

marketing of automatic packaging machines in the coffee and food sectors. IMA has also signed put & call options on the other 38.55%, to be exercised after the approval of the financial statements at 31 December 2023.

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

in thousands of euros	Amounts acquired	Fair value
Property, plant and equipment and right of use assets	431	431
Intangible assets	–	3,027
Inventories	854	854
Trade receivables and other assets	753	753
Cash and cash equivalents	1,092	1,092
Borrowings and lease liabilities	(247)	(247)
Deferred tax liabilities	–	(908)
Income tax liabilities	(427)	(427)
Contract liabilities	(888)	(888)
Trade payables and other liabilities	(796)	(796)
<b>Total</b>	<b>772</b>	<b>2,891</b>
Cost of acquisition		3,928
<b>Goodwill</b>		<b>1,037</b>

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 2,061 thousand euros; (ii) trademarks and customer lists classified as software, licences, trademarks and other rights for 582 thousand euros and 384 thousand euros respectively; (iii) deferred tax liabilities for 908 thousand euros.

The cost of the acquisition includes the amount of 1,691 thousand euros (1,355 thousand euros paid at the closing with the balance due in May 2019), and the fair value of payables relating to the options for the purchase of the other 38.55% of Tecmar S.A. for 2,237 thousand euros, discounted using the return on government securities with the same maturity.

At 31 December 2019 the newly acquired companies, which were consolidated for 9 months, generated revenue of 4,161 thousand euros and an operating profit of 1,178 thousand euros, including personnel costs of 1,019 thousand euros.

On 16 April 2019, IMA completed the closing for the purchase of 70% of Spreafico Automation S.r.l.; the company, based in Calolziocorte (LC), is an important player in the design, production and marketing of automatic machines for filling and preparing capsules for coffee and other soluble products. IMA has also been granted a purchase option, exercisable in April 2028, for the other 30% of the company.

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

in thousands of euros	Amounts acquired	Fair value
Property, plant and equipment	713	713
Right of use assets	2,817	2,817
Intangible assets	36	23,380
Inventories	5,324	5,324
Trade receivables and other assets	4,945	4,945
Cash and cash equivalents	1,043	1,043
Borrowings	(391)	(391)
Lease liabilities	(1,656)	(1,656)
Employee defined benefit liabilities	(445)	(445)
Deferred tax liabilities	-	(6,513)
Income tax liabilities	(517)	(517)
Contract liabilities	(3,865)	(3,865)
Trade payables and other liabilities	(3,927)	(3,927)
<b>Total</b>	<b>4,077</b>	<b>20,908</b>
Cost of acquisition		21,603
<b>Goodwill</b>		<b>695</b>

The fair value of the assets and liabilities was determined on a provisional basis, recognising in particular: (i) non-patented technologies classified as development costs for 18,355 thousand euros; (ii) trademarks and customer lists classified as software, licences, trademarks and other rights for 2,890 thousand euros and 2,099 thousand euros respectively; (iii) deferred tax liabilities for 6,513 thousand euros.

The cost of the acquisition includes the 10,000 thousand euros paid at the closing, the balance of the provisional price of 2,351 thousand euros paid in July 2019 and the potential consideration of 9,252 thousand euros, of which 3,357 thousand euros by way of earn-out and 5,895 thousand euros for the fair value of the option for the purchase of the other 30% of Spreafico Automation S.r.l., discounted using the return on government securities with the same maturity.

At 31 December 2019 the newly acquired companies, which were consolidated for 9 months, generated revenue of 12,278 thousand euros and an operating profit of 2,778 thousand euros, including personnel costs of 1,951 thousand euros.

On 19 June 2019 IMA acquired a further 50% of CMRE S.r.l., a real estate company based in Bologna, from related parties for 5,000 thousand euros, thus bringing its total stake in the company to 100%. As required by IFRS 3, if a business combination is carried out in stages, the previously held interest is remeasured at fair value at the date control is acquired and the difference between it and the value of the previously held investment is recognized in the income statement; the charge relating to the acquisition of CMRE S.r.l., calculated in this way, was equal to 956 thousand euros. The goodwill recognized provisionally amounts to approximately 871 thousand euros.

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On 2 July 2019, IMA completed the closing for the purchase of 56.1% of ATOPbi S.p.A. and 16% of Stator S.p.A.. Following this agreement, IMA, which was already a shareholder of ATOPbi S.p.A. since 2017, achieved an overall interest in the company of 81.1% and indirectly holds 84% of ATOP S.p.A., a company based in Barberino Tavarnelle (FI) and a market leader in automatic machines and lines for the production of stators and rotors used in electric motors for the automotive sector. Subsequently, in December 2019, as a consequence of the absorption of Stator S.p.A. by ATOP S.p.A. and the reverse merger of ATOPbi S.p.A. with ATOP S.p.A., effective from 1 January 2019, at the reporting date, IMA came to hold directly 84.165% of ATOP S.p.A.; Put & call options were also taken out on the shares reinvested by the founding shareholders for a total of 6.8% of the capital, to be exercised after the date of approval of the financial statements at 31 December 2021.

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

in thousands of euros	Amounts acquired	Fair value
Property, plant and equipment and right of use assets	12,841	12,841
Intangible assets	2,095	130,946
Deferred tax assets	3,669	3,669
Inventories	10,437	10,437
Contract assets	18,500	18,500
Income tax receivables	5,381	5,381
Trade receivables and other assets	15,104	15,104
Cash and cash equivalents	5,993	5,993
Borrowings and lease liabilities	(26,548)	(26,548)
Employee defined benefit liabilities	(742)	(742)
Deferred tax liabilities	(3,438)	(39,387)
Provisions for risks and charges	(3,307)	(3,307)
Contract liabilities	(2,874)	(2,874)
Trade payables and other liabilities	(35,656)	(35,656)
<b>Total</b>	<b>1,455</b>	<b>94,357</b>
<b>Value of the business combination</b>		
Carrying amount of interest held at the acquisition date		20,177
Fair value remeasurement of the interest held at the acquisition date		54,862
Cost of acquisition made in 2019		250,572
Minority		8,507
<b>Goodwill</b>		<b>239,761</b>

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 45,263 thousand euros; (ii) trademarks, customer lists and backlog classified as software, licences, trademarks and other rights for 20,492 thousand euros and 63,096 thousand euros respectively; (iii) deferred tax liabilities for 35,949 thousand euros. In the recognition of the goodwill generated by the acquisition, minority interests were not recognised as permitted by IFRS 3.

The cost of the acquisition includes the amount of 225,887 thousand euros paid at the closing and the consideration of 24,685 thousand euros relating to the fair value of the option subscribed for the purchase of 8.12% of ATOPbi S.p.A., discounted using the yield on government securities with the same duration.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

It should also be noted that in the Financial information at 30 September 2019 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 2019 the newly acquired companies, which were consolidated for 6 months, generated revenue of 56,290 thousand euros and an operating profit of 17,580 thousand euros, including personnel costs of 7,592 thousand euros.

On 26 July 2019 Tissue Machinery Company S.p.A. completed the acquisition for 2,803 thousand euros of 80% of the share capital of Spares & More S.r.l., based in Galliciano (LU) and active in the sector of industrial overhaul and reconditioning of used machines. TMC has also signed a put & call option on the other 20%, which can be exercised from 1 January 2020, for a total of 701 thousand euros. On 31 July 2019 Spares & More S.r.l. subscribed an increase of capital of 100 thousand euros, approved by Claren Cutting Service S.r.l., based in Calderara di Reno (BO) and active in the supply of compatible Sp.A.re parts for tissue machines, resolved following the complete cancellation of Claren's share capital. Furthermore, it subscribed a capital reserve of 300 thousand euros. The interest that Spares & More S.r.l. has in Claren Cutting Service S.r.l. is therefore 100%. The fair value of the assets and liabilities was determined on a provisional basis, recognising in particular: (i) trademarks and customer lists classified as software, licences, trademarks and other rights for 1,146 thousand euros and 1,498 thousand euros respectively; (ii) deferred tax liabilities for 737 thousand euros. The goodwill recognized provisionally and included in the Tissue CGU amounts to 1,227 thousand euros.

On 7 August 2019, IMA acquired 60% of Perfect Pack S.r.l., based in Rimini, an important player in the design, production and marketing of automatic enveloping machines and complete lines for single-dose packs for various different markets: pharmaceutical, cosmetic, nutraceutical and chemical. A put option was also granted on the other 40% of the company, which can be exercised in April 2024 and April 2029.

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

in thousands of euros	Amounts acquired	Fair value
Property, plant and equipment	107	107
Right of use assets	938	938
Intangible assets	11	14,198
Inventories	2,236	2,236
Trade receivables and other assets	968	968
Cash and cash equivalents	3,736	3,736
Lease liabilities	(850)	(850)
Employee defined benefit liabilities	(450)	(450)
Deferred tax liabilities	(9)	(3,967)
Contract liabilities	(1,247)	(1,247)
Trade payables and other liabilities	(1,677)	(1,677)
<b>Total</b>	<b>3,763</b>	<b>13,992</b>
Cost of acquisition		26,400
<b>Goodwill</b>		<b>12,408</b>

The fair value of the assets and liabilities was determined on a provisional basis, recognising in particular: (i) non-patented technologies classified as development costs for 5,037 thousand euros; (ii) trademarks and customer lists classified as software, licences, trademarks and other rights for 2,080 thousand euros and 7,070 thousand euros respectively; (iii) deferred tax liabilities for 3,958 thousand euros.

The cost of the acquisition includes the 12,480 thousand euros paid at the closing, the adjustment of the provisional price of -99 thousand euros and the potential consideration of 14,019 thousand euros, of which 900 thousand euros by way of earn-out and 13,119 thousand euros for the fair value of the option signed for the purchase of the other 40% of Perfect Pack S.r.l., discounted using the return on government securities with the same maturity.

It should also be noted that in the Financial information at 30 September 2019 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 2019 the newly acquired companies, which were consolidated for 5 months, generated revenue of 2,616 thousand euros and an operating profit of 490 thousand euros, including personnel costs of 603 thousand euros.

The amounts recognized at the acquisition date were determined provisionally as required by IFRS 3; any adjustments will be recorded within 12 months from the date of the acquisition.

1,697 thousand euros of ancillary charges related to the acquisition were booked to the income statement under services, rentals and leases.

At 31 December 2019 the amount of the purchase price that has been paid, net of the cash acquired, amounts to 251,229 thousand euros.



### 31. GUARANTEES GRANTED

At 31 December 2019, the Group provided sureties and other bank guarantees to customers for 38,763 thousand euros for the proper functioning of the machines, bid bonds and advances not yet received, sureties guaranteeing lease contracts for 7,740 thousand euros and guarantees in favour of others for 4,741 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	31.12.2019	31.12.2018
<b>Subsidiaries:</b>		
ATOP S.p.A.	25,700	–
Benhil GmbH	15,000	1,600
Claren Cutting Service S.r.l.	2,010	–
CMRE S.r.l.	45,763	–
CO.MA.DI.S. S.p.A.	155	89
Corazza S.p.A.	19,500	19,525
Delta Systems & Automation Inc.	3,561	1,747
Eurosicma S.p.A.	5,000	1,325
Eurotekna S.r.l.	100	100
Fillshape S.r.l.	–	8,650
GIMA S.p.A.	47,850	47,900
GIMA TT S.p.A.	–	72,973
G.S. Coating Technologies S.r.l.	1,000	1,000
Ilapak Inc.	6,676	6,550
Ilapak International SA	18,921	16,887
Ilapak Italia S.p.A.	6,700	6,700
Ilapak Sp. Z o.o.	5,638	5,580
Ilapak Verpackungsmaschinen GmbH	2,300	2,300
IMA Automation Malaysia Sdn. Bhd.	4,650	3,150
IMA Automation USA Inc.	8,901	8,734
IMA Est GmbH	800	800
IMA Life (Beijing) Pharmaceutical Systems Co. Ltd.	4,220	4,190
IMA Life Japan KK	820	795
IMA Life North America Inc.	8,841	6,379
IMA Life (Shanghai) Pharmaceutical Machinery Co. Ltd.	703	698
IMA Medtech Switzerland SA	18,702	18,014
IMA Pacific Co. Ltd.	3,595	5,744
IMA-PG India Pvt. Ltd.	2,000	2,000
Mapster S.r.l.	3,500	3,500
Perfect Pack S.r.l.	1,000	–
Petroncini Impianti S.p.A.	3,250	3,250
Pharmasiena Service S.r.l.	3,324	2,500
Revisioni Industriali S.r.l.	2,500	2,525
Spreafico Automation S.r.l.	2,015	–
Telerobot S.p.A.	2,017	2,332
Teknoweb Converting S.r.l.	4,000	4,000
Tissue Machinery Company S.p.A.	20,049	13,826
Valley Tissue Packaging Inc.	1,780	1,747
	<b>302,541</b>	<b>277,110</b>
<b>Associates:</b>		
Doo Officina-Game Vrsac	418	959
Erca S.A.S.	–	4,858
GASTI Verpackungsmaschinen GmbH	–	773
IMA Dairy & Food Holding GmbH	12,694	6,000
	<b>13,112</b>	<b>12,590</b>
<b>Joint venture:</b>		
CMRE S.r.l.	–	2,221
	<b>–</b>	<b>2,221</b>
<b>Total</b>	<b>315,653</b>	<b>291,921</b>

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 provided guarantees to third parties in the interest of Ilapak Verpackungsmaschinen GmbH and Ilapak SNG OOO of 2,145 thousand euros.

Lastly, note that sureties were issued against advances received from customers for a total of 107,286 thousand euros (117,034 thousand euros at 31 December 2018), of which 47,945 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**

At 31 December 2019 there are commitments for the purchase of property, plant and equipment and intangible assets of 14,347 thousand euros and 561 thousand euros respectively relating principally to the property complex being built by CMRE S.r.l.

Commitments for rents and lease payments excluded from the application of IFRS 16 amount to 12,444 thousand euros. This amount includes 8,381 thousand euros relating to the signing, during the year, of a preliminary lease contract for a building under construction linked to the property located in Castel San Pietro Terme (BO), as commented in Note 2.

Other commitments in favour of third parties, 18,809 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.

At 31 December 2019 the share capital of IMA S.p.A. was held 51.594% by SO.FI.M.A. Following the total asymmetric spin-off of Lopam Fin S.p.A., the former parent company of SO.FI.M.A., which took place on 16 July 2019, and its consequent cancellation from the register of companies, the entity at the highest hierarchical level that holds control of IMA S.p.A. at 31 December 2019 is SO.FI.M.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.M.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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

in thousands of euros	Receivables at 31.12.2019	Receivables at 31.12.2018	Payables at 31.12.2019	Payables at 31.12.2018
Parent companies:				
Lopam Fin S.p.A.	–	3	–	–
SO.FI.M.A. S.p.A.	10,816	3,680	–	–
	<b>10,816</b>	<b>3,683</b>	<b>–</b>	<b>–</b>
Associates and joint venture:				
Amherst Stainless Fabrication Llc	1,540	1,127	200	526
A.P.M. Assembly Pack. Mach. S.r.l.	808	–	1,745	–
ATOPbi S.p.A.	–	16,322	–	–
B.C. S.r.l.	3,254	2,992	944	833
Bacciottini F.Ili S.r.l.	913	1,237	9,263	5,703
Bolognesi S.r.l.	1,264	1,145	4,720	5,088
CMRE S.r.l.	–	8,502	–	–
Doo Officina-GAME East Vrsac	1,304	1,429	113	122
Erca S.A.S.	–	1,337	–	91
GASTI Verpackungsmaschinen GmbH	–	786	–	1
Hassia Verpackungsmaschinen GmbH	–	1,276	–	71
I.E.M.A. S.r.l.	3,388	2,932	18,100	19,950
IMA Dairy & Food Holding GmbH	44,814	52,821	–	1,313
Inkbit Llc	1,810	2,110	–	–
L.A.CO S.r.l.	827	802	2,841	2,873
Logimatic S.r.l.	10,040	8,701	28,579	20,908
Masterpiece S.r.l.	39	30	829	744
Meccanica Sarti S.r.l.	1,254	1,214	706	797
Me. Mo. S.r.l.	1,527	1,536	97	123
MORC 2 S.r.l.	2,281	1,720	4,269	890
O.M.S. Officina Meccanica di Sonico S.r.l.	1,102	1,041	1,183	1,150
Powertransmission.it S.r.l.	158	205	445	601
RO.SI S.r.l.	286	347	1,785	2,282
SIL.MAC. S.r.l.	2,601	2,165	10,915	10,449
S.I.Me. S.r.l.	294	298	939	561
STA.MA. S.r.l.	134	134	2,229	1,615
Talea S.r.l.	11,842	7,110	8,793	6,671
Other associates	780	976	523	123
	<b>92,260</b>	<b>120,295</b>	<b>99,218</b>	<b>83,485</b>
Other related parties:				
3-T S.r.l.	12	–	1,234	–
ATOP S.p.A.	–	3,983	–	–
Costal S.r.l.	–	–	1,192	1,559
Datalogic Automation S.r.l.	–	–	311	397
EPSOL S.r.l.	1,769	1,302	5,474	5,149
Erca S.A.S.	1,045	–	–	–
GASTI Verpackungsmaschinen GmbH	459	–	–	–
Hassia Verpackungsmaschinen GmbH	952	–	–	–
Hotminds S.r.l.	118	154	1,166	872
LPM.GROUP S.r.l.	58	77	5,780	5,352
Poggi & Associati	626	288	23	97
Timage S.r.l.	–	–	1,044	1,262
Other related parties	535	437	1,559	1,550
	<b>5,574</b>	<b>6,241</b>	<b>17,783</b>	<b>16,238</b>
<b>Total</b>	<b>108,650</b>	<b>130,219</b>	<b>117,001</b>	<b>99,723</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

in thousands of euros	Revenues 2019	Revenues 2018	Costs 2019	Costs 2018
<b>Associates and joint venture:</b>				
Amherst Stainless Fabrication Llc	62	31	4,258	4,157
A.P.M. Assembly Pack. Mach. S.r.l.	36	–	1,982	–
ATOPbi S.p.A.	–	561	–	–
B.C. S.r.l.	441	286	5,824	6,114
Bacciottini F.lli S.r.l.	280	233	13,295	7,416
Bolognesi S.r.l.	282	243	5,957	5,875
Doo Officina-Game East Vrsac	137	109	1,059	950
Erca S.A.S.	–	2,104	–	285
GASTI Verpackungsmaschinen GmbH	–	1,520	–	(6)
Hassia Verpackungsmaschinen GmbH	–	2,728	–	159
I.E.M.A. S.r.l.	2,202	2,430	20,464	22,863
IMA Dairy & Food Holding GmbH	1,061	1,175	8,037	1,487
IMA Dairy & Food USA Inc.	–	578	–	6
LA.CO S.r.l.	200	199	3,408	3,610
Logimatic S.r.l.	8,218	6,127	33,636	27,912
Masterpiece S.r.l.	33	35	973	889
Meccanica Sarti S.r.l.	40	–	902	1,080
MORC 2 S.r.l.	271	231	6,525	2,162
O.M.S. Officina Meccanica Sonico S.r.l.	71	4	2,776	1,312
Powertransmission.it S.r.l.	33	32	926	1,084
RO.SI S.r.l.	97	–	2,224	847
SIL.MAC. S.r.l.	2,114	1,672	12,094	12,846
S.I.Me. S.r.l.	40	6	1,533	1,283
STAMA. S.r.l.	152	165	2,567	1,987
Talea S.r.l.	1,592	855	5,400	4,773
Other associates and joint venture	58	46	1,492	1,308
	<b>17,420</b>	<b>21,370</b>	<b>135,332</b>	<b>110,399</b>
<b>Other related parties:</b>				
3-T S.r.l.	11	–	1,479	–
ATOP S.p.A.	1,985	5,680	–	–
Bonfiglioli Mechatronic S.p.A.	–	–	919	594
Costal S.r.l.	–	1	2,563	3,121
Datalogic Automation S.r.l.	–	–	625	747
Deltos S.r.l.	–	–	985	1,016
EPSOL S.r.l.	2,028	1,468	6,312	5,941
Erca S.A.S.	762	–	256	–
Hassia Verpackungsmaschinen GmbH	1,411	–	295	–
Hotminds S.r.l.	–	–	1,348	1,299
Ipercubo S.r.l.	–	1	30	428
Lopam S.r.l.	1	–	4	524
LPM.GROUP S.r.l.	103	169	7,197	6,217
Morosina S.p.A.	–	–	1,323	1,161
Nemo Investimenti S.r.l.	2	2	14	2,146
Timage S.r.l.	–	–	2,605	2,261
Verniciatura Ozzanese S.r.l.	4	2	519	530
Other related parties	1,011	52	1,630	842
	<b>7,318</b>	<b>7,375</b>	<b>28,104</b>	<b>26,827</b>
<b>Total</b>	<b>24,738</b>	<b>28,745</b>	<b>163,436</b>	<b>137,226</b>

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In 2018 there was 3,109 thousand euros relating to rental costs attributable to other related parties; due to the adoption of IFRS 16, the costs for rentals from related parties in 2019 have been reversed.

These balances and 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. (company controlled since July 2019) EPSOL S.r.l., Erca S.A.S. and Hassia GmbH relate principally to the sale of commercial parts used in production.

The costs from EPSOL S.r.l. refer to the design and production of systems for automatic machines, the costs from LPM.GROUP S.r.l. mainly refer to protections for machinery and parts to drawings and the costs from Timage S.r.l. refer to the realization of technical documentation.

On 19 June 2019 IMA S.p.A. acquired a further 50% of CMRE S.r.l., a company based in Bologna, from related parties for 5,000 thousand euros, thus bringing its total stake in the company to 100%. The company is active in the real estate sector. The transaction was examined and approved by the specific committee as a transaction completed with a related party.

The table below provides a summary of the balance sheet items, including the main percentage:

in thousands of euros	Total at 31.12.2019	Of which related parties	%	Total at 31.12.2018	Of which related parties	%
			impact			impact
<b>Balance sheet:</b>						
Fixed assets and right of use assets	1,187,810	10,081	0.8%	565,870	7,049	1.2%
Investments and financial assets	75,840	65,883	86.9%	100,414	91,771	91.4%
Other non-current assets	61,363	109	0.2%	53,377	100	0.2%
<b>NON-CURRENT ASSETS</b>	<b>1,325,013</b>	<b>76,073</b>	<b>5.7%</b>	<b>719,661</b>	<b>98,920</b>	<b>13.7%</b>
Trade and other receivables	480,556	19,231	4.0%	447,207	21,343	4.8%
Financial assets	18,240	2,530	13.9%	22,182	6,276	28.3%
Cash and cash equivalents	110,699	–	–	140,867	–	–
Income tax receivables	21,296	10,816	50.8%	9,810	3,680	37.5%
Other current assets	345,227	–	–	320,106	–	–
<b>CURRENT ASSETS</b>	<b>976,018</b>	<b>32,577</b>	<b>3.3%</b>	<b>940,172</b>	<b>31,299</b>	<b>3.3%</b>
<b>TOTAL ASSETS</b>	<b>2,301,031</b>	<b>108,650</b>	<b>4.7%</b>	<b>1,659,833</b>	<b>130,219</b>	<b>7.8%</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>504,880</b>			<b>420,934</b>		
Borrowings and lease liabilities	664,122	–	–	283,281	–	–
Other non-current liabilities	281,591	–	–	176,631	–	–
<b>NON-CURRENT LIABILITIES</b>	<b>945,713</b>	<b>–</b>	<b>–</b>	<b>459,912</b>	<b>–</b>	<b>–</b>
Borrowings and lease liabilities	144,370	–	–	106,529	–	–
Trade and other payables	663,275	117,001	17.6%	636,351	99,723	15.7%
Income tax liabilities	12,935	–	–	7,368	–	–
Other current liabilities	29,858	–	–	28,739	–	–
<b>CURRENT LIABILITIES</b>	<b>850,438</b>	<b>117,001</b>	<b>13.8%</b>	<b>778,987</b>	<b>99,723</b>	<b>12.8%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,301,031</b>	<b>117,001</b>	<b>5.1%</b>	<b>1,659,833</b>	<b>99,723</b>	<b>6.0%</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	2019	Of which related parties	%	2018	Of which related parties	%
<b>Income statement:</b>						
Revenue from contracts with customers	1,595,527	17,977	1.1%	1,500,371	22,499	1.5%
Other income and capitalized costs	40,187	2,294	5.7%	33,831	2,814	8.3%
Cost of raw materials and goods	(598,127)	(104,660)	17.5%	(555,378)	(79,997)	14.4%
Cost of services and leases	(324,112)	(48,981)	15.1%	(321,141)	(55,047)	17.1%
Other operating costs	(521,000)	(1,711)	0.3%	(447,626)	(1,505)	0.3%
<b>OPERATING PROFIT</b>	<b>192,475</b>			<b>210,057</b>		
Net financial income	79,696	1,065	1.3%	34,104	352	1.0%
Net financial expense	(43,118)	–	–	(34,642)	(15)	–
<b>FINANCIAL INCOME AND EXPENSE</b>	<b>36,578</b>			<b>(538)</b>		
<b>PROFIT (LOSS) FROM INVESTMENTS</b>						
<b>ACCOUNTED FOR USING EQUITY METHOD</b>	<b>(4,682)</b>	<b>(4,682)</b>	100.0%	<b>2,419</b>	<b>2,419</b>	100.0%
Taxes	(54,728)	–	–	(61,180)	–	–
<b>PROFIT FROM CONTINUING OPERATIONS</b>	<b>169,643</b>			<b>150,758</b>		
<b>PROFIT (LOSS) FROM DISCONTINUED OPERATIONS</b>	<b>–</b>			<b>(26,165)</b>		
<b>PROFIT FOR THE YEAR</b>	<b>169,643</b>			<b>124,593</b>		

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 2019 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.

Please refer to the section "Scope of consolidation" for detailed comments on the absorption of GIMA TT S.p.A. by IMA S.p.A. ("Merger"), communicated to the market on 11 June 2019 and approved by the Extraordinary Shareholders' Meetings of the two companies on 8 August 2019.

The merger took effect on 5 November 2019, once the merger deed had been signed and registered with the Bologna Companies Register on 31 October 2019.

In relation to the Merger, the following is worth noting:

- as regards IMA S.p.A., the merger is exempt from the company procedure that regulates transactions with related parties, as it was a transaction carried out with a subsidiary in which there were no significant interests of other related parties;
- as regards GIMA TT S.p.A., the merger was considered a transaction with related parties that was not exempt from the company procedure, as it was concluded with the controlling shareholder.

Moreover, from a size point of view, this operation was considered to be of "greater significance". Consequently, the merger project was approved by the Board of Directors of GIMA TT S.p.A. subject to the reasoned favourable opinion of the committee consisting solely of unrelated independent directors of GIMA TT S.p.A. regarding the company's interest in completing the transaction, as well as the convenience and substantial and procedural correctness of the terms and conditions of the merger of GIMA TT S.p.A. and IMA S.p.A., which was unanimously given on 10 June 2019.

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	2019	2018
Directors	6,212	9,188
Statutory Auditors	157	112
<b>Total</b>	<b>6,369</b>	<b>9,300</b>

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	2019	2018
Short-term benefits	3,194	3,158
Long-term benefits	998	1,181
Post-employment benefits	151	151
Fees for positions	4,584	6,699
<b>Total</b>	<b>8,927</b>	<b>11,189</b>

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 2019, non-recurring charges classified in Services, rentals and leases for 7,406 thousand euros and in Personnel costs for 201 thousand euros mainly refer to the costs relating to the absorption of GIMA TT S.p.A. by IMA S.p.A. for 5,150 thousand euros, as commented in the "Scope of consolidation" section and to ancillary charges on the acquisitions made during the period for 1,697 thousand euros.

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

referred to reorganisation of the Ilapak business and ancillary charges on acquisitions made during the period.

### **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 main events subsequent to the year-end are the following:

- absorption by IMA S.p.A., with effect from 1 January 2020, of its direct or indirect subsidiaries GIMA S.p.A., G.S. Coating Technologies S.r.l., Mapster S.r.l. and Revisioni Industriali S.r.l.;
- absorption of O.A.SYS. S.r.l., a wholly-owned subsidiary, by Eurosicma S.p.A., which took effect from 1 January 2020;
- on 3 March 2020, the subsidiary TMC North America Inc. completed the acquisition of the residual 49% of the investment in Valley Tissue Packaging Inc. for an amount of 3,491 thousand US Dollars, after exercising the option envisaged in the contract.
- given the intensification of the COVID-19 emergency and the government's dictates contained in art. 106 of Decree Law 18 of 17 March 2020, the Board of Directors of IMA S.p.A. decided on 25 March 2020 that it was best to postpone the Ordinary Shareholders' Meeting, originally scheduled for 21 April 2020 at a single calling, to 10 June 2020. The proposed dividend of 2.0 euro per share will be due for payment from 17 June 2020, going ex-coupon (no. 27) on 15 June 2020 with 16 June 2020 as the record date. This Annual Report incorporates these changes. For further information, see the press release of 25 March 2020 available on the website [www.ima.it](http://www.ima.it).

## 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
<b>Industrial and service companies:</b>						
- I.M.A. Industria Macchine Automatiche S.p.A.	Ozzano dell'Emilia	Bologna - Italy	22,470,504.68	EUR	Parent company	
- ATOP S.p.A.	Barberino Tavarnelle	Florence - Italy	208,000	EUR	90.984% (1)	-
- Ciemme S.r.l.	Albavilla	Como - Italy	100,000	EUR	100% (2)	-
- Claren Cutting Service S.r.l.	Calderara di Reno	Bologna - Italy	100,000	EUR	-	100% (3)
- 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% (4)	-
- Eurotekna S.r.l.	Milan	Milan - Italy	32,243	EUR	-	85.71% (5)
- GIMA S.p.A.	Zola Predosa	Bologna - Italy	1,000,000	EUR	100%	-
- 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% (6)
- Mapster S.r.l.	Collecchio	Parma - Italy	10,000	EUR	-	100% (7)
- O.A.SYS. Open Automation System S.r.l.	Segrate	Milan - Italy	20,800	EUR	-	100% (5)
- Perfect Pack S.r.l.	Rimini	Rimini - Italy	20,800	EUR	100% (8)	-
- Petroncini Impianti S.p.A.	Modena	Modena - Italy	120,000	EUR	-	80% (7)
- 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%	-
- Spares & More S.r.l.	Galliciano	Lucca - Italy	10,848	EUR	-	100% (9)
- Spreafico Automation S.r.l.	Calolziocorte	Lecco - Italy	200,000	EUR	100% (10)	-
- Teknoweb Converting S.r.l.	Palazzo Pignano	Cremona - Italy	1,000,000	EUR	100% (11)	-
- Telerobot S.p.A.	Alessandria	Alessandria - Italy	50,000	EUR	-	100% (7)
- Tissue Machinery Company S.p.A.	Castel Guelfo	Bologna - Italy	8,000,000	EUR	100% (12)	-
- ATOP (Shanghai) Electrical Equipment Co.Ltd.	Shanghai	PRC	-	EUR	-	100% (13)
- Benhil GmbH	Neuss	Germany	5,500,000	EUR	100%	-
- Delta Systems & Automation Llc	Lowell	USA	1,000	USD	-	100% (14)
- Hassia Packaging Pvt. Ltd.	Taluka Shirur	India	42,000,000	INR	100%	-
- Ilapak International SA	Collina d'Oro Lugano	Switzerland	4,000,000	CHF	-	81% (15)
- Ilapak (Beijing) Packaging Machinery Co. Ltd.	Beijing	PRC	3,000,000	USD	-	81% (16)
- IMA Automation Malaysia Sdn. Bhd.	Penang	Malaysia	3,000,000	MYR	-	100% (7)
- IMA Automation USA Inc.	Loves Park	USA	10,610,000	USD	-	100% (14)
- IMA Life (Beijing) Pharmaceutical Systems Co. Ltd.	Beijing	PRC	400,000	USD	100%	-
- IMA Life (Shanghai) Pharmaceutical Mach. Co. Ltd.	Shanghai	PRC	5,250,000	RMB	-	86.29% (17)
- IMA Life North America Inc.	Tonawanda	USA	100	USD	-	100% (14)
- IMA Life The Netherlands B.V.	Dongen	The Netherlands	22,382,654 (*)	EUR	100%	-
- IMA MAI S.A.	Mar del Plata	Argentina	1,711,466	ARS	100% (18)	-
- IMA Medtech Switzerland SA	La Chau de Fonds	Switzerland	13,250,000	CHF	-	100% (7)
- IMA North America Inc.	Leominster	USA	8,052,500	USD	-	100% (14)
- IMA-PG India Pvt. Ltd.	Mumbai	India	17,852,100	INR	100%	-
- IMA Swiftpack Ltd.	Alcester	UK	1,403,895	GBP	100%	-
- Tianjin IMA Machinery Co. Ltd.	Tianjin	PRC	200,000	USD	100%	-
- Tecmar S.A.	Mar del Plata	Argentina	692,500	ARS	100% (19)	-
- Valley Tissue Packaging Inc.	Kaukauna	USA	3,645	USD	-	100% (20)

(\*) The nominal share capital of IMA Life The Netherlands B.V. and ATOP (Shanghai) Electrical Equipment Co. Ltd. amounts to Eur 45,400,000 and Eur 200,000 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Companies consolidated line-by-line (continued)	Registered office		Share capital	Currency	Direct investment	Indirect investment
<b>Commercial companies:</b>						
- Asset Management Service S.r.l.	Castel Guelfo	Bologna - Italy	500,000	EUR	-	100% (21)
- Ilapak do Brasil Ltda. (in liquidation)	Sao Paulo	Brazil	8,219,229	BRL	-	81% (15)
- Ilapak France SA	Lognes Paris	France	105,130	EUR	-	81% (6)
- Ilapak Inc.	Newtown	USA	12,500	USD	-	81% (6)
- Ilapak Israel Ltd.	Caesarea	Israel	5,310,505	ILS	-	81% (6)
- Ilapak Ltd.	Uxbridge London	UK	795,536	GBP	-	81% (6)
- Ilapak SNG OOO	Moscow	Russia	1,785,700	RUB	-	81% (6)
- Ilapak Sp. Z o.o.	Krakow	Poland	3,740,400	PLN	-	81% (6)
- Ilapak Verpackungsmaschinen GmbH	Haan Duesseldorf	Germany	102,500	EUR	-	81% (6)
- 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% (22)
- 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 Packaging Technology India Pvt. Ltd.	Thane	India	10,000,000	INR	100%	-
- IMA UK Ltd.	Alcester	UK	1	GBP	-	100% (23)
- Imautomatich Do Brasil Ltda.	Sao Paulo	Brazil	6,651,600	BRL	99.98%	-
- OOO IMA Industries	Moscow	Russia	12,000,000	RUB	-	100% (24)
- Petroncini International Trading (Shanghai) Co. Ltd.	Shanghai	PRC	300,000	RMB	-	80% (25)
- Teknoweb N.A. Llc	Loganville Atlanta	USA	56,000	USD	-	75% (26)
- TMC Do Brasil Industria de Maquinarios e Servicos Ltda.	Valinhos	Brazil	678,405	BRL	-	100% (21)
- TMC North America Inc.	Appleton	USA	100,000	USD	-	100% (21)
<b>Financial companies:</b>						
- Luna Investment SA	Lugano	Switzerland	100,000	CHF	-	81% (15)
- Packaging Systems Holdings Inc.	Wilmington	USA	1,000	USD	100%	-
- TeknoNA Inc.	Atlanta	USA	50,000	USD	-	100% (27)
- Transworld Packaging Holding S.p.A.	Ozzano dell'Emilia	Bologna - Italy	64,833	EUR	81%	-
<b>Other companies:</b>						
- CMRE S.r.l.	Bologna	Bologna - Italy	50,000	EUR	100%	-
- Digidoc S.r.l.	Ozzano dell'Emilia	Bologna - Italy	10,000	EUR	-	80% (28)
- Dreamer S.r.l. (in liquidation)	Bologna	Bologna - Italy	100,000	EUR	-	100% (7)
- Packaging Manufacturing Industry S.r.l.	Castenaso	Bologna - Italy	110,000	EUR	100%	-
- Societa del Sole S.r.l.	Ozzano dell'Emilia	Bologna - Italy	10,000	EUR	100%	-

**Note:**

- (1) *The percentage interest held in ATOP S.p.A. includes an option to purchase 6.819% of the quota capital*
- (2) *The percentage interest held in Ciemme S.r.l. includes an option to purchase 30% of the quota capital*
- (3) *Held by Spare & More S.r.l.*
- (4) *The percentage interest held in Eurosicma S.p.A. includes an option to purchase 40% of the quota capital*
- (5) *Held by Eurosicma S.p.A.*
- (6) *Held by Ilapak International SA at 100% except Ilapak France SA held at 99.99%*
- (7) *Held by GIMA S.p.A.*
- (8) *The percentage interest held in Perfect Pack S.r.l. includes an option to purchase 40% of the quota capital*
- (9) *Held by Tissue Machinery Company S.p.A. at 80%. The percentage interest held in Spare & More S.r.l. includes an option to purchase 20% of the quota capital*
- (10) *The percentage interest held in Spreafico Automation S.r.l. includes an option to purchase 30% of the quota capital*
- (11) *The percentage interest held in Teknoweb Converting S.r.l. includes an option to purchase 40% of the quota capital*
- (12) *The percentage interest held in Tissue Machinery Company S.p.A. includes an option to purchase 17.5% of the quota capital*
- (13) *Held by ATOP S.p.A. at 100%*
- (14) *Held by Packaging Systems Holding Inc.*
- (15) *Held by Transworld Packaging Holding S.p.A. at 100%*
- (16) *Held by Ilapak Italia S.p.A. at 100%*
- (17) *Held by IMA Life (Beijing) Ph. Systems Co. Ltd.*
- (18) *The percentage interest held in IMA MAI S.A. includes an option to purchase 30% of the quota capital*
- (19) *The percentage interest held in Tecmar S.A. includes an option to purchase 38.55% of the quota capital*
- (20) *Held by TMC North America Inc. at 51%. The percentage interest includes an option to purchase 49% of the quota capital*
- (21) *Held by Tissue Machinery Company S.p.A.*
- (22) *Held by IMA Life The Netherlands B.V.*
- (23) *Held by IMA Swiftpack Ltd.*
- (24) *Held by Corazza S.p.A.*
- (25) *Held by Petroncini Impianti S.p.A. at 100%*
- (26) *Held by Tekno NA Inc.*
- (27) *Held by Teknoweb Converting S.r.l.*
- (28) *Held by Packaging Manufacturing Industry S.r.l.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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)
- A.P.M. Assembly Pack. Mach. S.r.l.	Castel Bolognese	Ravenna - Italy	100,000	EUR	32% (2)
- 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)
- Bognesi S.r.l.	Dozza	Bologna - Italy	10,920	EUR	30% (2)
- 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)
- 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	Ranstadt	Germany	25,000	EUR	40%
- Inkbit Llc	Delaware	USA	2,407	USD	21.1%
- 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)
- OLTRE S.r.l.	Ozzano dell'Emilia	Bologna - Italy	50,000	EUR	30% (2)
- OMEGA S.r.l.	Castel Guelfo	Bologna - Italy	10,000	EUR	20% (2)
- O.M.S. 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	125,000	EUR	39.2% (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.

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

The following table shows the fees in 2019 for auditing services and services other than auditing, relating to auditing of the non-financial report required by Directive 2014/95/EU, additional activities carried out in this regard for verification of the opening balances of ATOP S.p.A. Spreafico Automation S.r.l., Perfect Pack S.r.l., Spares & More S.r.l. and Claren S.r.l., R&D receivables, 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.	305
	EY S.p.A.	Subsidiary companies	707
	EY network	Subsidiary companies	335
Other services rendered in connection with the review	EY S.p.A.	Parent company IMA S.p.A.	75
	EY S.p.A.	Subsidiary companies	93
Other services	EY network	Subsidiary companies	17
<b>Total</b>			<b>1,532</b>



**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 2019

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), 12 March 2020

Managing Director

Alberto Vacchi

Manager responsible for preparing financial reports

Sergio Marzo

# REPORT OF THE INDEPENDENT AUDITORS AT 31 DECEMBER 2019

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)



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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, 2019, 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, 2019, 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 Lombardia, 31 - 00187 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  
Codice fiscale e numero di iscrizione 00434000584 - numero R.I.A. 250994  
P.IVA 00891231003  
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998  
Iscritta all'Albo Speciale delle società di revisione  
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997  
A member firm of Ernst & Young Global Limited



We identified the following key audit matters:

Key Audit Matters	Audit Responses
<p><b>Valuation of goodwill</b></p> <p>At December 31, 2019 the carrying amount of goodwill, reported in line item Intangible Assets of the financial statements, amounts to Euro 478.4 million allocated to different Cash Generating Units (CGUs) which are tested for impairment annually, or more frequently if indications of impairment exist.</p> <p>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 2020-2022, the normalized cash flows used to estimate terminal value and the discount and long term growth rates applied. Considering the level of judgment and complexity of the assumptions applied in estimating the recoverable amount of goodwill, we determined that this item represents a key audit matter.</p> <p>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".</p> <p><b>Revenue recognition and valuation of contract assets and liabilities of contract work</b></p> <p>The financial statements include Euro 821.5 million of revenue from contract work, and related contract assets and liabilities for Euro 236.7 million and Euro 30.8 million, respectively. Such revenues and margins from contract work are recognized on the stage-of-completion basis applying the "cost-to-cost</p>	<p>Our audit procedures relating to this key audit matter included, among others:</p> <ul style="list-style-type: none"> <li>• assessing the processes and key controls implemented by the Group in relation to the valuation of goodwill;</li> <li>• validating the proper identification of the CGUs by management and the allocation of the carrying values of assets and liabilities to each CGU;</li> <li>• assessing the cash flow forecasts;</li> <li>• validating the allocation of the forecasted cash flows to each CGU in the Group business plan for the period 2020-2022;</li> <li>• assessing the accuracy of the cash flow forecasts as compared to the historical cash flows of the prior years;</li> <li>• assessing long-term growth rates and discount rates.</li> </ul> <p>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.</p> <p>Lastly, we verified the adequacy of the disclosures provided in the notes to the financial statements in relation to the valuation of goodwill.</p> <p>Our audit procedures in response to the key audit matter included, among others:</p> <ul style="list-style-type: none"> <li>• 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;</li> </ul>



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”, in note 18 “Trade payables and other payables and contract liabilities”, 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”.

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

The Directors are responsible for the preparation of the consolidated financial statements that 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 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.



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.

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 have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have 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 shareholders 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 provided 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 their 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, 2019, 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, 2019 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, 2019 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, 2020

EY S.p.A.  
Signed by: Marco Mignani, Auditor

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