



I.M.A. Industria Macchine Automatiche S.p.A.

Consolidated financial statements at December 31, 2019

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

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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.

We identified the following key audit matters:

Key Audit Matters	Audit Responses
<p>Valuation of goodwill</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>Revenue recognition and valuation of contract assets and liabilities of contract work</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"> • assessing the processes and key controls implemented by the Group in relation to the valuation of goodwill; • validating the proper identification of the CGUs by management and the allocation of the carrying values of assets and liabilities to each CGU; • assessing the cash flow forecasts; • validating the allocation of the forecasted cash flows to each CGU in the Group business plan for the period 2020-2022; • assessing the accuracy of the cash flow forecasts as compared to the historical cash flows of the prior years; • assessing long-term growth rates and discount rates. <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"> • 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;

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”.

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

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

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

The Directors are responsible for the preparation 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 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.