Consolidated and statutory financial statements as of **December 31, 2018**

Nice S.p.A.

TheNiceGroup

Automation of active façades. Musion, Bolzano, Italy. ©Model System Italia, Ludwig Thalheimer / Lupe

25 YY Twenty Five Years Young 1993 2018

Nice S.p.A.

Annual Financial Report

as at

31 December 2018

Table of Contents

General Information

Corporate bodies and information

Board of Directors

Lauro Buoro (*)	Chair of the Board of Directors
Roberto Griffa (*)	Chief Executive Officer
Denise Cimolai (*)	Director
Emanuela Paola Banfi	Independent Director
Giorgio Zanutto (*)	Director
Lorenzo Galberti (*)	Director
Antonio Bortuzzo	Independent Director
Chiara Mio (**)	Director

(*) Powers and responsibilities, within the limits established by the law and the Articles of Association and without prejudice to those reserved for the Shareholders' Meeting and the Board of Directors, granted by Board resolution on 22 April 2016.

(**) Functional powers, within the limits established by the law and the Articles of Association and without prejudice to those reserved for the Shareholders' Meeting and the Board of Directors, granted by Board resolution on 13 May 2016.

Board of Statutory Auditors

Giuliano Saccardi	Chair of the Board of Statutory Auditors
Monica Berna	Standing Statutory Auditor
Enzo Dalla Riva	Standing Statutory Auditor
David Moro	Alternate Statutory Auditor
Cristina Bonato	Alternate Statutory Auditor

Audit and Risk Committee (*)

Antonio Bortuzzo
Emanuela Paola Banfi

(*) The Audit and Risk Committee also carries out the functions provided for by the Related Parties Regulation

Compensation Committee

Antonio Bortuzzo
Emanuela Paola Banfi

Supervisory Body

Antonio Bortuzzo	Chair of the Supervisory Body
Alberta Figari	Member
Vittorio Gennaro	Member

Independent Auditors

BDO Italia S.p.A.

Registered office and corporate details

Nice S.p.A.
Via Callalta, 1
I-31046 Oderzo TV Italy
Tel: +39 0422 853838
Fax: +39 0422 853585
Share Capital Euro 11,600,000.00 fully paid-in
Tax Code 02717060277
VAT no. 03099360269
www.niceforyou.com

Investor Relations

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Economic and financial highlights of the Nice Group

Income Statement (Thousands of Euro)	2018	%	2017	%	Δ %
Revenues	368,220	100.0%	324,957	100.0%	13.3%
Gross profit	192,431	52.3%	172,896	53.2%	11.3%
EBITDA	44,516	12.1%	50,487	15.5%	
Gross operating margin (EBITDA) before non-recurring expenses/income (1)	**50,811**	**13.8%**	**52,396**	**16.1%**	**-3.0%**
Operating result	31,292	8.5%	40,220	12.4%	
Operating profit (EBIT) before non-recurring expenses/income (1)	**37,587**	**10.2%**	**42,129**	**13.0%**	**-10.8%**
Net profit/loss	19,139	5.2%	23,422	7.2%	
Net profit/loss before non-recurring expenses/income (2)	**20,322**	**5.5%**	**24,784**	**7.6%**	**-18.0%**
Net profit/loss attributable to the Group	18,823	5.1%	22,931	7.1%	
Net profit/loss attributable to the Group before non-recurring expenses/income (2)	***20,006***	**5.4%**	***24,293***	***7.5%***	***-17.6%***

(1) As at 31 December 2018, EBITDA is adjusted excluding the costs incurred for participation in the R+T three-year fair, which was held in February in Stuttgart, for Euro 1.2 million and the expenses incurred for acquisitions and corporate reorganizations for Euro 5.1 million.

(2) The net profit as at 31 December 2018 is adjusted excluding, in addition to as stated in note (1), the proceeds realized with reference to the price adjustment related to the exercise of the call option and the review of the earn-out of some equity investments, as well as the related tax effect of Euro 1.3 million.

Statement of Financial Position (Thousands of Euro)	31/12/2018	31/12/2017
Net working capital	75,956	54,904
Other current liabilities	-	-
Fixed assets and other non-current assets	318,240	180,549
Non-current liabilities	(26,861)	(17,701)
Net invested capital	**367,335**	**217,752**
Net financial position (cash)	146,544	(1,443)
- of which cash and cash equivalents	*(43,144)*	*(55,722)*
- of which financial assets	*(7,778)*	*(2,778)*
- of which financial liabilities	*197,466*	*57,057*
Shareholders' equity	220,791	219,194
Total sources of funds	**367,335**	**217,752**

Statement of Cash Flows (Thousands of Euro)	2018	2017
Operating cash flow	23,352	41,032
Cash flows absorbed by investing activities	(23,214)	(20,719)
Free operating cash flow	138	20,314
Acquisitions	(122,685)	(12,737)
Free Cash Flow	*(122,547)*	*7,577*
Cash flows generated/(absorbed) by financing activities	109,219	(23,590)
Effect of currency fluctuations on liquid funds	749	1,183
Cash flow during the period	*(12,579)*	*(14,831)*
Cash and cash equivalents, start of year	**55,722**	**70,552**
Cash and cash equivalents, end of year	**43,144**	**55,722**

The alternative performance measures are not compliant with the accounting standards used in preparing the audited financial statements and can dispense with the recognition, measurement and presentation requirements in said standards.

Here below are the alternative performance measures:

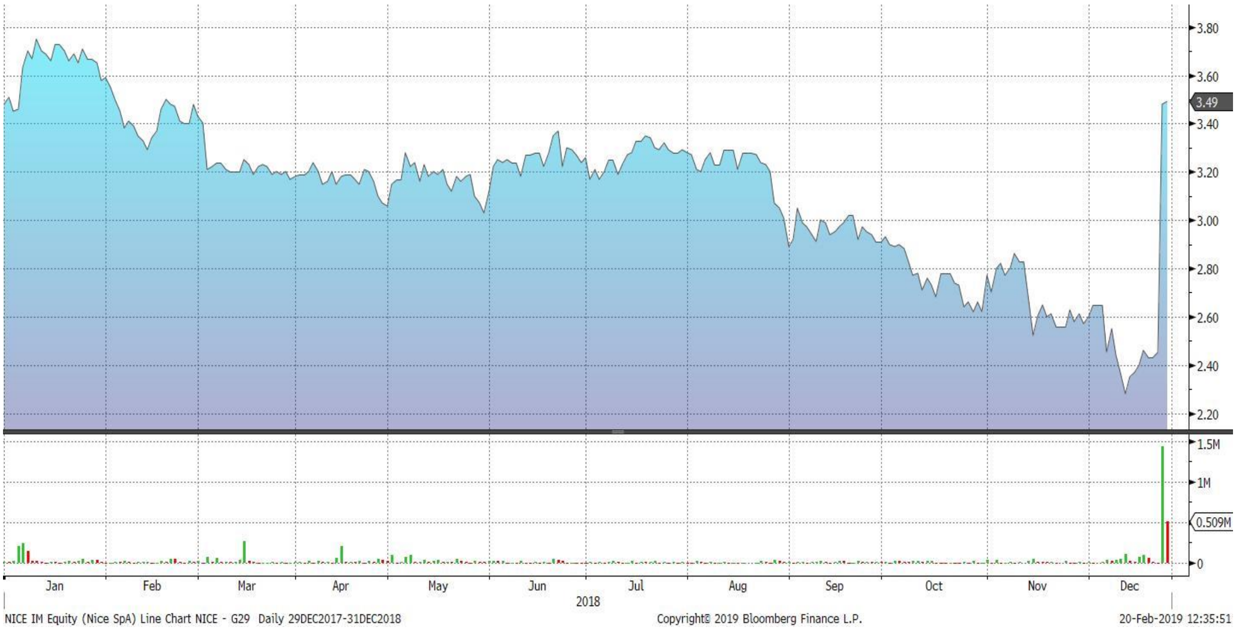
- Gross Profit is defined as the difference between revenue and the cost of goods sold (consisting of the sub-items purchase of basic components, outsourced processing, and change in inventories).
- EBITDA represents net profit before depreciation & amortization, impairment, finance income & expenses, and taxes.
- Net working capital is defined as the sum of inventories, trade receivables, tax receivables, other current assets, trade payables, tax payables (due within 12 months) and other current liabilities when referring to core business.
- Net capital invested is defined as the algebraic sum of net working capital (as defined above), fixed assets, other non-current assets and non-current liabilities (the latter net of medium/long-term loans).
- Net financial debt or net financial position is a measure of the Company's financial structure and is defined as current and non-current financial debts less cash and cash equivalents.
- Free cash flow is defined as the sum of cash flows from/(used in) operating activities and cash flows from/(used in) investing activities.

Report on Operations

This report on operations has been prepared by the directors to accompany both the Separate and the Consolidated Financial Statements for the year ended 31 December 2018, as allowed by art. 1, para. 5 d) of Legislative Decree 2 February 2007, no. 32.
Despite the unstable macroeconomic environment, management believes that there is no uncertainty about the ability of the Group to continue as a going concern, given its significant profitability and sound financial position.

Share performance

The performance of the Nice share price during 2018 is shown below.



At 31 December 2018, Nice stock registered a per-share price of Euro 3.49 and the corresponding market capitalization was Euro 404,840,000.

The following table summarises the main share and stock market data for 2018 (source: Bloomberg):

Share and stock market data	**2018**
Price as at 28/12/2018	Euro 3.49
Maximum price in 2018 (09/01/2018)	Euro 3.79
Minimum price in 2018 (13/12/2018)	Euro 2.22
Market capitalization as at 28/12/2018	404,840,000
Average no. of outstanding shares	110,664,000
No. of common shares	116,000,000

Control of the Company

As at 31 December 2018, Nice Group S.p.A. directly controlled Nice S.p.A.'s share capital.
Nice Group S.p.A., with registered office in Oderzo (Province of Treviso) – Italy, is a holding company owned by Lauro Buoro (68.42%). The remaining 31.58% is held by Nice Group S.p.A. itself in the form of treasury shares.

On 24 December 2018, Nice Group S.p.A. informed the market that it had purchased 2,863,760 ordinary shares of Nice S.p.A. (equal to about 2.47% of the share capital), thus reaching a holding of 104,475,330 ordinary shares equal to 90.065% of the share capital and therefore exceeding the 90% threshold (calculating in this investment treasury shares held by Nice S.p.A.) pursuant to art. 108, paragraph 2, of Legislative Decree 58/1998. As a result of this transaction, Nice Group S.p.A. expressed its intention not to proceed with the restoration of a sufficient free float to ensure the regular trading of Nice S.p.A. shares and to reserve the right to start the procedure for the fulfilment of the purchase obligation pursuant to art. 108, paragraph 2, of Legislative Decree 58/1998, following which there will be the revocation of the listing of the ordinary shares of Nice S.p.A. from the Electronic Stock Market organized and managed by Borsa Italiana S.p.A. (delisting).

As at 31 December 2018, Nice Group S.p.A. directly controlled 86.24% of Nice S.p.A.'s share capital.
The financial statements of Nice Group S.p.A. are available at the registered office in Via Callalta 1 - Oderzo (Province of Treviso).
The financial statements of Nice S.p.A. are available on the website www.niceforyou.com, Investor Relations section.

Shares owned by directors and statutory auditors

As at 31 December 2018, directors and statutory auditors directly or indirectly held a total of 106,529,811 Nice S.p.A. shares, broken down as follows:

Name and surname	No. of shares held as at 01/01/2018	No. of shares bought in 2018	No. of shares held as at 31/12/2018	Nature of possession
Lauro Buoro - through Nice Group S.p.A.	81,585,380	18,452,031	100,037,411	owned
Lauro Buoro - Nice S.p.A. treasury shares	5,336,000	-	5,336,000	owned
Lorenzo Galberti	1,144,400	-	1,144,400	owned
Giorgio Zanutto	7,000	-	7,000	owned
Denise Cimolai	5,000	-	5,000	owned
Total	**88,077,780**	**18,452,031**	**106,529,811**	

Transactions with related parties

Nice S.p.A. is directly controlled by the Italian company Nice Group S.p.A.
The Group's transactions with related parties are the following:

- Nice Group S.p.A.: receivables from participation in the Italian tax consolidation scheme;
- Nice Immobiliare S.r.l.: property leases and renovation of a building;
- Nice Real Estate SL: property lease to Nice Automatismos Espana S.A.;
- Fattoria Camporotondo S.agr.s.: supply of wine products. This company is indirectly managed by Lauro Buoro, who is also the Chairman of Nice S.p.A.;
- Modular Professional S.r.l.: supply of production material and purchase of some assets. This company is indirectly managed by Lauro Buoro, who is also the Chairman of Nice S.p.A.;

- SCI New Real: property lease to Nice France S.a.S. Lauro Buoro, who is also the Chairman of Nice S.p.A., and one of the Group's directors have an interest in this company;
- Italian Creation Group S.p.A. (ICG): lease contract with FontanaArte S.p.A., subsidiary of ICG, related to the property used as production facility, office and warehouses and services contract for the provision of Information Technology services. This company is an investee of Nice Group S.p.A. or indirect investee of Lauro Buoro, who is also the Chairman of Nice S.p.A.;
- Habitat S.r.l.: property lease to Nice S.p.A.

Sales and purchases among related parties take place at arm's length. As at 31 December 2018, the Group has not recorded any bad-debt provision in relation to the amounts due from related parties.
This measurement is carried out each year assessing the financial position of related parties and the market in which they operate.
The economic and financial transactions that took place with related parties during 2018 are described in the explanatory notes.

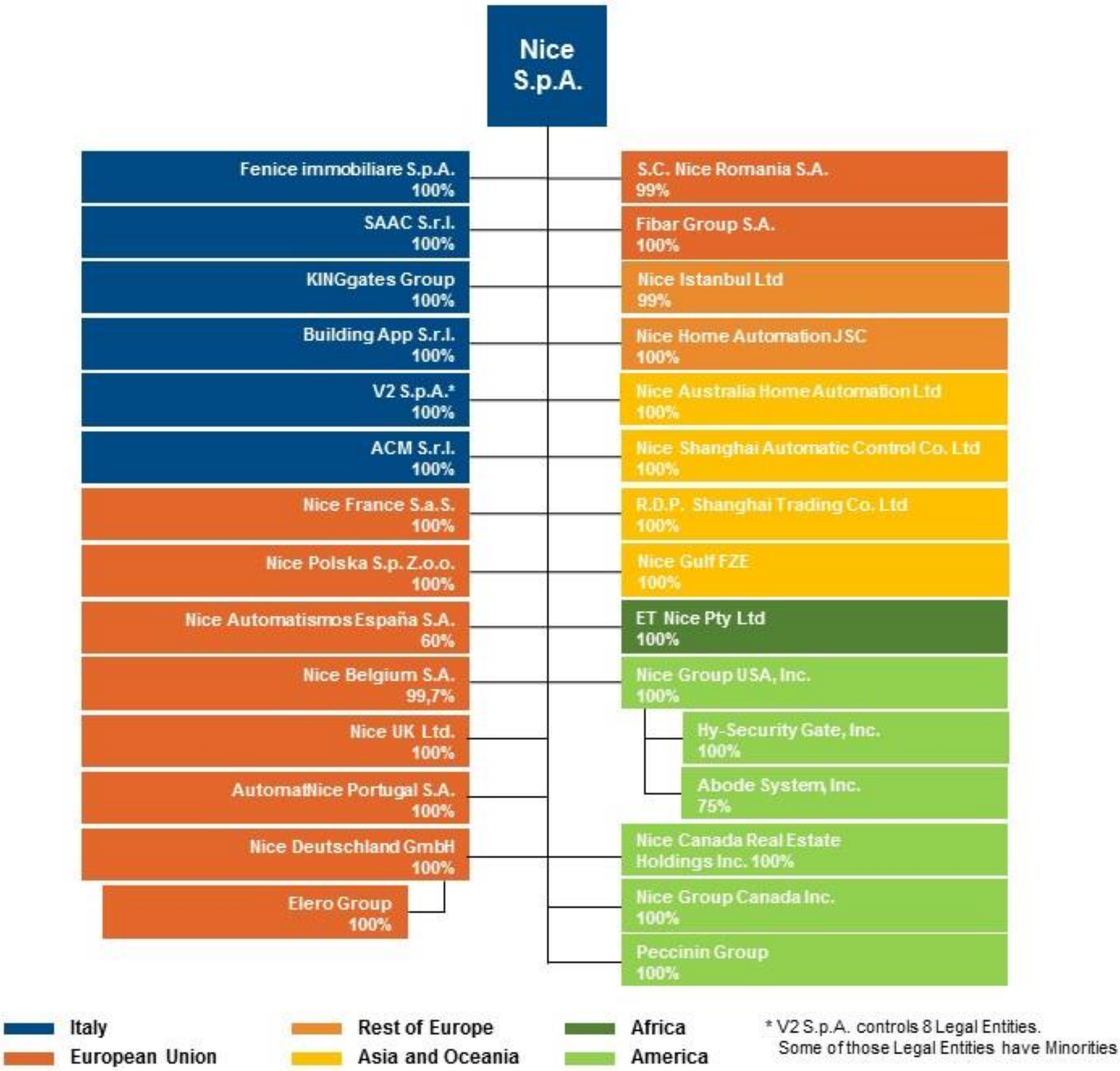
Group business description

Nice's business is the design, production and marketing of Home Automation and Smart Home systems. These systems provide automation of gates for residential, commercial and industrial buildings, garage doors and road barriers, and of awnings, rolling shutters, solar screens and alarm systems. The various systems can be integrated and controlled by means of a single radio control unit.

Group Structure

The corporate structure of the Nice Group as at 31 December 2018 is presented below. The Group operates via 53 companies, detailed in the attachments, located as follows:

- *Italy*: Nice S.p.A., Saac S.r.l., King Gates S.r.l., Fenice Immobiliare S.p.A., Buinding App S.r.l., V2 S.p.A., ACM International S.r.l.;
- *European Union:* Nice France Sas, Nice Automatismos Espana S.A., Nice UK Ltd, Nice Belgium S.A., Nice Polska S.p. Z.o.o., Nice Deutschland Gmbh, S.C. Nice Romania S.A., AutomatNice Portugal S.A., elero GmbH, elero AB, King Gates France SAS, Fibar Group SA, Fibar Group Assets Sp. z o.o. SKA, Fibar Group Intellectual Property Assets Sp z o.o., Fibaro Dystrybucja sp z o.o., AFCA-V2 SAS, V2 Home Automation Albania Shpk, V2 Poland Sp.Zoo in liquidation, Vidue Spain SL, Vidue Automatismos Portugal Lda, V2 Home Automation Transilvania Srl in liquidation, V2 Electronica Iberica SL, Proevolution Sarl;
- *Rest of Europe*: Nice Istanbul Makine Ltd, Nice Home Automation JSC;
- *Asia and Oceania*: Nice Shanghai Automatic Control Ltd, R.D.P. Shanghai Trading Ltd, Nice Australia Home Automation Ltd, elero Motors & Controls Pvt. Ltd., elero Singapore Pte. Ltd., Nice Gulf FZE, V2 Hangzou Co. Ltd.;
- *Americas:* Nice Group USA Inc., Hy-Security Gate, Inc., Peccinin Portoes Automaticos Industrial Ltda, Genno Tecnologia LTDA, Omegaport Equipamentos de Seguranca LTDA, Linear Equipamentos e Serviços Ltda, Fibar USA LLC, Abode Systems Inc., Nice Canada Real Estate Holdings Inc., Nice Group Canada Inc.;
- *Africa:* ET Nice (PTY) LTD, V2 Domotique Maroc Sarl, V2 Tunisie Sarl.


Nice S.p.A.
Fenice immobiliare S.p.A. 100%
SAAC S.r.l. 100%
KINGgates Group 100%
Building App S.r.l. 100%
V2 S.p.A.* 100%
ACM S.r.l. 100%
Nice France S.a.S. 100%
Nice Polska S.p. Z.o.o. 100%
Nice Automatismos España S.A. 60%
Nice Belgium S.A. 99,7%
Nice UK Ltd. 100%
AutomatNice Portugal S.A. 100%
Nice Deutschland GmbH 100%
Elero Group 100%
S.C. Nice Romania S.A. 99%
Fibar Group S.A. 100%
Nice Istanbul Ltd 99%
Nice Home Automation JSC 100%
Nice Australia Home Automation Ltd 100%
Nice Shanghai Automatic Control Co. Ltd 100%
R.D.P. Shanghai Trading Co. Ltd 100%
Nice Gulf FZE 100%
ET Nice Pty Ltd 100%
Nice Group USA, Inc. 100%
Hy-Security Gate, Inc. 100%
Abode System, Inc. 75%
Nice Canada Real Estate Holdings Inc. 100%
Nice Group Canada Inc. 100%
Peccinin Group 100%
Italy
European Union
Rest of Europe
Asia and Oceania
Africa
America
* V2 S.p.A. controls 8 Legal Entities. Some of those Legal Entities have Minorities

Comments on economic and financial results

Operating performance – Group economic results

The consolidated income statement for 2018, classified in the operational format used by the Nice Group, is presented below on a comparative basis:

(Thousands of Euro)	2018	%	2017	%	Δ %
Revenues	**368,220**	**100.0%**	**324,957**	**100.0%**	**13.3%**
Cost of sales	(175,789)	-47.7%	(152,061)	-46.8%	
Gross profit	**192,431**	**52.3%**	**172,896**	**53.2%**	**11.3%**
Industrial costs	(14,144)	-3.8%	(9,605)	-3.0%	
Marketing costs	(12,893)	-3.5%	(10,807)	-3.3%	
Trade costs	(17,182)	-4.7%	(14,438)	-4.4%	
General costs	(26,243)	-7.1%	(23,045)	-7.1%	
Personnel costs	(77,454)	-21.0%	(64,515)	-19.9%	
Total operating costs	**(147,915)**	**-40.2%**	**(122,409)**	**-37.7%**	
EBITDA	**44,516**	**12.1%**	**50,487**	**15.5%**	
EBITDA before non-recurring expenses/income [(1)]	***50,811***	***13.8%***	***52,396***	***16.1%***	***-3.0%***
Depreciation, amortisation and impairment	(13,224)	-3.6%	(10,267)	-3.2%	
EBIT	**31,292**	**8.5%**	**40,220**	**12.4%**	
EBIT before non-recurring expenses/income [(1)]	***37,587***	***10.2%***	***42,129***	***13.0%***	***-10.8%***
Financial management and other costs	(385)	-0.1%	(4,522)	-1.4%	
EBT	**30,907**	**8.4%**	**35,697**	**11.0%**	
Taxes	(11,767)	-3.2%	(12,275)	-3.8%	
Net profit/loss	**19,139**	**5.2%**	**23,422**	**7.2%**	
Net profit/loss before non-recurring expenses/income [(2)]	***20,322***	***5.5%***	***24,784***	***7.6%***	***-18.0%***
Net profit/loss attributable to non-controlling interests	316	0.1%	491	0.2%	
Net profit/loss attributable to the Group	**18,823**	**5.1%**	**22,931**	**7.1%**	
Net profit/loss attributable to the Group before non-recurring expenses/income [(2)]	***20,006***	***5.4%***	***24,293***	***7.5%***	***-17.6%***
Tax rate	*38.1%*		*34.4%*		

[(1)] As at 31 December 2018, EBITDA is adjusted excluding the costs incurred for participation in the R+T three-year fair, which was held in February in Stuttgart, for Euro 1.2 million and the expenses incurred for acquisitions and corporate reorganizations for Euro 5.1 million.

[(2)] The net profit as at 31 December 2018 is adjusted excluding, in addition to as stated in note (1), the proceeds realized with reference to the price adjustment related to the exercise of the call option and the review of the earn-out of some equity investments, as well as the related tax effect of Euro 1.3 million.

Pursuant to Consob Communication no. DEM/6064293 of 28 July 2006, the alternative performance indicators are defined in the "Economic and financial highlights of the Nice Group" section of this report.

Non-recurring expenses and income

(Thousands of Euro)	2018 EBITDA	2018 EBIT	2018 Net profit/loss	2018 Net profit/loss attributable to the Group	2017 EBITDA	2017 EBIT	2017 Net profit/loss	2017 Net profit/loss attributable to the Group
Profit and Loss indicators	***44,516***	***31,292***	***19,139***	***18,823***	***50,487***	***40,220***	***23,422***	***22,931***
R+T Fair	1,243	1,243	1,243	1,243	-	-	-	-
Expenses for corporate acquisitions and reorganisation	5,052	5,052	1,285	1,285	1,909	1,909	1,909	1,909
Fiscal impact on non-recurring expenses	-	-	(1,345)	(1,345)	-	-	(547)	(547)
Profit and Loss Indicators before non-recurring expenses/income	***50,811***	***37,587***	***20,322***	***20,006***	***52,396***	***42,129***	***24,784***	***24,293***

"Non-recurring expenses" means expenses not related to day-to-day operations. In 2018, the Group incurred non-recurring expenses for a total of Euro 1,183 thousand compared to Euro 1,362 thousand at 31 December 2017.

EBITDA for the year ended 31 December 2018 was Euro 44,516 thousand, while adjusted EBITDA was Euro 50,811 thousand. The adjustment refers to the costs incurred for participation in the R+T three-year fair, which was held in February in Stuttgart, for Euro 1.2 million and the expenses incurred for acquisitions and corporate reorganizations for Euro 5.0 million. As at 31 December 2017, the adjustment referred to the non-recurring expenses related to the move of the production plant in Germany for about Euro 1 million and about Euro 0.9 million for the restructuring of activities in Italy and the USA.

EBIT for the year ended 31 December 2018 amounted to Euro 31,292 thousand, while EBIT before non-recurring expenses was Euro 37,587 thousand. As at 31 December 2017, EBIT amounted to Euro 40,220 thousand, while EBIT before non-recurring expenses was Euro 42,129 thousand.

The net result of the Group amounting to Euro 18,823 thousand as at 31 December 2018, includes, in addition to the above, the income realized with reference to the price adjustment relating to the exercise of the call option and the amount released following the review of the earn-out of some equity investments. The tax effect applied to the non-recurring expenses described above totalled Euro 1,345 thousand, resulting in a net result of the Group before non-recurring expenses of Euro 20,006 thousand, compared to Euro 24,293 thousand as at 31 December 2017.

Consolidated revenues

In 2018, revenues achieved by the Nice Group increased by 13.3% at current exchange rates and by 17.3% at constant exchange rates compared to the previous year. Sales for the year amounted to Euro 368,220 thousand compared to Euro 324,957 thousand in 2017.

Geographical Sales Breakdown

Below is an analysis of the trend of revenues recorded in 2018, compared with the previous year.

(Thousands of Euro)	2018	%	2017	%	Δ %	Δ % (2)
France	48,723	13.2%	43,133	13.3%	13.0%	13.0%
Italy	31,692	8.6%	32,161	9.9%	-1.5%	-1.5%
Europe 15 (1)	100,128	27.2%	87,313	26.9%	14.7%	14.9%
Rest of Europe	68,406	18.6%	58,053	17.9%	17.8%	23.2%
Rest of the world	119,271	32.4%	104,298	32.1%	14.4%	23.6%
Total Revenues	**368,220**	**100.0%**	**324,957**	**100.0%**	**13.3%**	**17.3%**

(1) Excludes France and Italy

(2) At constant exchange rates

Sales in France in the 2018 financial year amounted to Euro 48,723 thousand, up 13.0% compared to 2017.

With reference to Italy, the turnover achieved in 2018 was Euro 31,692 thousand, down by 1.5% compared to 2017.

Revenues in Europe-15 in 2018 amounted to Euro 100,128 thousand, up 14.7% at current exchange rates and 14.9% at constant exchange rates compared to the prior-year period.

In 2018, sales in the Rest of Europe amounted to Euro 68,406 thousand, up 17.8% at current exchange rates and 23.2% at constant exchange rates, compared to the previous year.

Turnover achieved in the Rest of the world in 2018, with a share of 32.4% of the Group's turnover, is up 14.4% at current exchange rates and 23.6% at constant exchange rates compared to 2017, with a turnover of Euro 119,271 thousand.

Profitability Indicators

In 2018, gross profit (difference between revenues and cost of sales) totalled Euro 192,431 thousand, up 11.3% from Euro 172,896 thousand in 2017. The margin on sales was 52.3%, compared to 53.2% in the previous year.

As at 31 December 2018, EBITDA adjusted[1] amounted to Euro 50,811 thousand (Euro 44,516 thousand reported), a 13.8% incidence on sales compared to Euro 52,396 thousand in 2017, with a 16.1% incidence on sales.

The Group's adjusted net profit[2] amounted to Euro 20,006 thousand in 2018 (Euro 18,823 thousand reported), compared to Euro 24,293 thousand in 2017 (Euro 22,931 thousand reported).

Operating performance – Financial position

[1] As at 31 December 2018, EBITDA is adjusted excluding the costs incurred for participation in the R+T three-year fair, which was held in February in Stuttgart, for Euro 1.2 million and the expenses incurred for acquisitions and corporate reorganizations for Euro 5.1 million.

[2] The net profit as at 31 December 2018 is adjusted excluding, in addition to as stated in note (1), the proceeds realized with reference to the price adjustment related to the exercise of the call option and the review of the earn-out of some equity investments, as well as the related tax effect of Euro 1.3 million.

Net working capital as at 31 December 2018 amounted to Euro 75,956 thousand, compared to Euro 54,904 thousand as at 31 December 2017.

Certain consolidated cash flow data is presented below:

(Euro thousands)	2018	2017
Net profit/loss	19,139	23,422
Depreciation and amortization and other non-cash changes	11,444	13,730
Change in net working capital	(7,231)	3,881
Operating cash flow	**23,352**	**41,032**
Investments	(23,214)	(20,719)
Free operating cash flow	**138**	**20,314**
Acquisitions	(122,685)	(12,737)
Free cash flow	**(122,547)**	**7,577**
Net financial position of acquirees	(11,045)	-
Dividends paid out	(11,066)	(11,066)
Other changes	(3,328)	(1,000)
Sub-total	**(25,440)**	**(12,066)**
Change in net financial position	**(147,987)**	**(4,490)**
Opening net financial position	**1,443**	**5,932**
Closing net financial position	**(146,544)**	**1,443**

The free operating cash flow for the year was Euro 138 thousand compared to Euro 20,314 thousand in 2017.

Following is the Group's net financial position as at 31 December 2018 and as at 31 December 2017:

(Thousands of Euro)	31/12/2018	31/12/2017
A. Cash	25	7
B. Other cash and cash equivalents	43,119	55,715
C. Securities held for trading	-	-
D. Liquidity (A) + (B) + (C)	**43,144**	**55,722**
E. Current financial receivables	7,765	2,765
F. Current bank loans	(4,207)	(51)
G. Current portion of non-current debt	(43,980)	(21,762)
H. Other current financial payables	(1,109)	(34)
I. Current financial debt (F) + (G) + (H)	**(49,295)**	**(21,846)**
J. Net current financial debt (I) + (E) + (D)	**1,613**	**36,640**
Non-current financial receivables (*)	14	13
K. Non-current bank loans	(148,168)	(35,209)
L. Bonds issued	-	-
M. Other non-current payables	(2)	(2)
N. Non-current financial debt (K) + (L) + (M) (**)	**(148,157)**	**(35,198)**
O. Net financial debt (J) + (N)	**(146,544)**	**1,443**

(*) Non-current financial receivables are included in the "Other non-current assets" caption of the "Consolidated statement of financial position".

(**) Non-current financial debt includes non-current financial receivables.

The Group's net financial position amounted to Euro -146,544 thousand compared to Euro 1,443 thousand as at 31 December 2017. This figure is influenced by the outlays related to acquisitions. In addition, the Group invested Euro 23,214 thousand in property, plant and equipment during 2018, compared with Euro 20,719 thousand in 2017.

The shareholders' equity and net profit of Nice S.p.A. are reconciled below with the consolidated amounts as at 31 December 2018 and 2017:

(Thousands of Euro)	Shareholders' equity 31/12/2018	Net Profit/Loss 2018	Shareholders' equity 31/12/2017	Net Profit/Loss 2017
Shareholders' equity and profit/loss for the year as reported in the financial statements of the parent company	**226,025**	**10,957**	**226,160**	**7,478**
Derecognition of the carrying value of consolidated equity investments:				
- difference between carrying value and equity	(170,621)	-	(69,467)	-
- earnings	-	14,482	-	16,126
- goodwill	168,842	-	68,265	-
- other intangible fixed assets	560	-	725	-
Derecognition of the effects of transactions among consolidated companies:				
- intra-group profits included in the value of closing inventories	(4,209)	148	(3,538)	622
- intra-group dividends	-	(6,358)	-	(7,438)
Other transactions	195	(90)	(2,950)	6,634
Shareholders' equity and profit/loss for the year as reported in the consolidated financial statements	**220,791**	**19,139**	**219,194**	**23,422**

Other information

Research and development

As part of the continuous technological enhancement of products and production processes, aimed at improving technical features, product functionality and safety, a number of innovations have been made. The programme of innovation involved planned research, investigations and the creation of non-commercial prototypes, followed by analysis and tests to verify the quality and functional features of the new products, having regard for the various applicable Italian and European regulations. The implementation of this programme subsequently led to the identification of new models and/or products, or to technological and/or functional improvements of certain details.

The innovation and research work carried out during 2018 incurred costs on projects relating to new products or substantial changes to existing products, as well as to new production and organisational processes.

The Group incurred R&D costs totalling Euro 13,710 thousand in 2018, of which Euro 9,760 thousand related to payroll costs. Of the latter, during the year, a portion was capitalized, for a total amount of Euro 4,044 thousand.

Treasury shares

Pursuant to article 2428, paragraph II no. 3 of the Italian Civil Code, it is hereby noted that, as at 31 December 2018, the Group held 5,336,000 treasury shares. The total investment was Euro 20,771 thousand.
No treasury shares were bought or sold during 2018.

List of the Company's secondary offices

Pursuant to article 2428 of the Italian Civil Code, a list of the Company's secondary offices is provided below:

Via Pezza Alta, Oderzo (TV):	- building used as a factory, warehouse and offices;
Via Anagnina, Rome:	- secondary office
Via Boccioni, Monza:	- secondary office
Corso Uniove Sovietica, Turin:	- secondary office

Security and protection of personal data

A Security Policy Statement (DPS) is required by art. 34 of Decree 196/2003 and the related technical specifications, as the minimum mandatory security measure if "sensitive" or "judicial" data is processed using electronic equipment.
Nice S.p.A. processes sensitive (and/or judicial) data using electronic equipment as part of the maintenance of its employee records.
Following the enactment of Decree 5 dated 9 February 2012 (the so-called Simplification decree) by Law 35 dated 4 April 2012, the controllers of sensitive and judicial data processed using electronic equipment are no longer required to prepare and update a Security Policy Statement (DPS).
Nonetheless, since the other obligations envisaged by Legislative Decree 196/03 are still in force, the Company has prepared a document called "policy privacy" so that it can formally certify that each data controller complies with these regulatory requirements.

Principal risks and uncertainties to which Nice S.p.A. and the Nice Group are exposed

The most significant risks to which the Company and the Nice Group are exposed are listed below.
The Group is exposed to certain operational risks connected to its business, the principal of which are summarised below:

- *Intellectual property risks:* Nice routinely protects its trademarks and patents, as well as its industrial know-how. However it is not possible to eliminate the risk that patents and products may be counterfeited.
- *Risks connected to technological innovation and the development of new products*: Nice Group business focuses constantly on technological innovation. Despite this, competitors might in future produce and market automation systems that are technologically more advanced or, in any case, more in line with market trends than those of the Nice Group.
- *Exchange-rate risk:* Nice operates in various markets and its internationalisation requires transactions to be carried out in currencies other than the Euro. For this reason, any loss in the value of non-Euro currencies might affect the results of the Group.

- *Credit risk:* The Group only does business with known and reliable customers. The Group's policy is to subject customers requesting extended payment terms to procedures to check their credit rating. In addition, receivables are monitored during the year so that the exposure to possible losses is not significant. Lastly, in the case of new customers not operating in the European Union, the Group usually requests and obtains letters of credit. Credit risk relating to the Group's other financial assets, which include cash and cash equivalents, features a maximum risk equal to the carrying value of such assets in the event of insolvency of the counterparty.

Finally, the existence of uncertain macroeconomic conditions, such as at present, could adversely affect the performance of the Group and the sectors in which it operates.

Information on the environment and personnel

The Nice Group operates in compliance with national and international best practices, in an effort to prevent risk and minimise the environmental impact of its activities. Furthermore, the Nice Group has always paid particular attention and dedicated great effort to issues concerning employee safety.
No significant work-related accidents have occurred within the Nice Group and there are currently no known risks of occupational diseases.

Subsidiaries established and governed by the laws of countries not belonging to the European Union

The Board of Directors confirms that the listing conditions are in place as specified in art. 15 of Consob Regulation 20249/2017 (Market Regulation), in force since 3 January 2018 (formerly art. 15 Consob Regulation no. 16191/2007). In this regard, the following subsidiaries established and governed by the laws of countries not belonging to the European Union are deemed significant as at 31 December 2018 pursuant to article 15, para. 2 of the Market Regulation (which refers to article 151 of the regulation adopted by Consob resolution 11971/1999 and subsequent amendments): Nice Group Usa, Inc. (USA), Hy Security Gate Inc. (USA), Peccinin Portoes Automaticos Industrial Ltda (Brazil) and ET Nice (PTY) LTD (South Africa).
In particular, in relation to the above subsidiaries, the Board of Directors confirms that:

a) Pursuant to article 15 paragraph 1 letter a) of the Markets Regulation, the income statements and the statements of financial position of the aforementioned subsidiaries are made available to the public at the Company's registered office;
b) Pursuant to article 15 paragraph 1 letter b) of the Markets Regulation, the Articles of Association, structure and powers of the relevant corporate bodies are made available to Nice S.p.A.;
c) Pursuant to article 15 paragraph 1 letter c) of the Markets Regulation, it has been ascertained that:
    - they have provided to the auditors of the parent company the information required by the latter in order to audit the annual and interim accounts of the parent company;
    - their administration and accounting systems enable them to provide to the management and auditors of the parent company the economic and financial information needed for the preparation of the consolidated financial statements.

Events after the reporting period

At the beginning of January 2019, the Nice Group finalized the acquisition of 100% of the capital of Micanan, North American excellence in the offer of systems for the automation of garage doors, for commercial and industrial applications, for an amount of 8 million Canadian dollars. The purchase was financed through own funds and credit facilities already available to Nice S.p.A.

With reference to the delisting process commented on in the report on operations in the chapter on Company Control, it is noted that from 27 December 2018 to 19 February 2019, Nice Group S.p.A. and B-Age Nice S.p.A. (controlled by Nice Group S.p.A.) purchased a total of 4,205,596 shares of Nice S.p.A. and that, following these purchases, Nice Group came to hold 99,955,411 shares and B-Age Nice 3,389,515 shares, equal in total to 93.69% of the share capital of Nice S.p.A. (also including treasury shares). The period from 4 March 2019 to 22 March 2019 is reserved for B-Age Nice to initiate, on behalf of Nice Group, the Purchase Obligation procedure, pursuant to art. 108, paragraph 2, of the TUF on a maximum of 7,319,074 ordinary shares of Nice S.p.A., equal to 6.31% of the share capital of the same, all for the purpose of obtaining the revocation of the listing of Nice shares probably starting from April 2019.

Also on the basis of specific opinions provided by the legal advisors of the Parent Company, in light of the aforementioned delisting process that will lead to the revocation of the listing of the ordinary shares of Nice S.p.A. and the choice to subsequently call the annual shareholders' meeting in May 2019, it is considered correct not to proceed on the occasion of such fulfilment with the publication of the report on corporate governance, on the ownership structure and on remuneration as the same is connected to the status of listed company.

Outlook for the future

Even in an unstable macroeconomic context, the Nice Group is continuing on an important path of growth also through the integration of the entities recently entered into the corporate scope.

Proposed resolutions

Dear Shareholders,

In concluding our report, we hereby propose:

- approval of the financial statements as at 31 December 2018;
- allocation of the net profit of Nice S.p.A. of Euro 10,957,483.01, as follows:
    1. transfer to the reserve for unrealised exchange gains of Euro 216,671.17;
    2. transfer to the extraordinary reserve of the remaining amount of Euro 10,740,811.84.

Oderzo, 13 March 2019.

For the Board of Directors

The Chair

Lauro Buoro

Consolidated Non-financial Statement pursuant to Legislative Decree 254/2016

Methodological note and reading guide

Nice S.p.A. (hereinafter the Nice Group), as a public interest entity (pursuant to article 16, paragraph 1, of Legislative Decree 27 January 2010, no. 39) with size limits of employees, balance sheet and net revenues above the thresholds provided for by article 2 paragraph 1, is subject to the application of Legislative Decree 30 December 2016, no. 254 (hereinafter "Decree 254") "Implementation of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014, amending Directive 2013/34/EU regarding the disclosure of non-financial information financial and information on diversity by certain companies and large groups".
This Consolidated Non-Financial Statement (DNF) of the Nice Group as at 31 December 2018 is therefore prepared in accordance with the provisions of Decree 254 and constitutes a separate document from the Report on Operations, but an integral part of the documentation relating to the 2018 Financial Statements.
The Non-Financial Statement is to be considered as integration and completion of the Report on Operations and other documentation relating to the Report and constitutes the Nice Group's commitment to report on the social and environmental impact of its action, respect for human rights and its own policies on these matters and on the subject of diversity, in accordance with the provisions of Decree 254.

This document allows clearly representing and communicating the integration between the Nice Group's economic sustainability and social and environmental sustainability implemented in corporate decision-making processes, strategy, governance and business model. The structure for the financial statements is based on the various types of capital, which constitute the variables that determine how value is created:

- Financial Capital: set of economic resources involved in the production processes;
- Industrial Capital: real estate, infrastructure and physical means (plant, machinery, etc.) used for the production of the services offered by the company;
- Natural Capital: all processes and environmental resources providing goods or services for the production of services offered by the company;
- Human Capital: all the expertise, skills and experience of the people that work at the company;
- Intellectual Capital: intangible resources represented by organisational knowledge and intellectual property of the Group;
- Relational Capital: represents the company's ability to create relations with external stakeholders and share values in order to increase individual and collective well-being.

The aspects and indicators for the definition of the contents to be reported, relevant to the Nice Group and to the stakeholders, were selected on the basis of a structured materiality analysis process, as described in § "Materiality analysis".

This Statement is drafted pursuant to articles 3 and 4 of Legislative Decree 254/2016 and according to the "Global Reporting Initiative Sustainability Reporting Standards" ("GRI Standards") defined in 2016 by the GRI - Global Reporting Initiative (referenced option) which today constitute the most widespread and internationally recognized standard on non-financial reporting. In order to facilitate the reader in tracing information within the document, the GRI Content Index is shown in the "Table of GRI indicators" section.

The data collection and control process was managed by the Finance Department, through data collection forms sent to the heads of all the company departments, the territorial offices and the companies falling within the scope of reference. The Non-Financial Statement is published in the section Investor Relations of the Nice Group's website.

The document, approved by the Board of Directors of Nice S.p.A. on 14/03/2019, has been subjected to revision by an external company, according to the criteria indicated by the principle "International Standard on Assurance Engagement 3000 revised ("ISAE 3000R"), that at the end of the work, has released the report annexed to this Report.

Perimeter of the non-financial statement

As at 31 December 2018, the companies that represent the greatest impacts from the health and safety and environmental point of view are the production ones with a significant number of employees: Nice S.p.A., Nice Deutschland GmbH, ET Nice (PTY) LTD, Peccinin Portões Automaticos Industrial LTDA, elero GmbH, Genno Tecnologia LTDA, Omegaport Equipamentos de Seguranca LTDA, HySecurity Inc., V2 S.p.A., Fibar Group SA, Linear Equipamentos e Serviços Ltda, ACM International Srl.

The Nice Group considers the companies consolidated on a line-by-line basis in the Consolidated Financial Statements within the reporting scope of this Statement, except for the following limitations:

- The economic data and data on human resources refer to all Group companies;
- The health and safety data refer to the most structured companies (by number of employees);
- Environmental data refers to the major production companies of the Group (by turnover and number of employees):
- From an environmental point of view, in any case, commercial, financial or representation Companies do not fall within the scope of reporting: These exclusions are justified by the assessment of significance on the individual companies included in the scope of accounting consolidation that led to the exclusion from the reporting perimeter of those that, although included in the consolidation scope at the end of the year, are not necessary for the purpose of understanding the activity of the group, its progress, its results and the impact produced by the activity itself.

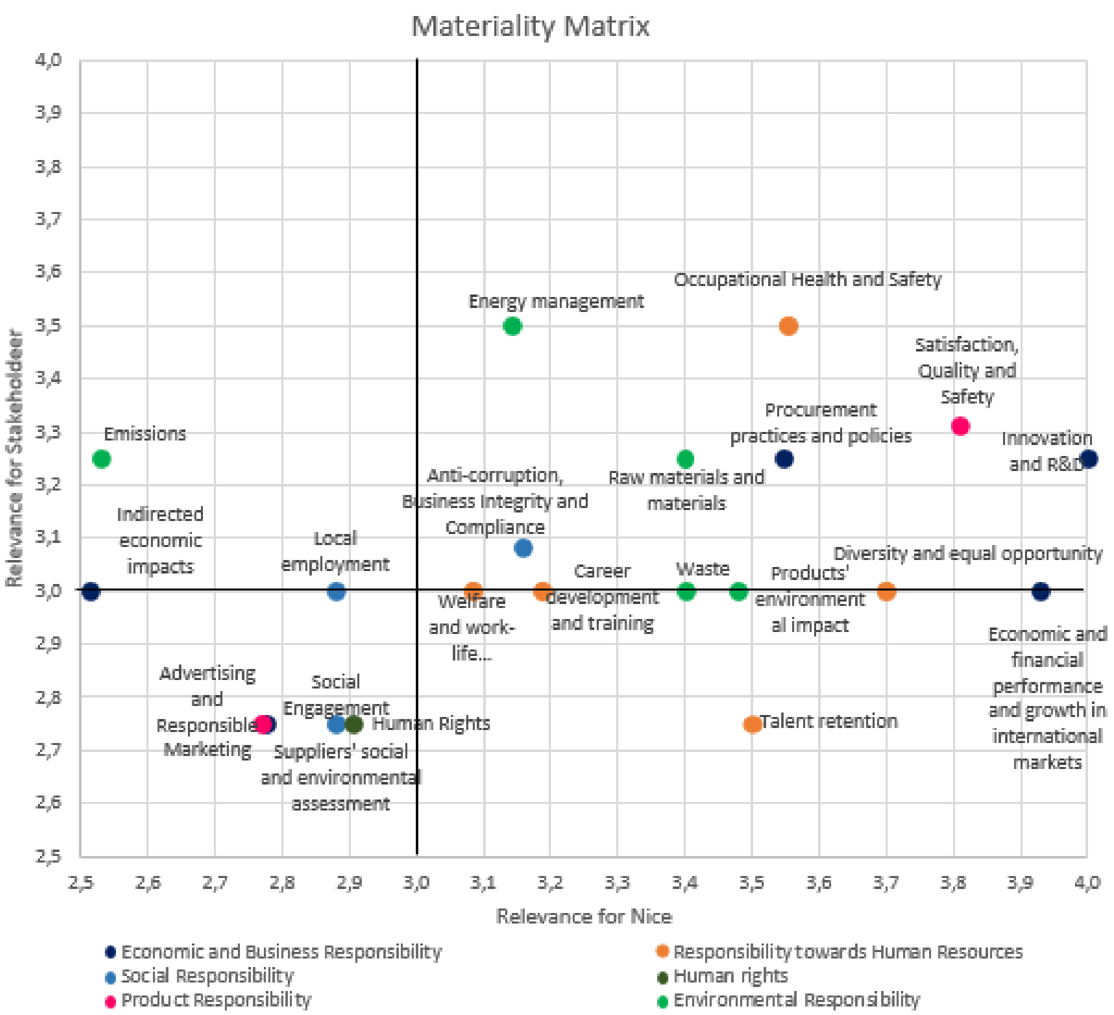
Any further limitations on the scope of reporting are indicated in the text.

Materiality Analysis

The information presented in this Statement, in accordance with the provisions of Decree 254, was selected on the basis of the "materiality" principle that identifies the information through which the understanding can be ensured of the Nice Group's activity, its performance, results and impact on non-financial issues indicated in Decree 254.
The process for determining the material issues was carried out for the first time in 2017 and was updated as part of the process of preparing the 2018 Non-Financial Statement, following the methodology indicated by the GRI Standard principles, through the following phases:

- confirmation of the relevant topics for Nice identified in 2017, through a questionnaire to the members of the internal Work Group, which gathered the evidence of the new contacts of the internal Work Group;
- definition of topics relevant to key stakeholders through benchmarking;
- comparison of the issues relevant to the Group and the reference stakeholders to complete the so-called materiality matrix.

Specifically, the members of the internal work group evaluated the relevance of different issues related to six macro areas such as: Responsibility towards human resources, human rights, economic and business responsibility, product responsibility, social responsibility and environmental responsibility.
The materiality matrix considers in the axes the average values of each issue relevant to the Nice Group and in the ordinates the average values of each issue relevant to the stakeholders.
The materiality matrix resulting from the analysis described above is shown below:



For both axes, issues with an assessment of more than 3 (defined as the "materiality threshold"), on a scale from 1 to 4, are considered material for the Nice Group.

The correlation between the areas envisaged by Decree 254, the material aspects of NICE and the GRI aspects, with evidence of their impact (internal and/or external to the Group) is presented below:

Aspects of Legislative Decree 254/16	Material Aspects for Nice	Topic-Specific GRI Reference Standards	Scope of impacts	
			Impacts within the Group	Impacts outside the Group
Human Resources	Welfare and work-life balance	Employment (GRI 401)	Entire Group	
Human Resources	Health and safety at work	Occupational health and safety (GRI 403)	Entire Group	
Human Resources	Growth and training	Training and education (GRI 404)	Entire Group	
Human Resources + Human Rights	Diversity and equal opportunity	Diversity and Equal Opportunity (GRI 405)	Entire Group	
Anti-corruption	Anti-corruption, business integrity and compliance	Anti-corruption (GRI 205)	Entire Group	Suppliers, Sales network
Social	Product satisfaction, quality and safety	Customer health and safety (GRI 416)	Entire Group	Suppliers
Social	Procurement practices and policies	Procurement practices (GRI 204)	Entire Group	Suppliers
Social	Financial economic performance and international markets growth	Economic performance (GRI 201)	Entire Group	
Social	Innovation, research and development*		Entire Group	
Social	Socio-environmental supplier assessment	Supplier Environmental Assessment (308-1)	Entire Group	Suppliers
Environment	Product environmental impact	Materials (GRI 301)	Entire Group	Suppliers
Environment	Energy management	Energy (GRI 302) + Emissions (GRI 305)	Entire Group	Suppliers

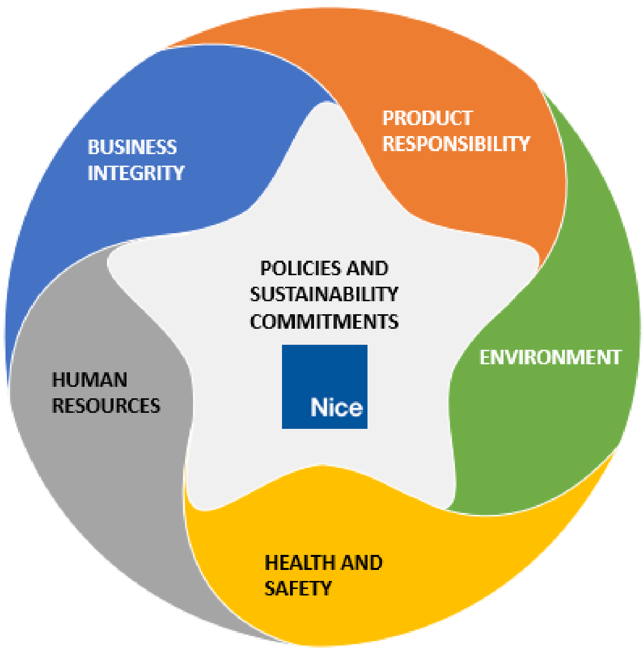
* The materiality analysis has revealed some material issues not strictly related to the non-financial areas envisaged by the Decree and not directly linked to a Topic-Specific GRI Standard: Nice reports in the document the management approach adopted and the related indicators.

Policies and commitments of the Nice Group

The Nice Group has shown a strong commitment to developing sustainable strategy: for this purpose, starting from 2017, it has adopted specific Policies aimed at better managing the commitments made by the Group.

The Policies were approved by the Nice Board of Directors for the previous Non-Financial Statement and are available in full in the section of the website: http://ir.niceforyou.com/home/, in "Financial Statements and Accounts", in the *Annual Report 2017*.

The Nice Group Policies are divided into 5 main areas:



Business integrity policy (Fight against active and passive corruption)

The Nice Group carries out its activities in compliance with the values and principles contained in the Code of Ethics and Conduct. The commitment to combat corruption represents a concrete commitment for the Group which, in this view, has adopted an Anti-Corruption Policy applicable to employees and to all those who work in the name and on behalf of the Group Companies. On the matter, in addition, Nice adopts the Organization and Management Model pursuant to Legislative Decree 231/01, which envisages specific supervisory activity through the Supervisory Body (SB) appointed by the Board of Directors.

As of today, the supervisory activity has not detected any illicit activity in the Nice Group among those envisaged by the Group Code of Ethics and the Organizational and Management Model pursuant to Legislative Decree no. 231/01. Furthermore, in 2018, there were no incidents related to corruption.
For the immediate future, in 2019, the Organizational Model and the Code of Ethics will be adopted as revised following a process started at the end of 2018 through a first phase of Preliminary Analysis, a subsequent Risk Assessment and the implementation of control tools and revision of the Organizational Model.

Policy for the responsible management of products
The promotion of sustainable products is a fundamental process for the strategy of the Nice Group, which pays great attention to the impact deriving from production systems. In developing products, the Nice Group takes into account the needs of customers, guaranteeing their reliability, safety and simplicity. The products of the Nice Group offer solutions in line with company values and are oriented towards satisfying the end customer, constant innovation and product differentiation; transparent and responsible communication and marketing; to the perception, through products, of the sustainability and values of the Nice Group.

Policy for the responsible management of people
The human capital of the Nice Group is a fundamental asset for the development of the corporate strategy and is an essential aspect, even in the creation of products and services of excellence. In order to foster professional and personal growth, people are constantly stimulated and trained.
The Nice Group valorises diversity at the company and promotes respect for work and workers, avoiding all forms of discrimination and guaranteeing full respect for the fundamental rights of man, according to the principles contained in the UN declaration on human rights.
Workers' Health and Safety are guaranteed by an appropriate Occupational Health and Safety Management System.
The Nice Group encourages the training, participation and responsible involvement of its people, also through social dialogue, to improve their inclusion and to fully understand its values and its culture.

Policy for the responsible management of health and safety
The Nice Group concretely engages in accident prevention and in the management of the associated risks, with all the tools available, fulfilling a moral duty to protect people.
The actions aimed at pursuing this commitment are:

- identification of risks to which workers and stakeholders may be subjected and identification of suitable prevention actions;
- dissemination of the culture of safety through dialogue and training;
- adoption of all personal and collective protection devices for the safety of workers and stakeholders;
- implementation of preventive maintenance programs for infrastructures and facilities;
- constant monitoring of dangerous situations (near misses) and activation of appropriate emergency management procedures.

Policy for the responsible management of the environment

The Nice Group promotes environmentally friendly company growth as an asset to protect and deliver to future generations. The company management takes into account today's problems relating to climate change, depletion of limited resources and loss of biodiversity, in strategic business decisions.

The actions taken by the Group are:

- Rational consumption of energy resources, favouring the use of renewable sources with low environmental impact. The design is focused on reducing the energy required for the operation of the products and on the development of instruments and automations that use solar energy;
- Reduction of water consumption, conservation of limited natural resources, activation of recycling or reuse processes;
- Prevention of pollution generated by polluting emissions into the atmosphere, which contribute to the increase in the greenhouse effect;
- Efficient management of scrap and waste generated by production activities;
- Search for compatibility with the natural environment hosting the Group companies.

The Nice Group's commitment is to develop, produce and market products and services that are safe for their intended use, energy-efficient, environmentally-friendly and that can be re-used, recycled or disposed of safely. The Nice Group transforms the risks deriving from these changes into opportunities and over time the Research and Development department has devised products with less impact.

Integrity and sustainability in the value chain

Corporate Governance

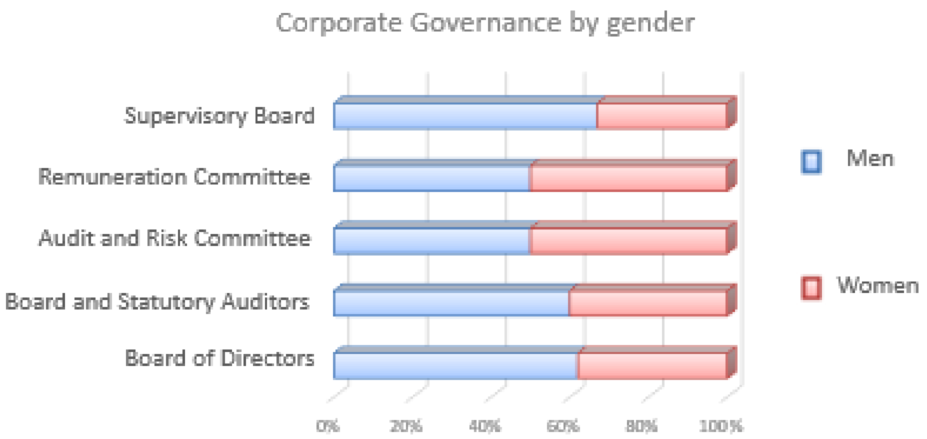
With regard to Corporate Governance, the Nice Group complies with the principles contained in the Corporate Governance code prepared by Borsa Italiana and with all the regulatory provisions in force. The corporate bodies that form the governance system of the Nice Parent Company are as follows:

- the Board of Directors;
- the Board of Statutory Auditors;
- Internal Committees;
- the Shareholders' Meeting.

The Board of Directors is supported in its functions by two committees: the Remuneration Committee and the Audit and Risk Committee, which also performs the functions set out in the Related Parties Regulations. The Board of Directors also set up a Supervisory Board pursuant to Legislative Decree no. 231/2001.

As at 31 December 2018, the Board of Directors is made up of 8 members, of which one-third is represented by women. The requirements of the condition of independent non-executive director of Nice S.p.A. are public, while the compensation paid to the directors of Nice S.p.A. is reported in the financial report. The Articles of Association attribute to the Board of Directors the fullest powers for the ordinary and extraordinary management of the Company, and the power to carry out all acts deemed appropriate to the achievement of the company purpose, to the exclusion only of those specifically reserved by law or the Articles of Association to the Shareholders' Meeting. The current Board of Directors appointed on 24 April 2016 for a three-year term, will be renewed during the Shareholders' Meeting to approve the financial statements for the year ended 31 December 2018.

The Board of Statutory Auditors is the corporate body that oversees proper administration: in particular, the adequacy of the organizational, administrative and accounting structure adopted by the directors and its actual operation. The current Board of Statutory Auditors was appointed on 24 April 2018 for a period of three years and will be renewed during the Shareholders' Meeting to approve the financial statements for the year ended 31 December 2020.
The Articles of Association regulate the methods of election and the requisites required to be elected Statutory Auditors, in compliance with the standards and regulations in force on gender balance (40% of members of the Board of Directors are women). The Board of Directors consists mainly of members over the age of 30 (40% between 30 and 50 and 60% over 50).



In order to avoid potential situations of conflict within the Group, the Board of Directors of Nice S.p.A., in compliance with the provisions of Consob Regulation no. 17221 of 12 March 2010, has adopted an internal procedure the purpose of which is to establish rules and principles for the management of transactions with related parties carried out by the Nice Group. This ensures the transparency and correctness, substantial and procedural, of the management of these transactions and guarantees the protection of stakeholders (the complete procedure is available in the Investor Relation area of the Group website http://ir.niceforyou.com/file_upload/Nice_procedura_OPC_30_11_10.pdf).

A further guarantee of the company's integrity is the Code of Ethics (available at the www.ir.niceforyou.com website) which summarizes the company's principles, values and standards of conduct. It is required by the same governance model that all the people of the Nice Group, whether or not they hold top positions, are informed about the Code and that it is respected in all its parts.
In addition to the functions performed by the law, it aims to create a better working environment and avert the risks deriving from conduct that does not comply with the standards indicated.
It is the responsibility of the Board of Directors, also through the organizational structure, to ensure that its principles are correctly communicated and acknowledged. For this purpose, an e-learning tool has been set up, with a final verification test, to allow everyone to learn the concepts envisaged by the model of Legislative Decree 231 of 2001 and of the Code of Ethics.

Value chain

The Nice Group's value chain is characterised by a main activity that has a stronger impact on intangible capital: the design/innovation component of products and systems Home Automation and Smart Home plays a very important role, as does the relationship with end users and customers.

The inputs of its activity consist mainly of finished products, ready to be distributed, or semi-finished products that need to be assembled and finished. In fact, the Nice Group's internal production process does not envisage the direct transformation of raw materials: this occurs only in limited cases by some Group companies and for very small quantities (plastic injection and metal components).

The Operations department then selects the suppliers of components and semi-finished products, as well as subcontractors entrusted with a part of the assembly process to ensure compliance with:

- required standards regarding the raw materials used;
- specific characteristics defined by the R&D department in the production phase of the product;
- secrecy of the projects;
- sustainability of the activity carried out, both with regard to the environment and the social environment.

The residual part of the value chain is made up of packaging suppliers - they play an important role because they provide the wrapping of products, which performs an aesthetic and communicative function but also protection during the distribution phase - and suppliers of electricity.

The department that deals with logistics, on the other hand, has the task of ensuring the optimal management of products awaiting distribution. In this context, the following have the most relevance:

- the choice of the right means of transport - usually trucks or ships, depending on the distances to be covered;
- saturation of means of transport, so as to limit the number of trips made;
- punctuality of delivery in accordance with the conditions established contractually.

The customer categories, to which output is intended, are divided into:

- wholesalers or retailers of electrical equipment;
- installers of automation systems;
- manufacturer of fixtures and works that include Nice automation systems;
- retail customers.

Following the advent of the Internet, the distribution role of the wholesaler has undergone a rapid change, also due to the strong concentration of the sector in the hands of a few large companies with international operations.

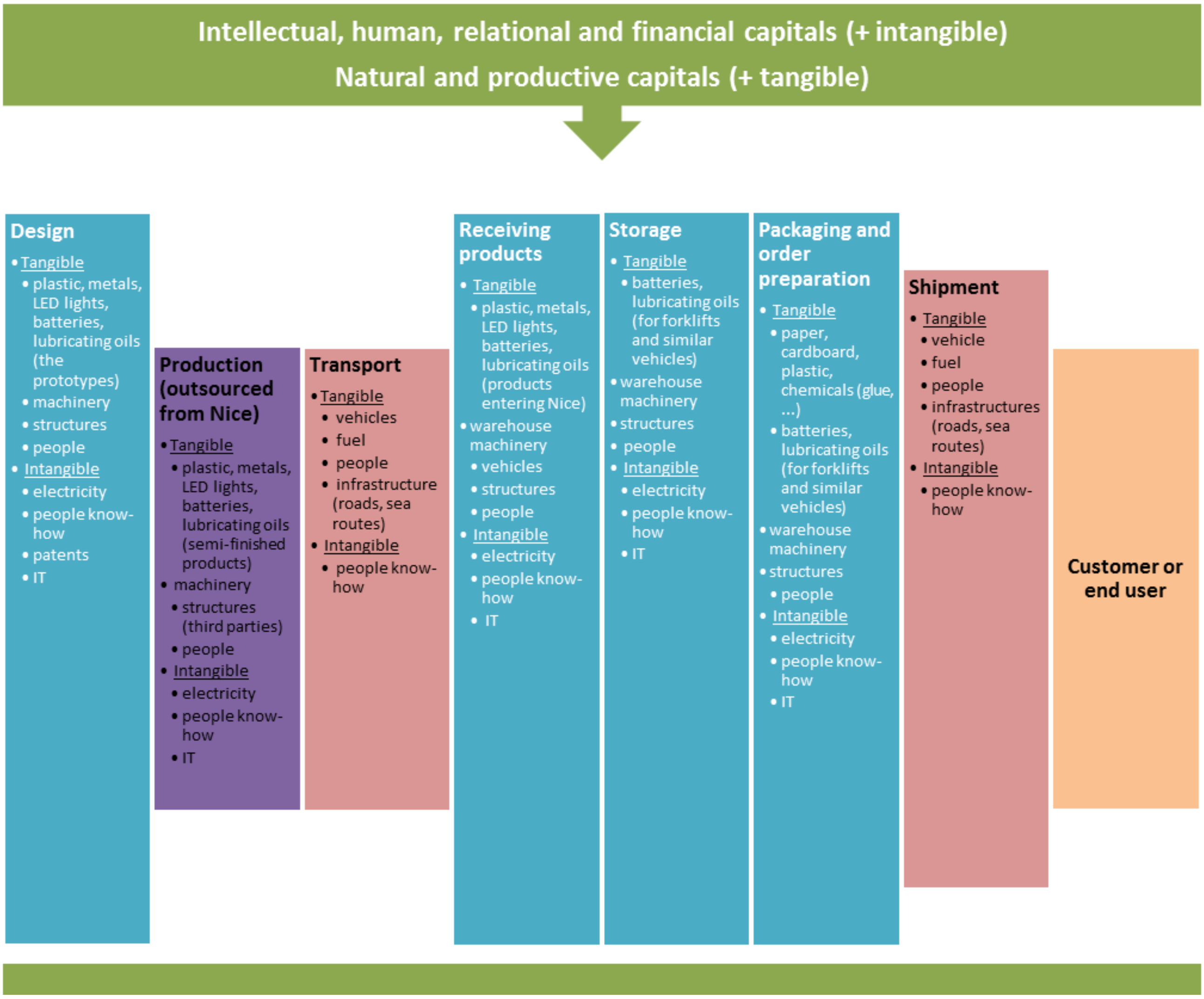
The Nice Group has invested heavily in the figure of the installer in recent years: the goal is to make it a real distribution partner, so that it can convey the company's values and culture, guaranteeing the quality of the installed product and the service it offers to customers. For this reason, an intense product and system training program was activated.

Retail customers, private or public, large or small, are only apparently the last link in the value chain.

The products of the Nice Group are also used by people who have not necessarily purchased them. Anyone who uses spaces with infrastructures on which automation systems are installed can benefit from the simplification the products offer. An example are those who use:

- offices, public or private;
- structures used for hotels and catering;
- outdoor spaces;
- buildings dedicated to culture;
- industrial plants;
- private residences.

In order to provide a complete picture, the following figure represents the processes of the Nice Group's activity and the capital involved, through an approach similar to that of the Life Cycle Assessment (LCA)3 with particular focus on the inventory phase.



The analysis identified the involvement of tangible and intangible capital, deriving from the activities of the Nice Group, each with own relevance and impact in terms of sustainability.
Among the tangible ones there are the basic materials that make up the products: metals, plastics, led lights, batteries, lubricating oils, paper and cardboard.
Additional production factors are added to this list, such as machinery, equipment, means of transport for the movement of goods and people, company-owned facilities and local and global infrastructures (roads, bridges, ports, sea routes).
The energy used derives from the fuel of the means of transport or directly supplied in the form of electricity through the national supply network.
One of the non-tangible elements of fundamental importance is the knowledge acquired over time, know-how, which is embodied in patents, trademarks and other rights related to the exploitation of ideas. Its relevance derives from the high content of design and innovation of Nice products, a feature that, over time, has also allowed the company to reach the position currently occupied on the reference market.

[3] For the moment, it relates solely to Nice S.p.A.'s business

Also the activities carried out to correctly manage procurement and logistics, the relationship with the installer and with the users of the products, as well as other minor intangible elements, have a fundamental role for the achievement of the company objectives. For this reason, it can be affirmed that intellectual capital and human capital are complementary.
Tangible elements and energy are those that, due to their nature, generally have the greatest impact on the environment; however, for Nice, which does not directly procure raw materials through the exploitation of natural capital and which has limited internal transformation activity, of greater importance is the energy used and the transport of goods, as well as the atmospheric emissions that derive from it.
Their assessment is partly assigned to the Integrated Management System and the Prevention and Protection Service and the guiding principle establishes that any activity with potential environmental impact is monitored to be properly managed and, if not necessary, avoided.

Non-financial risks: management analysis and methods

Economic-financial Risks	•Credit risk •Liquidity risk •Exchange rate risk •Interest rate risk •Intellectual property risk •Risks related to technological innovation / new product development •Rischi related to supply (materials, products, energy)
Environmental Risks	•Risks of environmental disaster •Risks related to climate changes •Risks related to waste management
Social Risks	•Risks related to the use of child labor, forced labor or human rights violations •Risks sociated with the health and safety of those using Nice products

For a detailed analysis of economic-financial risks, reference is made to the Report on operations.

- **Risks related to climate change**

Nice S.p.A. does not have a direct impact on the exploitation of planetary resources. The production process exclusively involves the use of grid energy and, limited to some equipment, the use of mains water for washing parts and product tests. In 2018, at the Oderzo site, an intervention was implemented to mitigate the environmental impact and, at the same time, improve the conditions of its workers. In the same period, two extraction systems were commissioned with relative filters for the abatement of emissions linked to dust suction in welding, marginal activity to support product prototyping, and washing of parts with solvents; these plants entered in operation in February 2019.
With regard to emissions from thermal plants, deriving from grid methane gas supply and grid electricity, Nice has decommissioned and downsized some methane gas heating plants, replacing them with more modern refrigeration units or boilers with greater efficiency.

- **Risk of environmental disaster**

The Nice Group uses metal, plastic and chemical materials, paper and cardboard, batteries and lubricating oils. In this regard, efficient management of all resources is promoted in all company areas, with a view to environmental and financial sustainability. In 2018, a drastic reduction in the quantities of lead batteries introduced in the market was recorded, preferring the use of lithium ones.

- **Risks related to waste management**

Most of the scrap or waste produced by the activity carried out can be properly managed by specialized companies, private or public, according to a normal disposal process that involves the separation of the recyclable part from the non-recyclable part, which will then be disposed of on the basis of choices made by the authorities of the reference area.
For batteries and accumulators, an ad hoc management system is established in line with national legislation.
In 2018, the Nice Group, at the Oderzo site, had to manage special hazardous waste coming from an activity previously present in the recently acquired adjacent building, completely abnormal with respect to the types normally managed, which prolonged the disposal time of the same (in the process of conclusion in these days).
The only special hazardous waste normally managed is the waste deriving from some washing machines (distinguishing between solvents and caustic soda-based detergents), from ordinary and extraordinary maintenance work on buildings, from disused electronic equipment (monitors, PCs and printers in gender).

- **Risks associated with the health and safety of those using Nice products**

Nice products are created to simplify the life of end users, but this simplification must not compromise their safety.
The characteristics that potentially affect the risks associated with the health and safety of the end user are the use of electricity and the movement - and the relative force - generated by the engines. This is why products must guarantee the highest level of safety: action is taken already in the design phase, making them simpler but without compromising the requirements of the most advanced safety regulations.

- **Risks related to the violation of human rights, fundamental freedoms and the integrity of the person**

The geographical areas of operation of the Nice Group include situations in which human rights, the concept of personal freedom and personal integrity are now part of the common culture. The companies of the Group, wherever they operate, are required to comply with the Code of Ethics which, with the related culture consolidation mechanism and the sanctioning apparatus deriving from it, was introduced to avoid as much as possible that isolated cases could damage such principles. Consequently, this risk is not considered to require strategic supervision for Nice companies. Possible residual risks with respect to these issues could occur only along the supply chain (subcontractors) and sub-supply chain in some geographical areas: through the active management of suppliers (see § Supply chain and relationship with suppliers). Furthermore, Nice has embarked on a direct management path in Italy of an important part of production, previously entrusted to an external supplier, initiating a process of internalisation of certain production lines: in this way, control has also increased on the social and environmental aspects concerning this type of personnel.

Financial Capital

Product and distributed added value

The Nice Group, with the aim of reporting the economic value generated and distributed by its activities, highlights in the following tables its ability to generate wealth in the period of reference for the benefit of the various stakeholders, in compliance with the management and economic expectations of the interlocutors themselves.

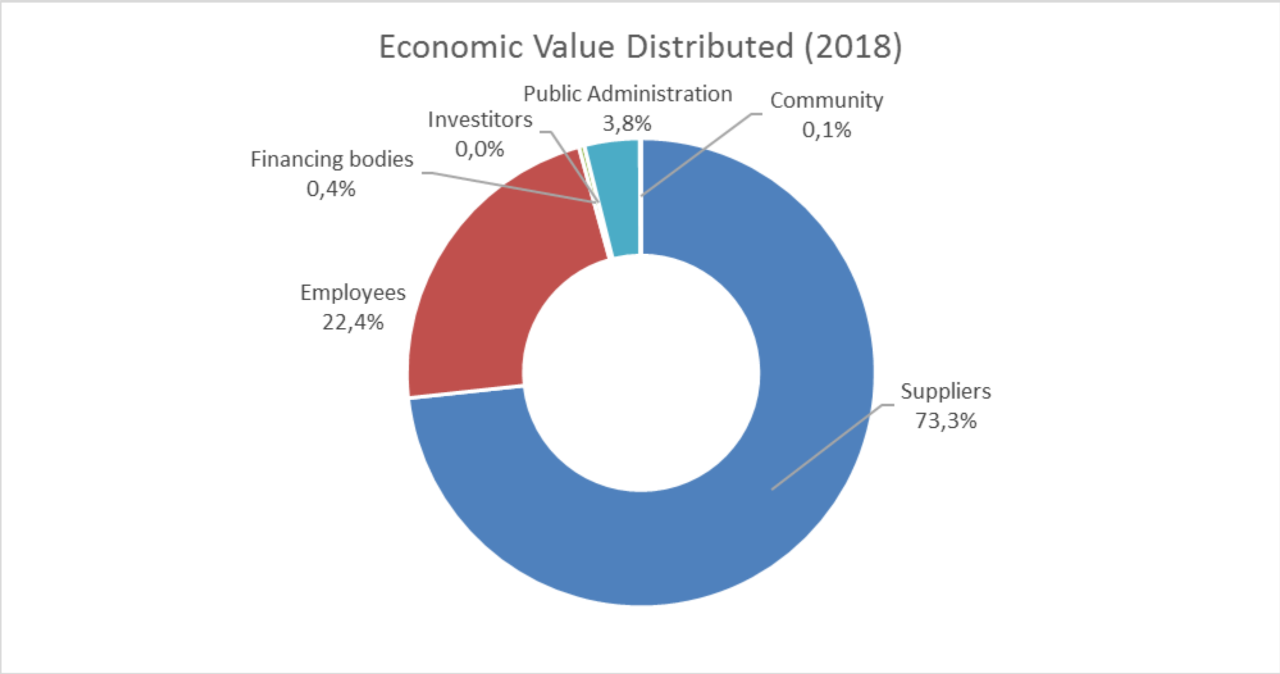
In 2018, the Nice Group generated an economic value of Euro 377.7 million. The economic value distributed by the Group was Euro 345.2 million (+13.5% compared to 2017). 91.4% of the economic value produced by the Group was distributed to stakeholders, both internal and external, and the remaining 8.6% was retained within the Company.

Economic value generated and distributed (Thousands of Euro)	**2018**	**2017**	**2016**
Economic value generated by the Group			
Revenues	368,220	324,957	309,062
Other income	5,328	4,571	3,807
Financial income	4,199	520	691
Total economic value generated by the Group	**377,746**	**330,048**	**313,560**
Operating costs	(252,943)	(214,002)	(206,678)
Remuneration of personnel	(77,454)	(64,515)	(61,517)
Remuneration of Lenders	(1,330)	(901)	(1,387)
Remuneration of shareholders and investors	-	(11,066)	(11,066)
Remuneration of Public Administration*	(13,165)	(13,447)	(13,243)
External donations	(298)	(229)	(255)
Total economic value distributed by the Group	**(345,190)**	**(304,160)**	**(294,140)**
Bad debts	(703)	(909)	(1,466)
Unrealised exchange differences	581	(522)	865
Value adjustments on tangible and intangible assets	-	-	(7,089)
Depreciation and amortisation	(13,224)	(10,267)	(9,119)
Provisions	(70)	(1,836)	(295)
Economic value retained by the Group	**19,139**	**12,356**	**2,309**

*The remuneration of the Public Administration also includes deferred taxes

The second part of the table shows the economic value distributed by the Group to the main Nice stakeholders:

- **Suppliers:** operating costs incurred;
- **Staff**: remuneration of employees;
- **Public Administration**: remuneration of the Public Administration;
- **Lenders**: remuneration of credit capital;
- **Shareholders and investors**: remuneration of risk capital;
- **Community**: donations and sponsorships.



The portion of Economic Value distributed to **suppliers (operating costs)** is the most significant: over 73% in 2018 (+18.2% compared to 2017). This value is consistent with the group's business model, which sees in the partnership relationship with its supply chain, a fundamental driver of its value proposition.

Personnel is distributed 22.4% of the economic value (+20.1 % over 2017). This portion consists of the costs incurred for wages and salaries, social security contributions, benefits and other costs; the decisive increase compared to the previous year is mainly due to the new acquisitions and the transaction that allowed us to internalise some production lines.

The **portion distributed to the Public Administration** amounted to 3.8%, as the sum of taxes and fees for the period (-2.1% over 2017).

Banks and other lenders are destined resources for 0.4% of the total value distributed as a result of interest paid and interest expenses, with an increase of 47.6% compared to 2017.

Finally, a sum of around 0.1% was allocated to the **community**, in the form of donations for charitable activities and sponsorships.

→ *For more information on the economic-financial and equity performance, please refer to the other sections of the Annual Report.*

Industrial Capital

Brands and quality of the production process

Nice is the leading Italian multinational player in the Home Automation, Home Security and Smart Home sector, with a comprehensive range of integrated automation solutions for gates, garage doors, motors for curtains, shutters, blinds and in general systems for sun shades, and wireless alarm and home security systems for residential, commercial and industrial buildings.
In 2018, the Nice Group continued its strategic plan for geographical growth and expansion of its product portfolio and connected platforms to offer customizable and user-friendly options for the end customer. It is also seeking to grow and expand on markets with high growth potential, while renewing its branding to compete on new market segments.

Nice is the specialist brand in **Home Automation**, which offers the simplest integration, the widest range in the sector, the most advanced electronics, the most refined design and the most complete and safe automation system. Nice products can work with proprietary apps or Apple HomeKit®.

In addition, with an organic portfolio of brands[4], the Nice group is able to provide a very wide range of products and solutions that meet the different types of needs of the single market, customers and distribution channels:

elero, founded in 1964 and now located in Schlierbach near Stuttgart, is one of the leading manufacturers of motors and control systems for the **automation of shutters, sun protection and rolling shutters.** Moreover, with the company division of Pößneck, elero is engaged in the development and production of linear motors for special applications, such as façades and industrial applications: versatile and reliable solutions, with the highest quality standards Made in Germany.

FIBARO, a leading brand in the **Smart Home** sector, offers a true **wireless and modular ecosystem for a connected home, controlled** and tailored to the specific needs of the user. Founded in 2010 with headquarters in Poznan, Poland, in just a few years FIBARO has established itself on five continents and in over 100 countries as one of the most advanced wireless systems for the smart home, designing and producing devices for smart homes with Z-Wave and HomeKit protocols in its facilities and research centres, with a view to utmost simplicity in installation, plug & play, with the possibility of remote access and compatibility with third-party systems such as Apple HomeKit®, Z-Wave, Google Assistant®, Amazon Alexa® and Siri® by Apple.

Abode, American reference brand in the **Home Security** sector, specialised in the e-commerce offering of a complete range of products and of the technological platform for the final consumer for a connected and protected home, with maximum ease of use. Founded in 2014, Abode Systems is the technological start-up based in Palo Alto in California that offers smart solutions for **home security** and **integrated home automation**, combining the highest UL certified security standards with the option of professional monitoring in exchange for payment, in addition to the classic home automation hub with ZigBee, Z-Wave and additional protocols that can be integrated for a smart home. With strength in the offer of expandable hardware and monitoring services, solid performances and intelligent integrations, Abode is one of the **most appealing DIY security systems** for end users that is easy to install, with an e-commerce store available on -line.

[4] For further information, please refer to Nice Group website: www.niceforyou.com

V2, Italian excellence that since 1985 has designed and offered integrated solutions for **home automation and industrial applications**. Headquartered in Piedmont in Racconigi (province of Cuneo) and foreign branches, V2 is an ever-expanding international reality that declines the concept of technological innovation in all its forms, offering a complete range of automation systems for gates, garage doors, shutters, sliding doors, road barriers, interior blinds, awnings and shutters. Quality, safety and reliability are the distinctive features of V2 solutions, carefully designed to make people's everyday movements simpler.

ACM, the leading Italian brand offering solutions for **the automation of roller shutters, blinds and awnings**. "Made in Italy" quality: ACM offers a vast range of motors and accessories for international clientèle wishing to automate blinds, shutters and awnings using simple, customisable solutions that are designed and tested by qualified staff in the R&D Department and manufactured and assembled in Italy, at the Pomezia (Rome) plant, in accordance with the strictest quality standards.

KINGgates offers **automation systems for gates, garage doors, shutters and road barriers**: reliable, safe and practical made in Italy solutions, with fast customer service.

Hy-Security, founded in 1964 based in Seattle, is a reference company for the US market in the offer of automation systems for industrial, commercial and residential gates, parking barriers, automatic bollards and motorized platforms, ideal for installations in sensitive places like airports, government buildings and for the protection of industrial areas. Hy-Security is a brand recognized for the application of reliable technology, quality, excellent performance and attentive service.

Furthermore, in January 2019, continuing its expansion in North America and consolidating its product portfolio, Nice acquired **Micanan**, a Canadian excellence that since 1999, has been offering garage door automation systems for commercial and industrial applications.

In particular, starting from 2018 the following **convergence processes towards the Nice brand** have been in progress:

- **Silentron**, with over 30 years of experience, among the leading Italian companies in the production of **wireless alarm systems**, products characterised by security, professionalism and reliability.

- **ET Nice**, a company active for over twenty-five years, specialized in the production and marketing of **systems for the automation of gates and garage doors**, is the second player in the sector in **South Africa**.

- **Peccinin**, founded in 1985 in the state of São Paulo, **Brazil**, offers the most complete range of **automation systems for gates, garage doors, road barriers and command electronics** with the Peccinin and **Omegasat** brands; alarm systems with the Genno brand; access control systems with **Linear**, brand of reference in the South American market in the automation and security of buildings. Thanks to the technological excellence and the great attention to the quality and safety of its products, the Nice Group is currently the point of reference in the sector for Brazil and South America.

The Nice Group develops its competitive advantage on the basis of the strategic approach to total quality, with the aim of satisfying all the parties involved. The total quality model in the Nice Group is applied in compliance with the requirements of internationally recognised system organisation standards, such as ISO 9001 and ISO 17025.

Specifically, in January 2018, the Audit DNV-GL was managed with the achievement of the ISO 9001:2015 certificate. The subsidiaries Elero and Peccinin also achieved ISO 9001:2015 certification in 2017 and 2018 respectively, and a plan was defined for the ISO 9001:2015 certification of the remaining subsidiaries Nice South Africa and Nice USA (2019).

In particular, the corporate vision and mission "*A world without barriers*" and "*Simplifying everyday movements"*, define the main values of the Group, overall:

- Analyse markets and get to know end users, understand needs, lifestyles, ways of using products and systems for home automation and anticipate usage trends;
- Develop innovative products and services with high technological content to meet and anticipate customer expectations, through the search for new technologies able to offer more efficient and reliable products/services;
- Improve the quality of life by offering the best way to live and manage space: satisfy the desire for comfort with a unique design, simple use and constant innovation;
- Focus on people's professional growth, offering them an intellectually stimulating environment, involving and motivating employees in achieving company goals;
- Disseminate the culture of quality, ethics and information security through targeted training activities;
- Promote a work environment based on respect, fairness and collaboration that allows the involvement and development of personnel, in compliance with the principles and values of company ethics defined in the Code of Ethics;
- Optimize and control internal processes, through the rationalization of purchase and management costs and those deriving from returns, complaints, non-compliance and waste;
- Act in full compliance with all applicable national and international laws and regulations;
- Create and maintain a special relationship with suppliers through a system based on a periodic review of compliance and order delivery times.

Supply chain and relations with suppliers

The Nice Group manages the purchasing relationships of goods and services with business partners and suppliers in a responsible manner.
The conduct in relations with suppliers, in accordance with the provisions of the Group's Code of Ethics, is based on principles of transparency, equality, loyalty and free competition: the aim is to establish a mutually beneficial and long-term relationship.
Other policies regarding suppliers and products are not formalized at Group level, as the Code of Ethics guarantees the protection of these issues.

The supply chain is structured to supply components and semi-finished products to the production lines located both in the internal plants (at the headquarters and other companies in Italy, Germany, South Africa, Brazil, the United States, Australia and China), and to the network of external subcontractors. These subcontractors are divided into two macro areas: PCBA assembly/testing, electromechanical assembly/testing, and are responsible for around 40% of production. This activity is constantly monitored as any internal process by defining specific operating instructions as well as direct checks at the subcontractors.
The types of subcontractors are divided into:

- For external machining: all suppliers that perform machining on components and raw material. This category includes screen printing, tampography, painting, sandblasting, sanding, galvanizing, wiring.
- For board mounting: suppliers that perform on-site assembly of electronic components with traditional technology and SMT.
- For production and testing of electronic finished products: subcontractors who receive the boards from the assembly subcontractors and have the task of testing them and then assembling them with the finishing kit (plastic boxes, etc.) and then packing everything.
- For production and testing of mechanical finished products: subcontractors who receive components and raw material and are responsible for assembling, testing and packaging products.

Shipments from local or regional suppliers or suppliers of other regions converge directly to the production site concerned in case of internal production. In the case of production at subcontractors, the same internal reference warehouse (ex. Oderzo for Nice S.p.A. subcontractors, Schlierbach for Elero subcontractors, etc.) acts as a hub for receiving and sorting the materials received from suppliers and necessary for transformation or assembly at the subcontractor.
Preference is given to building partnerships with third parties, sharing planning in order to maintain a lean and efficient supply chain, to cope with changing demand with the least possible resources. To this end, forms of integrated logistics such as consignment stock and EDI are applied. Starting from the customer order portfolio and the forecasting activity, the Demand planning department generates the sales mix requested, which forms the basis for the Master Production Schedule. Following the MPS, the production lines are planned, and the requirements are generated with the Material Requirements Planning; the entire inbound supply chain is therefore sized to meet the needs of MRP and MPS.

The finished products are then stored in regional warehouses or in a specific market, for distribution to customers through the various channels: the main ones are installers, producers, specialised distributors.

30% of the volume purchased by the Nice Group comes from suppliers located in Italy, 18% from Germany. Overall, 60% of purchases come from Europe. Considering the various production centres of the Group in the five continents, 60% of purchases are made on a local basis (ex. Italy for factories in Italy, US for North American factories, etc.), a percentage that rises to over 70% considering the regional supplier base (ex. European for production in Italy).

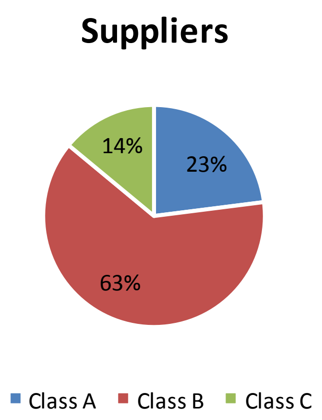
Suppliers by category of goods*	2018		2017	
	No. of suppliers	turnover (€/000)	No. of suppliers	turnover (€/000)
ELECTRONICS & ELECTR. COMP.	350	60,424	370	50,265
MOTORS & SUB-ASSEMBLIES	23	31,017	23	28,321
CASTING & EXTRUSION	75	26,830	77	24,488
MECHANICAL MACHINING & STAMPING	178	24,560	187	24,223
PLASTIC INJECTION	67	16,792	69	17,209
PACKAGING, MANUALS, LABELS	68	5,468	79	5,309
FASTENERS	79	3,972	87	3,457

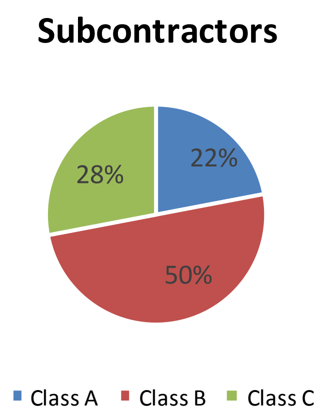
** The figures refer to the Group excluding the companies Abode, Fibaro and V2 branches.*

The fundamental variable in the process for choosing suppliers and subcontractors is represented by the assessment based on criteria relating to the company profile, product and process, production, warehouse, sales, quality and safety and the environment.
The classification of suppliers is carried out through a self-assessment questionnaire and an Audit Checklist that verifies compliance with the criteria mentioned above.
Within the audit procedure, common to Nice S.p.A. and Elero GmbH, there are defined chapters with evaluation questionnaires according to social (safety) and environmental (EMS assessment) criteria. In 2019, the process will be extended to subsidiaries in Brazil, South Africa and the USA.

This results in a more or less frequent audit plan based on the assessment obtained:

- Class A, i.e. the maximum rating, which guarantees the Nice Group compliance with the selection criteria without the need for further audits.
- Class B, the supplier will be re-evaluated two years after the verification.
- Class C, suppliers and subcontractors will be audited within 12 months of the first verification.





The Nice Group's supply chain, assessed over the last 4 years, is equal to 32 subcontractors and 54 suppliers, of which respectively 5 and 13 audit subjects in 2018. Some suppliers and subcontractors of the Nice Group are certified ISO 14001, OHSAS 18001, TS 16949, UNI EN 15593:2008, FSC, ISO13485-2003, UNI EN 15593, UNI EN ISO 22000.

Human Capital

Composition and Characteristics

People

as at 31.12.2018

"We believe in the diversity of ideas which give birth to innovation"
Lauro Buoro, Chairman.

Engage people for a sustainable organization:

- More than 30 nationalities
- International management with matrix structure
- Almost 20 spoken languages
- 80% of employees less than 50 years old, 22% less than 30 years old

People development:

- 7,000 tot. hours of training, providing an average of 3,1 hours of training for each employee
- On-going career acceleration programmes

As at 31 December 2018, the Nice Group had 2,251 employees with a percentage of women equal to about 32%. The marked increase compared to 2017 (+42.3%) is due to the acquisition of new companies within the Group perimeter and to an important production insourcing operation that took place in January 2018. In fact, the company has chosen to directly manage an important part of production in Italy, previously entrusted to an external supplier. Production insourcing has involved the recruitment of around 70 resources, through a staff leasing agreement with an important supply company: the choice was above all strategic for the company, since the goal is to manage more the production process more effectively and efficiently, increasing quality levels and developing company know-how. This approach (direct management of personnel) guarantees complete regulatory compliance, as well as the inclusion of resources in the Nice group's human resource management and development model.

Most of the Group's resources, both in Italy and abroad, have a permanent contract and work full-time.

Total number of employees broken down by type of contract, by gender

Contract type	As at 31 December 2018			As at 31 December 2017		
	Men	Women	Total	Men	Women	Total
Permanent	1,375	614	1,989	1,046	459	1,505
Fixed term	162	100	262	46	30	76
Total	**1,537**	**714**	**2,251**	**1,092**	**489**	**1,581**

Total number of employees broken down by type of contract, by geographical area

Employees by geographical area	As at 31 December 2018			As at 31 December 2017		
	Permanent	Fixed term	Total	Permanent	Fixed term	Total
Italy	419	26	445	300	18	318
Europe	887	200	1,087	644	47	691
Africa-Middle East	137	11	148	126	11	137
Americas	496	7	503	391	-	391
Asia Oceania	50	18	68	44	-	44
Total	**1,989**	**262**	**2,251**	**1,505**	**76**	**1,581**

Nice prefers that the Group's managers are as much as possible from the local communities in which it operates. This choice is guided by the peculiarity of the Group's industrial sector: the home automation market is still very specific for the country.

Total number of employees broken down by type of contract (part-time, full-time), by gender

Full-time / Part-time	As at 31 December 2018			As at 31 December 2017		
	Men	Women	Total	Men	Women	Total
Full-time	1,509	643	2,152	1,071	435	1,506
Part-time	28	71	99	21	54	75
Total	**1,537**	**714**	**2,251**	**1,092**	**489**	**1,581**

Average number of employees broken down by category, by gender

Category	As at 31 December 2018			As at 31 December 2017		
	Men	Women	Total	Men	Women	Total
Senior managers	49	6	55	29	2	31
Manager	140	30	170	109	19	128
White-collar workers	810	348	1,158	554	262	816
Blue-collar workers	538	330	868	400	206	606
Total	**1,537**	**714**	**2,251**	**1,092**	**489**	**1,581**

Average number of collaborators broken down by category, by gender						
Category	**As at 31 December 2018**			**As at 31 December 2017**		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Project contracts	29	31	60	1	-	1
Collaborators hired through external agencies	105	40	145	60	35	95
Interns	4	4	8	3	1	4
Other	41	2	43	2	1	3
Total	**179**	**77**	**256**	**66**	**37**	**103**

Most of the employees of the Nice Group are aged between 30 and 50 (58% of the total), but also the percentage of workers belonging to the other age groups are well balanced (23% under 30 and 19% over 50).

The Nice Group is committed to guaranteeing equal opportunities for all categories of workers, without excluding any specific group in the search for new candidates.

Employees by age group and category								
Number of people	**2018**				**2017**			
	<30	**30-50**	**>50**	**Total**	**<30**	**30-50**	**>50**	**Total**
Senior managers	-	30	25	55	-	21	10	31
Manager	7	123	40	170	3	85	40	128
White-collar workers	274	729	155	1,158	142	565	109	816
Blue-collar workers	230	422	216	868	186	249	171	606
Total	**511**	**1,304**	**436**	**2,251**	**331**	**920**	**330**	**1,581**

The Nice Group is implementing an HCM-Human Capital Management system, in order to simplify and integrate human capital management processes, favouring better results in terms of personnel management and involvement. The HCM system has already been adopted by Italian companies and, in 2019, it is expected to be extended to all Group companies.

In 2018, there was an increase in the rate of recruitment, from 17% in 2017 to 18% in 2018. Most new hires are in the intermediate age range, between 30 and 50.

Given the current liveliness and movement of the labour market, the number of terminations is rather high. In this context, the exit interview was introduced, as a tool to monitor and map the reasons that push Nice resources to change jobs. In addition, a Retention system was developed, which is a bonus for professionalism and figures deemed key to the company.

Total number and rate of recruitment and termination in 2018, by age, gender and region									
2018	**Men**	**Women**	**Total**	**< 30**	**30 - 50**	**> 50**	**Italy**	**EU**	**Non-EU**
Total number of hires	275	122	397	174	192	31	85	158	154
Hire rate	18%	17%	18%	34%	15%	7%	19%	15%	21%
Number of terminations	281	125	406	135	219	52	69	151	186
Turnover rate	18%	18%	18%	26%	17%	12%	16%	15%	26%

**the hiring/dismissal rate is calculated as the ratio between the number of workers hired/dismissed in the period and the workforce present as at 31/12, for each category of analysis (gender and age group).*

Total number and rate of recruitment and termination in 2017, by age, gender and region									
2017	**Men**	**Women**	**Total**	**< 30**	**30 - 50**	**> 50**	**Italy**	**EU**	**Non-EU**
Total number of hires	180	82	262	83	147	32	39	96	127
Hire rate	16%	17%	17%	25%	16%	10%	12%	14%	22%
Number of terminations	166	73	239	63	142	34	35	74	130
Turnover rate	15%	15%	15%	19%	15%	10%	11%	11%	23%

The Nice Group fully respects local contractual agreements and national labour law. The personnel of subsidiaries is regulated by national regulations in order to all be covered by a collective agreement.

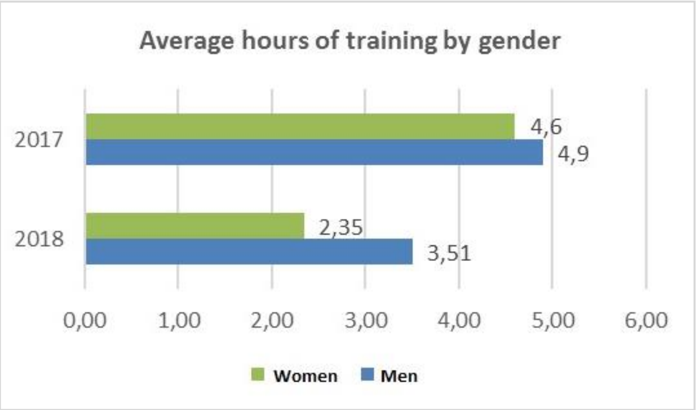
Each company has a specific collective labour agreement (CCNL), in particular the headquarters in Italy is covered by the CCNL Confapi and does not take part in the second level negotiations with the trade unions. There are legally binding agreements for all Group employees. Furthermore, mandatory mechanisms are in place to disclose organisational changes. Moreover, the Nice Group has implemented a safety management system based on the UNI-INAIL and ISPESL guidelines.

The minimum wage is always respected in all branches and depends on local regulation as it reflects the standard of living of the various countries.

Valorisation of human capital: training and assessment

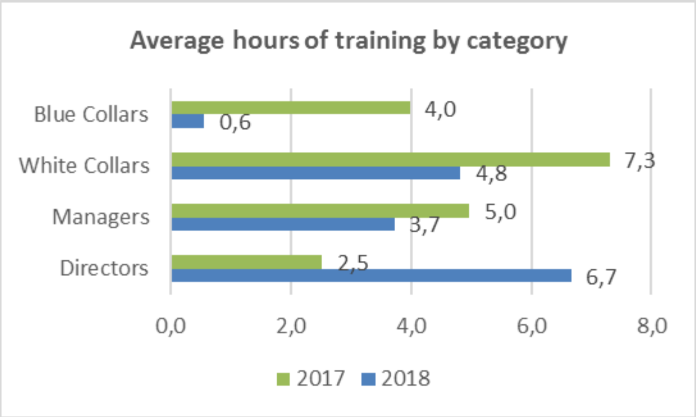
The Nice Group guarantees training and development paths for its employees; for new hires an induction course is provided and for all managerial levels around the world training courses are provided on transversal skills, specific technical training for the technical area and R&D.

Over time, the Nice Corporate Academy, the training program of the Nice Group, has been integrated into the project ThePlace in #knowledge, an initiative under which all the group's educational and teaching activities converge.



The general principles of this project lie within the genesis of ThePlace, aimed at the transfer of skills and knowledge in a unique and univocal way towards collaborators, customers or stakeholders, universities or potential customers, in a coherent manner. ThePlace has been associated with #knowledge, a part dedicated to knowledge transfer and skills development.

In 2018, the Speed Up program was launched, a career acceleration program that involved 5 young professionals, selected to become tomorrow's managers. Their training consists of job rotation in all the departments of Nice HQ and in 2 branches of the group, in addition to a master promoted by the MIB of Trieste.



Nice also collaborates with Niuko, the largest Italian centre for business training and consultancy, which thanks to the learning box offers the company the opportunity to take advantage of 136 training courses a year, both on hard and soft skills. The participant is selected directly by the manager, to ensure a more focused training path.

In 2018, over 7,000 hours of training were provided for all employees.

Performance assessment

The Nice Group provides an MBO incentive plan, management by objectives, to align and incentivize resources to achieve the common objective. This planning process of objectives is required of both executives and middle management and key roles.
Every year, the performance evaluation is a moment of discussion between collaborator and manager, to review the objectives achieved during the year and also to identify any problems and/or complaints. In addition, each employee also has the opportunity to make suggestions in the Ideas Corner section of the TheBox company Intranet.

Equal opportunities and welfare

The Nice Group is committed to respecting the percentages imposed by law and guaranteeing adequate work for vulnerable employees. To date, around 2% of the workforce belongs to protected categories.

No cases of discrimination of any kind were registered in 2018.

Each branch is regulated by the local labour law, which guarantees minimum indemnities. In Italy, for example, the regulation binds the company to pay a severance indemnity for each working month at the company. The employee can also choose to invest this amount in an external fund to obtain interest. In addition to the minimum standards required by law, the company offers additional benefits for its employees (without distinguishing between full time and part time), such as health insurance plans, childcare agreements and car insurance.

In addition, the Nice Group has a significant interest in promoting the well-being of personnel and to this end, in 2018, it launched a Welfare program, consisting of a platform for all Nice HQ employees. The platform is structured so that employees can freely choose how to spend the available welfare credit, choosing between benefits in kind, travel and leisure, culture, social security, school expenses.

Occupational safety management system

Nice S.p.A. - Italy

In Italy, following the acquisition of some new companies in 2018, an auditing system was implemented at two of these companies that allowed the identification of non-conformities or situations potentially subject to sanctions. The initiative required the presence of the HSE Manager on several occasions and the collaboration with local consultants for the analysis and subsequent quantification of the interventions and costs to be implemented.

In 2018, at the headquarters of Nice S.p.A. there were 7 accidents at work, all with outcomes that could be resolved within a maximum of 15 days.

Numerous interventions have also been initiated in order to improve working conditions and/or adapt areas to the different business needs. The internalisation of the assembly lines required the identification and preparation of new dedicated areas. For this purpose, a portion of the main warehouse was set up for production.

To date, assembly line set-up work is nearing completion, which will be followed by a complete overhaul of internal routes divided between pedestrians and forklifts through the complete redesign of internal signs and the integration of A-Safe barriers to protect routes.

Regarding the external procurement system, Nice constantly monitors and controls it. The entrance of external companies is authorised only after the verification of the professional technical suitability with a positive outcome. All visitors (customers, investors, colleagues from other branches or workers from service companies) are regularly provided with identification badges and individual protection devices. If required by law, Nice S.p.A. prepares an Interference Risk Assessment (DUVRI) document.

In 2018, Nice S.p.A. internalised most of the production of the Screen and Gate & Door lines previously entrusted to subcontractors. This process, necessary to meet the quality and industrialisation needs of production, required the inclusion of about a hundred resources from subcontractors that had previously been entrusted with production. Over the next two years, workers will fully become part of Nice employees after a training and professional growth path that includes mandatory training and awareness-raising on issues relating to safety at work.

In addition to the main legal obligations and the procedures established in the existing Management System, in 2018, Nice identified Key Performance Indicators - KPI related to the number of accidents and the related days of absence from work. The results are implemented and monitored by the HSE Manager to lay the foundations for the 2019 objectives. The results are posted annually and made available to the heads of the various departments. This is to promote and disseminate the results of assessments more frequently, in order to encourage positive competition between departments to ensure their employees have the best possible working conditions with a view to reducing the incidence and frequency of accidents at work.

The main risks for the workers are listed below:

- risks of impact, overturn, crushing linked to the use of forklifts, order pickers, electric pallet trucks and similar for workers in production areas and warehouses;
- risk of falling from above due to the use of the elevating work platform for some industrialisation and maintenance workers;
- risks related to the use of mechanical equipment for workshop and prototyping department workers;
- risk of electrocution for testers, designers and workers in research and development laboratories;
- risks associated with cuts, bruises and repetitive movements for assembly and packaging workers;
- chemical risk related to welding dust and the use of solvents for some workers in the workshop and laboratory;

- risks due to manual handling of loads for warehouse workers;
- risk of fire and other emergency situations;
- mechanical and electrical risks for assembly workers of new internalised productions;
- risks associated with exposure to noise and vibrations for assembly workers.

From the analysis of health and safety risks, there are no particular categories of workers with high incidences or high risk of specific occupational illnesses. In the working phases that expose workers to repetitive movements or incongruous postures, pneumatic lifters have been purchased that allow handling pieces effortlessly. In 2018, there were no cases of occupational illnesses.

In 2018, the risk assessment document was updated, the documents assessing the risk of exposure to noise and vibrations following the internalisation of the assembly lines were integrated, the company emergency plans were completely revised and the assessment of the risk related to the use of all machines/equipment and the assessment of chemical risk were assigned at the end of the year.

In 2018, a process was started for the disposal of all forklifts that do not have lithium power supply, which will end in 2020 in order to reduce the risk of fire. Also with a view to raising awareness among operators and reducing risk, the speed of circulation of all vehicles has been reduced, some have also been equipped with control and monitoring devices that allow for the verification of impacts and undesired events, slowing down until the forklift is completely stopped in the event of significant deceleration and coding and identification of the operator in order to manage non-conformities.

As regards safety at work, in case of hiring new workers, general and specific training courses are organised internally for new recruits and, for those who use equipment such as a forklift, an elevating work platform and/or other equipment considered risky, a training course and periodic refresher course on the correct operation and use of the work machinery is provided.

In detail, the training program implemented in 2018 for Nice S.p.A. personnel involved 318 people, including external staff, on various topics including: safety training in accordance with the State Regions Agreement, training for managers, course for Workers' Safety Representatives, fire prevention course, first aid officer, use of the defibrillator, work at height and use of category III PPE, training for forklift drivers.

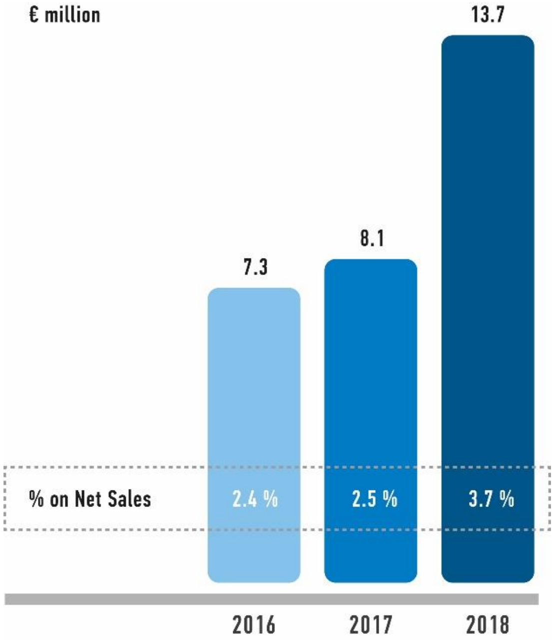
Group companies

The following table shows the accidents recorded at the Group companies in 2018:

Company	No. of workplace accidents
Fibar Group SA*	2
Hy-Security Gate Inc.	3
ET Nice Pty Ltd	5
Nice France SaS	2
Nice Automatismos Espana SA	2
Nice Istanbul Ltd	0
V2 S.p.A	0
ACM International Srl	0
Elero GmbH	11

*Fibar Group SA: there were also 3 commuting accidents and 2 workplace accidents related to external personnel

Intellectual Capital



The Nice Group ensures the principle of sustainability in the design of automation systems to ensure intelligent management of light and temperature of buildings. This in order to reduce the use of artificial light, avoiding heat dispersion and protecting from direct sunlight.

The Nice Group has implemented several innovations in terms of development and design of both production buildings and products.

In 2018, at Nice S.p.A., at the Oderzo headquarters, the renovation of the air-conditioning, lighting and handling systems was completed using latest generation technologies. The same renewal was also implemented at Elero (Germany) and Hy Security (USA); at the buildings in Brazil and South Africa, this process will presumably end by 2019/2020.

The design of Nice Group products involves the following activities:

- attention to compliance with applicable EU regulations and directives;
- constant research of technologies and measures aimed at a reduction of energy required for the functioning of the products, also in stand-by mode;
- preference for the search for eco-compatible materials for the components of the products (e.g. research and testing on recyclable and biodegradable plastic materials);
- importance with respect to packaging favouring the use of recycled materials;
- development of solar energy instruments and automations in various business units;
- preference for led lamps for flashing signal lights compared to incandescent light;
- commitment so that the individual components of the products can be re-used, recycled or disposed of safely on the market: since 2017, the Nice Group has adhered to “ecoR’it”, a multi-sector Collective System for the correct management of Waste Electrical and Electronic Equipment (WEEE) professional and household, batteries and accumulators;
- choice of materials with a view to their recyclability and evaluation of the possibility of avoiding the use of dangerous substances;

- study of solutions that extend the life of the product.

→ *For further information on investments in Research and Development, please refer to the other sections of the Annual Report.*

The Nice Group has always invested in innovation and, in 2018, started the Life Cycle Assessment - LCA project, consisting of a consolidated methodological approach to analysing the environmental impact of products and services, through the completion and evaluation of the entire life cycle of incoming and outgoing flows, as well as of potential environmental impacts, of a product system. The LCA analysis was started, according to the obtaining of the certification related to the Environmental Product Declaration - EDP, for the following four products:

- ROBUS 600 - motor for sliding gates up to 400kg
- Spy 550 - kit for overhead doors
- 3.a Era Star - tubular motor with electronic limit switch
- 3.b Era INN Smart - tubular motor with electronic limit switch.

The EPD certification activity for NICE products includes the development of a system procedure that will govern the process of preparing and updating the LCA studies and the drafting of the EPD. The activity of maintaining certification and product consulting will be implemented over a period of three years and will include post-certification surveillance, during which the LCA model prepared will be progressively updated and a series of Ecodesign activities will be developed related to the products and services provided by the organisation.

Relational Capital

Relationship with customers: quality, health and safety in the use of products

The design of Nice products is based on one side and on the other on aspects related to the health and safety of the end user.

The Research and Development department (equipped with an internal laboratory for product testing, certified according to ISO/ICE 17025) designs new products evaluating all the risks related to their use, especially in emergency conditions. It is in unforeseen situations (such as a blackout) that manual use of the product must be made easier and safer; the idea of simplifying the product - such as the design of the most intuitive and safe motor release mechanism - greatly reduces the risk of damage for those who use them.

The product information is also a way to communicate with the user: in addition to the indications provided for by the regulations and on the label (for example technical specifications or declarations of conformity) it is necessary that the customers of the Nice Group are properly informed about the use of products.

The appropriate guides contain information that can also be used by the end customer, such as those related to safe use, disposal of the product or its components, and to make this part of the information intelligent and improve customer service, the Nice Group has made available on the website (www.niceforyou.com) the first video tutorials that guide the installation and programming of products and the answers to the most frequently asked questions. On the website, it is also possible to download instruction manuals, quick guides, catalogs, brochures and the latest software and firmware versions. The Nice Group has opened the doors of TheNicePlace also to consumers, preparing training courses on products, sales techniques and much more.

With regards to the quality of the products perceived by customers, the Nice Group monitors the external quality of the product with dedicated KPI in terms of material returned for repair within the terms of the warranty, technical and/or logistical customer complaint. Said KPI are monitored via corporate BI. In 2018, no cases of non-compliance were reported regarding product information and labelling and marketing communications.

Furthermore, in December 2018, the new **project for the implementation of Customer Relationship Management for the entire Nice group** officially started. This is a fundamental step in **the digital transformation process** undertaken by the company, with the aim of creating greater efficiency, streamlining processes, improving the management of information and both internal and external communication.

This new system will transversally support the activities of the Sales, Marketing and Service area, helping to create synergies to **improve the level of Customer Engagement** and business performance.

The project involves important partners, including a leading consulting company and a world-renowned software provider, with the implementation of the system in over 20 countries.

Relationship with the community and customers

Nice has always supported initiatives in line with the values of the group, helping to promote entrepreneurial initiatives, messages of innovation, reliability and sustainability.

TheNicePlace is the setting and the heart of the activities that, since the end of 2015, Nice has developed with the aim of involving people, the community and customers in a continuous process, to stimulate the internal and external cultural growth of the company and enhance the knowledge and skills of everyone.

TheNicePlace is the building adjacent to the Nice Headquarters in Oderzo (TV): developed on 3,000 square meters, it is the interactive functional space available to the Group for the purposes of **brand awareness**, **product training for**

customers and stakeholders, and **a meeting place for the community**: recurring opportunities to create and cultivate points of contact through which the company not only conveys **technical knowledge about its products and systems,** but also creates **a network for disseminating the culture and corporate values** that distinguish it, **and the regional territory** that surrounds it.
The opening to change and the cultural growth of the company has given way to a continuous commitment of meetings and events that brought over 14,700 guests to TheNicePlace and, even in 2018, has seen great commitment on several fronts, always in line with the Group's values, addressing important social levers, with programs to support and develop culture, art, sport, prevention, the environment and social life.

In continuity with the **Nice F.e.e.l. project** (acronym of For everyone everywhere liberty) which for years has been the setting for initiatives with the common thread of freedom of movement, expression and autonomy also for those who have special needs, the company has chosen to dedicate part of this attention to voluntary associations and non-profit organisations that deal with **prevention**, **medical awareness and assistance** to people in need, and projects for **social inclusion** of persons with disabilities (ex. Italian League for the Fight against Cancer, Amiche per la Pelle Association, Peer to Peer event as part of the project dedicated to prevention in adolescents).

Also during the year the company continued to support a third project aimed at activating and financing permanent projects of **social inclusion** for children and teenagers with autism and disability through fundraising (I Bambini delle Fate - The Children of Fairies). Nice has also promoted and hosted at TheNicePlace **meetings open to the public on current issues** such as, for example, the evolution of **digital scenarios**, **cyberbullying**, the **fight against violence against women**, the **development of entrepreneurship in young people** (for example, on the theme of "Design Thinking"), also with events dedicated to female start-uppers ("A Dinner in Rosa"). In summary, TheNicePlace represents an area for the company, a "vehicle" for communication and sharing with the company's stakeholders, to be able to **return wealth to the territory and its inhabitants.**

"NO to violence against women" at TheNicePlace

"Peer to Peer Project" at TheNicePlace

Even **sport** is an issue that is dear to the company because it is capable of conveying important social messages, in line with Group values, such as: knowing how to join forces in teamwork to achieve a common goal with determination, fun, dexterity, loyalty, seriousness and solidarity. The company has engaged in projects for support in sports, such as for example with the sponsorship of Opitergina Calcio.

Furthermore, with commitment, the company is looking for the application of this responsibility also in the activities of the various departments: a virtuous example is represented by the study and realisation of the Group's exhibition and **fair stands**, such as the one created for **the R+T 2018 in Stuttgart** - the international reference exhibition for the Group - where **materials subsequently reused for the creation of everyday objects** were used, such as shopping bags and games for children, without the use of new raw materials.

R+T Nice upcycling project – wooden puzzle

R+T Nice upcycling project – shopper bags

NiceLoveEarth

Types of activities such as this are part of the **Nice Love Earth** project, which represents the Group's concrete commitment to applying up-cycling concepts, which is combined with a commitment to daily ecological responsibility and growing sustainability through, for example, the search for eco-compatible materials and designs, including product packaging, printed matter and display structures.

Internal training and **dissemination activities through dedicated events** are also recognised as facilitators of professional growth for the community closest to the company (the employees) and of **cultural enrichment** also for those that follow the company as visitor or stakeholder. Among all, we recall the final event held in May 2018 at TheNicePlace for the centenary of "*I percorsi della Grande Guerra"* (*The paths of the Great War): a* project to raise awareness and disclose history 100 years after the conflict that devastated Europe. In total, over 3,000 hours were provided for these topics.

The paths of the Great War

The paths of the Great War

Another important issue for the company is related to activities and relations with **schools and universities**. The centrality of young people has always been part of the corporate spirit: At TheNicePlace and at its Headquarters, Nice hosted visits from schools and universities, with aims ranging from orientation, such as the call for the ideas competition "PensoFUTURO2018" for high school students in the North East aged between 16 and 19, to the testimony of successful business cases for those who facing, or already involved in the world of work (for example, Master Siemens EMBA, Master in People Management, Master in International Business).

Penso Futuro – final 2018

Visit Executive Master MBA Siemens

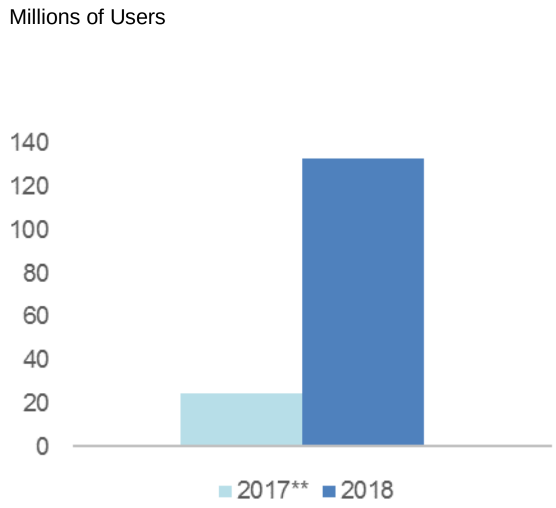
The dissemination activities of Nice in 2018 also translated into the realisation of the cycle of **training events “Connected Living**. **How technology improves the living comfort of buildings”**, dedicated to **architects**, **engineers**, **designers** and industry professionals, at TheNicePlace.

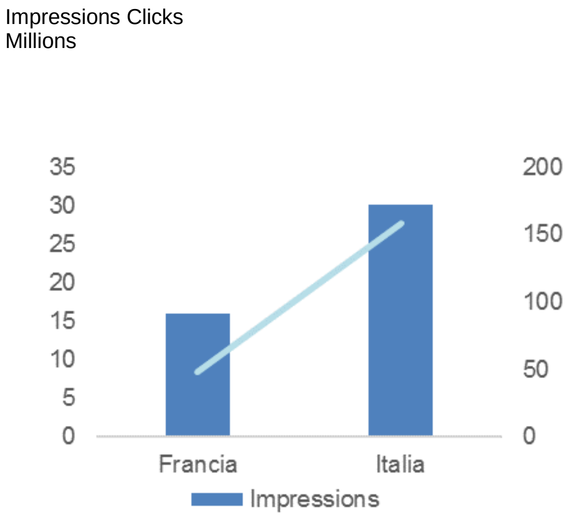
Environmental comfort is increasingly emerging as a determining factor in the valorisation of buildings, as the build quality of homes and offices significantly affects the mental and physical health and productivity of activities carried out. This is why in building design today it is fundamental to have as an objective the well-being of the people who live and work in these spaces, reconciling this need with the reduction of energy requirements. The events organised by Nice in collaboration with Green Building Council, were accredited by the National Council of Architects Landscape and Conservation Planners; participation in them allowed obtaining training credits.

“Connected Living” June 2018, at TheNicePlace

“Connected Living” October 2018, at TheNicePlace

In 2018, Nice started an important branding analysis and strategy for the Nice brand and the other brands of the group, with the advisory of Ogilvy - WPP, to strengthen its positioning in Italy and in the main international markets and to increase brand awareness, in particular among end users. The collaboration involved an integrated communication campaign for Nice, which focused on the positioning strategy and activities of Public Relations and Media Relations, corporate and product, starting in Italy and France, with the aim of extending them for 2019 to the main European countries and to Brazil.





*Activities of PR Nice Italy: Comparison OTS**

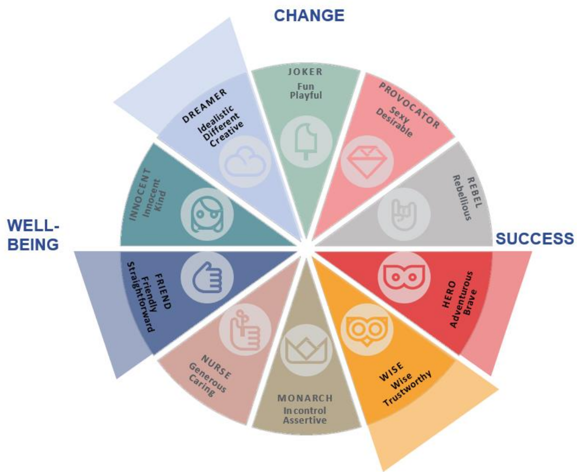
Results of ADV campaign Nice 2018 digital - source: Mindshare

*OTS: The Opportunity To See is an indicator that represents the number of times the viewer has the possibility to view certain content; it indicates the frequency of media exposure.

**2017: surveys undertaken since 13 June 2017

The year 2018 marked an important step for Nice, especially with a view to strengthening strategic communication at international level and in the context of convergence towards an increasingly recognisable Nice brand in the five continents.

Nice, brand identity – Source internal survey



Nice, brand character – Source Ogilvy brand analysis

A questionnaire and individual interviews were conducted with Nice stakeholders and employees to analyse from the internal point of view, on which archetype the idea of Nice can best be expressed. The characters orient the brand towards change, success, safety and well-being: “Being different” is the most shared brand value among the company’s stakeholders and also the best lever of competitive advantage for Nice.

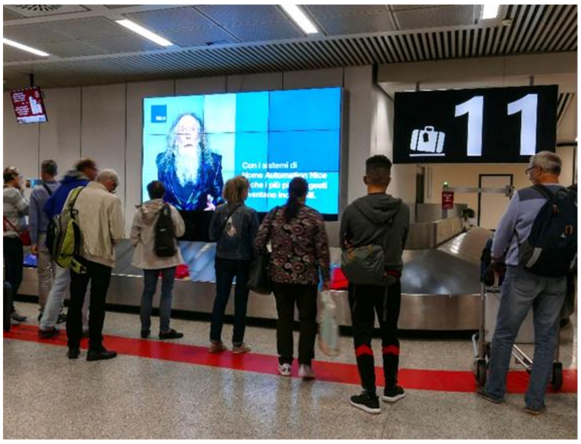
To increase the awareness of the Nice brand in Italy and worldwide, in 2018, the company launched the new international “Make the Wonder Ordinary” advertising campaign aimed at the end consumer, on-air since October simultaneously in Italy and France, and since January 2019, in the rest of Europe and Brazil.

The channels of communication to the public involved: radio, press, websites and digital screens in airports and stations.

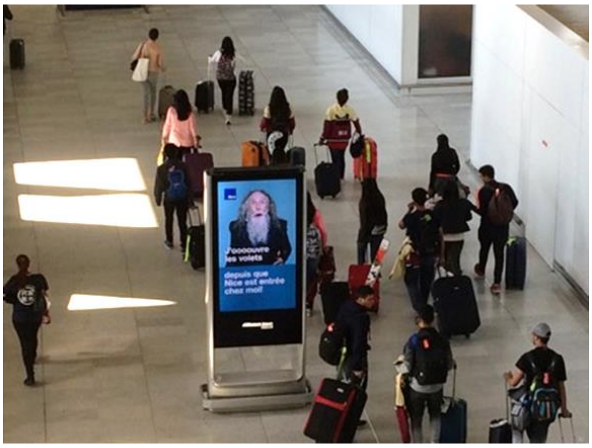
Inspired by the brand promise "Make the Wonder Ordinary", this emotional campaign aims to convey the message that Nice systems, with their extraordinary simplicity, can still awaken the **wonder of people**, **simplifying everyday movements** and making every action pleasantly surprising.

The advertisements, created in collaboration with the international agency Ogilvy - WPP have been disseminated in a selection of integrated communication media, in line with the identified communication target:

- the most important Italian airports and railway stations and the main French airports, with more than 860 digital screens;



Rome Fiumicino Airport



Paris Charles De Gaulle Airport

- a selection of the best interior architecture and technology magazines: Wired, AD, Living and Domus;

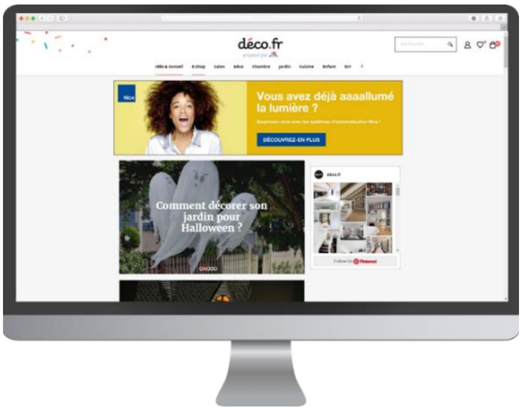
AD - no. 10 November 2018

Living – no. 11 November 2018

- the Italian Radio24, during peak times;

- web portals, with more than 13 million views and almost 100 thousand clicks planned.

Digital Italy



Digital France

With the aim of enhancing the original and unique character of Nice, the project was developed with the London-based photographer Rankin, famous throughout the world for his unconventional portraits.

For further information: www.niceforyou.com/it/make-wonder-ordinary

Furthermore, in 2018, Nice decided to participate, as **sponsor**, in **the Italian Pavilion at 16. International Architecture Exhibition of the Venice Biennale**, scheduled from 26 May to 25 November, confirming its active role in promoting Made in Italy in the world, with a new idea of living in a house inspired by elegance, simplicity and innovation: a real and significant **collaboration with the most representative world of the international architectural panorama** and, above all, it is a further confirmation of how design, culture, the search for beauty and experimentation are an integral part of the company. The theme of the Italian Pavilion reflects the values that have always accompanied Nice's growth: the **strong link with its territory of origin**, **openness to international markets** and the challenges of **innovation,** aware of the identity, knowledge, expertise and social responsibilities of the company.

Focusing on the lesser known Italian territory, revealing the richness and potential of a part of the country that corresponds to 60% of the national territory and to about 4,000 municipalities that host 25% of the population: this is the main theme of the Italian Pavilion, as highlighted by the title of the event curated by the Architect Mario Cucinella: "Archipelago Italy. Projects for the future of the internal territories of the country".

A concept that is plastically represented by the history of Nice, through 25 years of activity that have led it to become the **Italian brand of international reference in Home Automation** that is widespread throughout the territory with its installers and distributors, real people with their passion and daily commitment represent the spirit of the company: open, simple, inimitable.

Furthermore, with the start of the event, the waters of the Venice lagoon were crossed by a vaporetto of the 1 Actv Venice line with the Nice brand.

Venice Biennale – Vaporetto

Connected Living conferences

This sponsorship is part of the dialogue that Nice weaves with the world of architecture and design that has included, among other initiatives, the realization of the **Connected Living** conference cycle on the living comfort of buildings.

Also in 2018, on the occasion of the 16th International Architecture Exhibition of the Venice Biennale, **Nice** was chosen for the realisation of one of the **Vatican Chapels** exhibited at the **Vatican City Pavilion** on the island of San Giorgio in Venice, created by Professor Francesco Dal Co.

In the Pavilion, a chapel was recreated, starting from the concept of an overturned container suspended in a vertical position: **thanks to the automation systems of the Nice group**, with a simple command, the 4 side openings of the chapel tilt vertically up to create the shape of a cross, as viewed from above. The project, whose meaning is hidden in the details, comes from the idea of creating a transferable chapel that can be transported, erected and used wherever required. Moreover, inside a golden space enhances the natural light that, from the top, reaches the altar, while the benches made with recycled Venetian mooring poles are placed in the suggestive surrounding landscape.

Venice Biennale – Vatican Chapel

Nice technology is an integral part of this installation, which is rich in meaning: to enhance the beauty of this project there is natural light, combined with the **concept of movement and openness**. These are elements that we also find in the DNA of the Group, an international and dynamic reality, aimed at testing innovative solutions through technology.

Natural Capital

Better use of basic materials and resources

For new products, the Nice Group opts for innovative basic materials that help achieve the objective of reducing the environmental impact, such as the use of a smaller quantity of solvents in plastics or the reduction of the amount of lubricant required for gears. Furthermore, the Group began a process aimed at increasing the percentage of recycled material within the basic materials used:

- 5% of metals and 3% of plastic used are recycled;
- 30% recycled paper and cardboard are used and, following the re-design of packaging of all Nice Group products, they are 100% recyclable.

NiceLoveEarth

The Nice Group takes care of the environment. *Less waste, more energy savings, better air quality.* The Group has completed a re-design of packaging and uses 100% recyclable natural paper, which makes it possible to optimize the composition of the product kit, to avoid excessive use of raw materials and the exploitation of forests.

The Nice Group does not take water from natural sources and there is no systematic use of water in its activity. It is mainly used for services of the Headquarters and is provided by the public network.

Instead with regard to waste, by not producing or transforming the raw material of which its products are composed but mainly taking care of the assembly, the Nice Group does not generate the typical waste of the transformation of plastic or metal materials. The disposal of the waste produced, which takes place according to specific procedures and internal instructions, once separated and collected, is managed by the company specialized in waste treatment based on the recyclable nature of the waste produced.

With regard to Nice S.p.A., the quantity of hazardous waste is less than 1% of the total waste generated by activities in 2018.

Following the realisation of the two suction systems (manual washing machine with solvents and welding bench), Nice has recently applied for adhesion to the general authorisation for atmospheric emissions. Through this process, emissions will be periodically subjected to laboratory analysis in order to verify the efficiency of the filters and compliance with the relevant legislation.

At Nice, great attention is given to the issue of environmental protection. For this purpose, in 2018, specific ecological islands have been set up, defined and marked in such a way as to encourage the recovery of recyclable materials and the correct disposal of non-recoverable ones. Furthermore, in 2019, cabinets with containment basins will be identified for temporary storage of hazardous and non-hazardous special waste, which must be protected from external elements.

In 2018, the European Open Scope Electrical and Electronic Equipment Regulation came into force. All Nice products that require an electrical connection to operate or are used to transmit information or commands since 15/08/2018 have returned to this area. As with batteries and accumulators, Nice already joined a national consortium in 2017 for the collection of Waste from Electrical and Electronic Equipment (Remedia ex Ecor'it) and is registered in the appropriate National Register. In 2018, Nice introduced into the Italian market alone 380,415 domestic AEE, 15,643 professional EEE, 416,274 AEE transmitting signals and/or information. In Italy, 509,845 pieces were placed between batteries (alkaline, lithium) and accumulators (lead and nickel metal hydrides). Out of the total introduced in Italy and, in the same way for each branch in their reference states, Nice pays a fee that finances the collective system of collection of the quantities introduced.

Rational use of energy

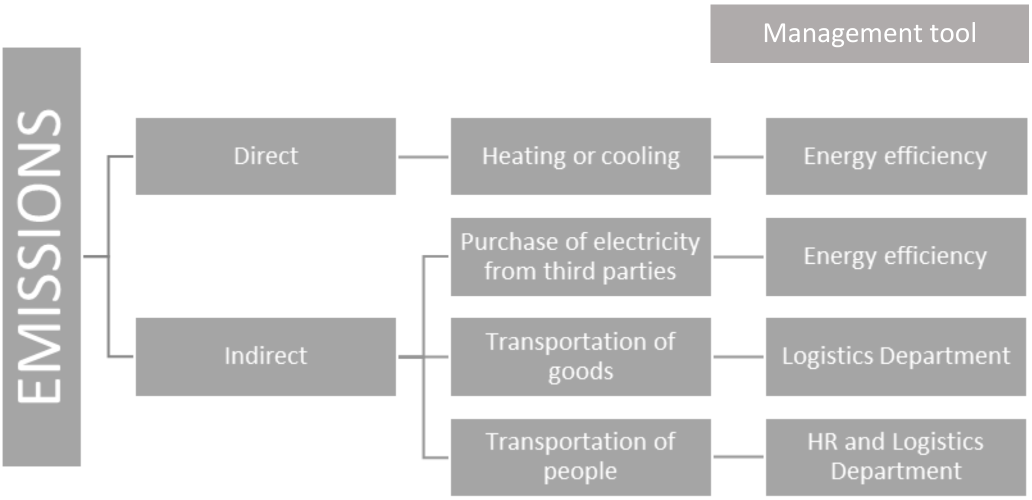
The Nice Group is committed to increasing the energy efficiency of its products and plants: it controls energy consumption and limits the impact of emissions deriving from it, both through structural instruments, which produce their effects in a medium/long-term period and with others that are instead frequently reviewed and whose effects can already be seen on a shorter time horizon.
New measures have been adopted during the design phase to obtain products with less energy use, such as for example the installation of LED lamps on the safety indicators of the automations or, in the protection of the environments to be cooled, more efficient solar shading systems able to react to the level of external light.

Solemyo

Solar energy-powered and 100% wireless automation tool. This way, it can also be used in places difficult to reach by electricity; it has an accumulator and all the components can be powered by the energy of the photovoltaic panel.

The Group's energy consumption mainly refers to the storage, packaging and distribution of the warehouse and to the administrative activity carried out at the headquarters. As a consequence, atmospheric emissions are mainly linked to the use of energy for the operation of machinery and equipment and, indirectly, to the transport of goods and people.

	Italy		**Brazil**		**Germany**	
Energy consumption (GJ)	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Natural Gas *(for heating)*	6,831	7,601	72	n.a.	937	602
Diesel/Diesel Fuel (*for production use)*	5,129	n.a.	-	-	3,573	5,582
Electricity purchased	7,535	6,636	3,674	1,945	6,204	8,784
Total (GJ)	**19,495**	**14,237**	**3,746**	**1,945**	**10,714**	**15,238**



Scope 1 + Scope 2 Emissions				
Total emissions 2018	**Italy**		**Abroad**	
	Emission factor	**Emissions (tCO2eq)**	**Emission factor**	**Emissions (tCO2eq)**
Natural Gas *(for heating)*	1 mc natural gas = 2.04652 kgCO2e	388	1 mc natural gas = 2.04652 kgCO2e	57
Diesel/Diesel Fuel *for production use*	1 l diesel fuel = 2.97049 kgCO2e	419	1 l diesel fuel = 2.97049 kgCO2e	292
Electricity purchased	1 kWhe = 360 gCO2e	753	Germany 1 kWhe = 493 gCO2e Brazil: 1 kWhe = 155 gCO2e	1,008
Total		**1,560**		**1,357**

By 31 May of each year, the Nice Group sends to the ISPRA, through the Sinanet portal, the F-Gas Statement, an annual communication containing information regarding the amount of atmospheric emissions of fluorinated gases for fixed refrigeration and air conditioning equipment, heat pumps and fixed fire-fighting systems with a refrigerant charge of 3kg or more. In 2018, there was a leak of refrigerant gas caused by the breakage of the battery of a refrigerator group.

Installation of cutting-edge equipment

The Nice Group is committed to defining and minimising the environmental impact of its activities, paying particular attention to maintaining its facilities. Of crucial relevance was the expert assessment carried out in 2015, the result of which was an energy diagnosis report that made it possible to make important improvements and which, pursuant to the provisions of Legislative Decree 102/2014, will make it possible to further improve the activities of the Nice Group and to align it with the national energy saving target for 2020.

The Nice group has planned to complete the process of replacing forklifts with modern equipment that uses lithium batteries, with a view to savings and efficiency.

In the construction phase of the headquarters, systems were installed for efficiency in energy consumption management, such as:

- heating/cooling, consisting of condensation boilers with lower fuel consumption, a hot/cold air distribution system with radiant ceiling and floor panels in offices and in the showroom and an air recirculation system with recovery of 60 for one hundred of the quantities used;
- detection of presence for the management of the lighting system, installed in the offices and in the underground parking, which allows limiting the time when the lights are on to as essential;
- screening, through awnings that better protect the interior from the heat of the sun's rays and automations that help to limit the use of heating/air conditioning.

The logistic storage facility for the storage of raw materials and finished products (realized between 2007-2009) has been designed according to energy efficiency criteria and is equipped with cutting-edge technologies for the containment of electrical and thermal energy consumption such as floor and ceiling heating systems with radiant panels, variable refrigerant volume conditioning system, inverter on all circulation pumps, presence sensors for lighting, automation on doors and windows, sensors and automatic shutters for partitioning on UTA.

Table of GRI Indicators

GRI Standard Title	GRI disclosure number	GRI Disclosure Title	Pag. DNF	Omissions
GRI 102: General Disclosures 2016 - Organisational Profile	102-8	Information on employees and workers	37	
	102-9	Supply Chain	35	
GRI 102: General Disclosures 2016 - Reporting Process	102-45	List of companies included in the consolidated financial statements	20	
	102-46	Definition of the contents of the report and of the perimeter of each aspect	22	
	102-47	List of material aspects	22	
	102-55	GRI Content table	58	
	102-56	External attestation	60	
GRI 102: General Disclosures 2016 - Strategy	102-15	Key impacts, risks, and opportunities	28	
GRI 103: Management Approach 2016	103 – 1:3	Indication of the consolidation perimeter for each material aspect; management approach for each material aspect; evaluation of the management approach for each material issue.	20,22, 24, 28, 32, 37, 44,46, 54	
GRI 205: Anti-corruption 2016	205-3	Incidents of corruption detected and corrective activities implemented	23	
GRI 204: Economic Performance 2016	201-1	Direct economic value generated and distributed	30	
GRI 204: 2016 purchase practices	204-1	Percentage of expenditure concentrated on local suppliers	35	
GRI 301: Materials 2016	301-1	Materials used divided by weight and volume	54	*The information provided relates only to some suppliers. The Nice Group undertakes, for the next few years, to integrate reporting on this disclosure.*
GRI 302: Energy 2016	302-1	Energy consumption within the organisation	55	
GRI 305: Emissions 2016	305-1	Direct greenhouse gas emissions (Scope 1)	56	
	305-2	Greenhouse gas emissions for energy production (scope 2)	56	
GRI 308: Environmental assessment of suppliers 2016	308-1	New suppliers evaluated on the basis of environmental criteria		*Some information requested by the Standards is not available. The Nice Group undertakes, for the next few years, to integrate reporting on this disclosure.*
GRI 401: Employment 2016	401-1	New workers hired and staff turnover	40	
GRI 403: Occupational Health and safety 2016	403-3	Workers with high risk of injury or occupational illness	42	
GRI 404: Training and education 2016	404-1	Average hours of training per year and per worker	41	
GRI 405: Diversity and equal opportunities 2016	405-1	Diversity of the governing bodies and workers	25, 37	
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions implemented	41	
GRI 412: Assessment of human rights 2016	412-2	Training of employees on human rights policies and procedures		*Some information requested by the Standards is not available. The Nice Group undertakes, for the next few years, to integrate reporting on this disclosure.*

GRI 414: Social assessment of suppliers 2016	414-1	New suppliers evaluated on the basis of social criteria		*Some information requested by the Standards is not available. The Nice Group undertakes, for the next few years, to integrate reporting on this disclosure.*
GRI 417: Marketing and labelling 2016	417-2	Cases of non-compliance regarding the information and labelling of products	46	
	417-3	Cases of non-compliance regarding marketing communications	46	

Report of the Independent Auditors on the Non-Financial Statement

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Independent Auditors' Report
on the consolidated non-financial statement pursuant to article 3, paragraph 10 of Legislative Decree no. 254 of December 30, 2016 and of art. 5 of CONSOB Regulation n. 20267 of January 18, 2018

To the Board of Directors of
Nice S.p.A.

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 ("Decree") and to article 5 of the CONSOB Regulation n. 20267 of January 18, 2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of Nice S.p.A. and subsidiaries (the "Group") as of December 31, 2018 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 13, 2019 (hereinafter the "NFS").

Directors' and Board of statutory auditors' responsibility on the Consolidated Non-Financial Statement

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and with "Global Reporting Initiative Sustainability Reporting Standards" established by GRI - Global Reporting Initiative ("GRI Standards"), with reference to the selection of GRI Standards, identified as the reporting standard.
The Directors are also responsible, within the terms established by law, for such internal control as they determine is necessary to enable the preparation of NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the Directors are responsible for the identification of the content of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the Group' business and characteristics, to the extent necessary to ensure an understanding of the Group's business, performance, results and the related impacts.

Finally, the Directors are responsible to design a business management model for the organisation of the Group's activities, as well as, with reference to the topics identified and reported in the NFS, for the policies for the identification and management of the risks generated or undertaken by the Group.

The Board of statutory auditors is responsible for overseeing, within the terms established by law, compliance with the provisions set out in the Decree.

Auditors' Independence and quality check

We are independent in compliance with the independence and all other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our company applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a system of quality control that includes directives and procedures concerning compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditors' responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the requirements of the Decree and the GRI Standards selected. We carried out our work in accordance with the criteria established in the *International Standard on Assurance Engagements 3000 (Revised) ~ Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE 3000 Revised")*, issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with *ISAE 3000 Revised*, and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS are based on our professional judgement and include inquiries, primarily of the company's personnel responsible for the preparation of the information presented in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence, as appropriate.

Specifically, we carried out the following procedures:

1. analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the process in place for the selection process in the light of the provisions of article 3 of the Decree and taking into account the adopted reporting standard;
2. analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance to the Decree;
3. if applicable: comparison of data and financial economic disclosures presented in the NFS with those included in the Group's consolidated financial statements;
4. understanding of the following matters:
   - Business management model of the Group's activity, with reference to the management of the topics set out in article 3 of the Decree;
   - Policies adopted by the entity in connection with the topics set out in article 3 of the Decree, achieved results and related key performance indicators;
   - Main risks, generated and/or undertaken, in connection with the topics set out in article 3 of the Decree.

   With reference to these matters, we compared them with the disclosures presented in the NFS and carried out the procedures described in point 5, letter a);
5. understanding of the processes underlying the origination, recording and management of significant qualitative and quantitative information disclosed in the NFS.

   Specifically, we carried out interviews and discussions with the management of Nice S.p.A. We also performed limited documentary verifications, in order to gather information on the processes and procedures supporting the collection, aggregation, processing and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

In addition, with respect to significant information, taking into consideration the Group's business and characteristics, at parent company's level (Nice S.p.A.):

a) with regards to qualitative information included in the NFS, and specifically with reference to the business model, policies applied and main risks, we carried out interviews and gathered supporting documentation to check for consistency with available evidence;

b) with regards to quantitative information, we carried out both analytical and limited procedures to ensure, on a sample basis, the correct aggregation of data;

c) we carried out site visits, to meet its management and gather supporting documentation with reference to the correct application of the procedures and methods used to calculate the indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Nice Group as of December 31, 2018 has not been prepared, in all material respects, in accordance with the requirements of article 3 and 4 of the Decree and the GRI Standards selected.

Verona, March 27, 2019

BDO Italia S.p.A.

Signed by:
Carlo Boyancé
Partner

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

Consolidated Financial Statements as at 31 December 2018

Statement of financial position - consolidated financial position as at 31 December 2018 and 31 December 2017 *

(Thousands of Euro)	31/12/2018	31/12/2017	NOTES
ASSETS			
Non-current assets			
Intangible fixed assets	241,419	114,645	(2)
Tangible assets	59,634	47,892	(3)
Property investments	7,865	8,195	(3)
Other non-current assets	776	1,068	(4)
Deferred tax assets	8,560	8,763	(5)
Total non-current assets	**318,254**	**180,562**	
Current assets			
Inventories	86,286	62,619	(6)
Trade receivables	68,842	54,131	(7)
Other current assets	5,476	3,113	(8)
Tax receivables	10,427	11,324	(9)
Other current financial assets	7,765	2,765	(10)
Cash and cash equivalents	43,144	55,722	(11)
Total current assets	**221,940**	**189,673**	
Total assets	**540,193**	**370,235**	
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Capital	11,600	11,600	
Legal reserve	2,320	2,320	
Additional paid-in capital	32,179	32,179	
Treasury shares	(20,771)	(20,771)	
Retained earnings and reserves	207,671	197,744	
Foreign currency translation adjustments	(30,378)	(25,982)	
Profit for the year	18,823	22,931	
Equity attributable to the Group	**221,445**	**220,021**	
Equity attributable to non-controlling interests	(653)	(826)	
Total shareholders' equity	**220,791**	**219,194**	(12)
Non-current liabilities			
Provisions for risks and charges	3,424	3,321	(13)
Employee benefits	2,916	2,894	(14)
Medium-/long-term loans	148,168	35,209	(15)
Other non-current liabilities	15,381	8,954	(16)
Tax payables (beyond 12 months)	647	1,068	
Deferred tax provision	4,496	1,465	(17)
Total non-current liabilities	**175,032**	**52,912**	
Current liabilities			
Bank overdrafts and loans	48,186	21,812	(18)
Other financial liabilities	1,109	34	(19)
Trade payables	73,073	54,777	(20)
Other current liabilities	15,351	11,372	(21)
Tax payables (within 12 months)	6,651	10,134	(22)
Total current liabilities	**144,370**	**98,129**	
Total liabilities	**319,402**	**151,041**	
Total liabilities and shareholders' equity	**540,193**	**370,235**	

* Pursuant to Consob resolution no. 15519 of 27 July 2006, the effects of transactions with related parties are described in note 37.

Consolidated income statement as at 31 December 2018 and 2017

(Thousands of Euro)	2018	2017	NOTES
Revenues	**368,220**	**324,957**	(33)
Operating costs:			
Basic components, ancillary materials and consumables	(170,466)	(143,511)	(23)
Costs for services	(68,640)	(56,749)	(24)
Rental and lease costs	(8,980)	(8,365)	(25)
Personnel costs	(77,454)	(64,515)	(26)
Other operating costs	(3,492)	(5,902)	(27)
Depreciation and amortisation	(13,224)	(10,267)	(28)
Other income	5,328	4,571	(29)
Operating result	**31,292**	**40,220**	
Financial income	8,766	2,806	(30)
Financial expenses	(9,151)	(7,329)	(31)
EBT	**30,907**	**35,697**	
Income taxes	(11,767)	(12,275)	(32)
Net profit/loss	**19,139**	**23,422**	
Profit/Loss attributable to non-controlling interests	316	491	
Net profit/loss attributable to the Group	**18,823**	**22,931**	

* Pursuant to Consob resolution no. 15519 of 27 July 2006, the effects of transactions with related parties are described in note 37.

Consolidated earnings per share	**2018**	**2017**
(Euro thousands)		
Average number of shares	110,664,000	110,664,000
Net profit/loss attributable to the Group	18,823	22,931
Data per share (Euro)		
Basic, net profit attributable to the ordinary shareholders of the parent company	0.17009	0.20721
Diluted, net profit attributable to the ordinary shareholders of the parent company	0.17009	0.20721

Consolidated statement of comprehensive income as at 31 December 2018 and 2017

(Thousands of Euro)	2018	2017
Net profit/loss	**19,139**	**23,422**
Other items of comprehensive income after taxes not reclassified to profit or loss	(23)	14
- Actuarial loss on termination benefits	(23)	14
Other comprehensive income after taxes that may be recycled to profit or loss	(4,571)	(10,865)
- Differences on translation of foreign financial statements	*(4,571)*	*(10,865)*
Total comprehensive income (loss) after taxes	**14,545**	**12,571**
Attributable to:		
Non-controlling shareholders	169	342
Shareholders of the parent company	14,377	12,229

Consolidated statement of cash flow as at 31 December 2018 and 2017

(Thousands of Euro)	2018	2017
CASH FLOWS GENERATED BY OPERATING ACTIVITIES:		
Net profit/loss attributable to the Group	**18,823**	**22,931**
Net results attributable to non-controlling interests	316	491
Income taxes	11,767	12,275
Depreciation, amortisation and impairment	13,224	10,267
Accrual/(use) of bad-debt provision	703	909
Accrual/(use) of inventory write-down provision	151	213
Accrual/(use) of provision for risks	(33)	1,836
Accrual/(use) of employee benefit obligations	(807)	(840)
Fair value measurement of financial instruments	-	(108)
Other write-downs	(3,843)	-
Accrual/(use) of deferred tax assets/liabilities	2,050	1,454
Changes in current assets and liabilities:		
Decrease (increase) in Receivables due from customers	(3,048)	(1,222)
Other current assets	(1,027)	261
Inventories	(5,523)	(1,402)
Payables due to suppliers	5,598	6,332
Other current liabilities	(698)	1,454
Income taxes paid in the period	(14,301)	(13,817)
Total adjustments and changes	**4,529**	**18,101**
Operating cash flow	**23,352**	**41,032**
CASH FLOW FROM INVESTING ACTIVITIES:		
Investments in intangible assets	(11,102)	(7,741)
Investments in tangible fixed assets	(12,112)	(12,978)
Investments in shareholdings	(122,685)	(12,737)
Cash flows absorbed by investing activities	**(145,899)**	**(33,456)**
CASH FLOW FROM FINANCING ACTIVITIES:		
Dividend distribution	(11,066)	(11,066)
New loans	137,500	64,544
Repayment of loans	(14,446)	(74,017)
Net change in other financial liabilities	1,067	(123)
Net change in medium-/long-term tax payables	(346)	614
Net change in other non-current assets	661	4,771
Net change in other financial assets	(656)	(1,197)
Interest income collected	240	336
Interest expense paid	(847)	(885)
Purchase of minorities	420	-
Translation differences and other changes in Equity	(3,307)	(6,567)
Cash flows absorbed by financing activities	**109,219**	**(23,590)**
Effect of exchange rate differences on cash and cash equivalents	749	1,183
Increase/(Decrease) in cash and cash equivalents	**(12,579)**	**(14,831)**
Cash and cash equivalents, start of year	55,722	70,552
Cash and cash equivalents, end of year	**43,144**	**55,722**

Consolidated statement of changes in shareholders' equity as at 31 December 2018 and 2017

(Thousands of Euro)	Share capital	Legal reserve	Share premium reserve	Treasury shares	Retained earnings and reserves	Translation reserve	Group Shareholders' Equity	Profit (Loss) attributable to non-controlling interests	Non-controlling interests in capital and reserves	Total Shareholders' Equity
Balance as at 31 December 2016	**11,600**	**2,320**	**32,179**	**(20,771)**	**209,350**	**(15,266)**	**219,412**	**241**	**(1,410)**	**218,244**
Result for the period	-	-	-	-	22,931	-	22,931	491	-	23,422
Actuarial loss on termination benefits	-	-	-	-	14	-	14	-	-	14
Translation difference	-	-	-	-	-	(10,716)	(10,716)	-	(148)	(10,865)
Comprehensive income	**-**	**-**	**-**	**-**	**22,945**	**(10,716)**	**12,229**	**491**	**(148)**	12,571
Dividend distribution	-	-	-	-	(11,066)	-	(11,066)	-	-	(11,066)
Purchase of non-controlling interests	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	(554)	-	(554)	-	-	(554)
Balance as at 31 December 2017	**11,600**	**2,320**	**32,179**	**(20,771)**	**220,675**	**(25,982)**	**220,021**	**491**	**(1,317)**	**219,194**
Result for the period	-	-	-	-	18,823	-	18,823	316	-	19,139
Actuarial loss on termination benefits	-	-	-	-	(23)	-	(23)	-	-	(23)
Translation difference	-	-	-	-	-	(4,397)	(4,397)	-	(142)	(4,539)
Comprehensive income	**-**	**-**	**-**	**-**	**18,800**	**(4,397)**	**14,403**	**316**	**(142)**	**14,577**
Dividend distribution	-	-	-	-	(11,066)	-	(11,066)	-	-	(11,066)
Purchase of non-controlling interests	-	-	-	-	(420)	-	(420)	-	-	(420)
Other changes	-	-	-	-	(1,493)	-	(1,493)	-	-	(1,493)
Balance as at 31 December 2018	**11,600**	**2,320**	**32,179**	**(20,771)**	**226,495**	**(30,378)**	**221,444**	**316**	**(969)**	**220,791**

Notes to the Consolidated Financial Statements as at 31 December 2018

Company information

Nice S.p.A. is an Italian joint-stock company established and located in Oderzo (TV) – via Callalta 1. It is the operating holding company of a group of entities (Nice Group), which is primarily active in the design, production and marketing of automation systems for gates, garage doors, rolling shutters, awnings, and access and security systems.

The publication of the consolidated financial statements of Nice S.p.A. for the year ended 31 December 2018 was approved by the Board of Directors on 13 March 2019.

Contents and format of consolidated financial statements

The consolidated financial statements as at 31 December 2018 were prepared in compliance with the International Financial Reporting Standards (IFRS) endorsed by the European Union and in force on the reporting date.

The consolidated financial statements are prepared under the historical cost convention, except that derivative financial instruments are measured at fair value, and on a going concern basis. The carrying value of assets and liabilities involved in fair value hedging transactions, and which otherwise would have been posted at cost, has been adjusted to take account of changes in fair value attributable to the risks hedged.

The currency unit used is the Euro and, unless otherwise indicated, all amounts are rounded to thousands of Euro.

The amounts used for the consolidation are taken from the financial statements prepared by the directors of the individual subsidiaries. This data is appropriately modified and reclassified, where necessary, for consistency with international accounting standards and the classification criteria adopted by the Group.

Accounting Standards variations

The accounting policies adopted are the same as those used as at 31 December 2017, except for adoption of the following new or revised IFRSs and IFRICs, which were applied for the first time by the Group as from 1 January 2018.

New accounting standards, amendments and interpretations effective from 1 January 2018

The application of the new and amended accounting standards and interpretations, indicated below, did not have a significant impact on the consolidated financial statements of the Group.

IFRS 9 – Financial Instruments
This standard was issued on 24 July 2014. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB’s project to replace IAS 39 - Financial instruments: recognition and measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets. The

new standard reduces to three the number of categories of financial assets pursuant to IAS 39 and requires that all financial assets be: (i) classified on the basis of the model which a company has adopted in order to manage its financial activities and on the basis of the cash flows from financing activities; (ii) initially measured at fair value plus any transaction costs in the case of financial assets not measured at fair value through income statement; and (iii) subsequently measured at their fair value or at the amortised cost. IFRS 9 also provides that embedded derivatives which fall within the scope of IFRS 9 must no longer be separated from the primary contract which contains them and states that a company may decide to directly record - within the consolidated statement of comprehensive income - any changes in the fair value of investments which fall within the scope of IFRS 9. The new impairment model introduced by IFRS 9 no longer requires for a trigger event to have occurred before impairment losses are recognised, on the contrary, it requires an entity to recognise expected impairment losses at all times and to review and update the amount of expected impairment losses at each reporting date to reflect changes in the credit risk of the financial instrument. IFRS 9 contains a three-stage approach to account for impairment losses. Each stage dictates how an entity measures impairment losses. IFRS 9 aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. The new standard enables an entity to use information produced internally as a basis for hedge accounting. The standard is not applicable until 1 January 2018.
The Group completed its analysis of the impacts deriving from the adoption of said Standard, concluding that the current accounting treatment of financial assets, financial liabilities and derivative instruments is compliant with the requirements of IFRS 9 and, therefore, there will not be significant effects on the consolidated financial statements of the Group at the time of the initial adoption of the standard.

IFRS 15 – Revenue from Contracts with Customers
On 28 May 2014, the IASB published the standard IFRS 15 – Revenue from Contracts with Customers which is destined to replace IAS – 18 Revenue and IAS 11 – Construction Contracts, as well as the interpretations of IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services. The standard specifies how and when an Entity that adopts IFRS will recognise revenues, in addition to requiring additional disclosures to be provided to the recipients of the financial statements. The standard provides a single basic standard based on a five-phase model to be applied to all contracts with customers. In particular, the model for recognition of revenues proposed will include the following phases:

a) Identification of the contract with the customer;
b) Identification of individual performance obligations of the contract;
c) Determination of the transaction price;
d) Allocation of the transaction price to individual performance obligations;
e) Recognition of revenues consistent with fulfilment of individual performance obligations.

Fulfilment of performance obligations and thus, the simultaneous recognition of the revenue, occurs upon transfer of the control of the good/service. For the purposes of recognition of the revenue, verification of the transfer of the risks and benefits related to the ownership of the good sold currently imposed by IAS 18 is no longer applicable.
The Group did not use any of the practical expedients referred to in Appendix C of IFRS 15. As permitted by IFRS 15, the Group adopted the standard retroactively, recognizing the cumulative effect of the initial application as adjustment of the opening balance of retained earnings in the year, which includes the date of initial application ("modified retrospective approach"), i.e. 1 January 2018. The Group assessed as non significant the impacts, in terms of economic and equity result, on the Group's consolidated financial statements at the time of initial adoption of the standard and amendments.

IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

The purpose of this interpretation, issued on 8 December 2016, is to provide guidelines for foreign currency transactions in which non-monetary advances are recognised in the financial statements prior to recognition of the related asset, cost or revenue. This document clarifies how an entity shall determine the transaction date and, therefore, the spot exchange rate to be used in relation to foreign currency transactions that involve advance payments or collections. IFRIC 22 was applied as of 1 January 2018. The adoption of said interpretation had no impact on the consolidated financial statements of the Group.

Annual Improvements to IFRSs: 2014-2016 Cycle

On 8 December 2016, the IASB published the document "*Annual Improvements to IFRSs: 2014-2016 Cycle*" which implements the amendments to some standards in the context of the annual process of improving the same. The principal amendments relate to: (i) IFRS 1, envisaging the elimination of certain short-term exemptions included in paras. E3-E7 of Appendix E to IFRS 1; (ii) IAS 28, whereby the option for a venture capital organisation (or other similar entity) to measure investments in associates and joint ventures at fair value through profit or loss is applied to each investment at the time of initial recognition; (iii) IFRS 12, specifying that the disclosures required by the standard apply to all equity interests that are classified as held for sale, as held for distribution to owners or as discontinued operating activities.
Most of the amendments have been applied as of 1 January 2018. The adoption of these amendments has not had effects on the consolidated financial statements of the Group.

Accounting standards, amendments and interpretations not yet applicable and/or not adopted early by the Group

IFRS 16 – Leases

On 13 January 2016, the IASB issued IFRS 16 – Leases which is intended to replace IAS 17 – Leases, as well as IFRIC 4 - Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The new standard provides a new definition of lease and introduces a criterion based on control (right of use) of an asset to distinguish lease contracts from service contracts, identifying as discriminants: the identification of the asset, the right to replace the same, the right to obtain substantially all of the economic benefits arising from the use of the asset and the right to direct the use of the asset underlying the contract.

The standard establishes a single lessee accounting model that requires the recognition of the leased asset, including those held under operating leases, as an asset in the statement of financial position together with the matching financial liability. It also establishes that contracts for low-value assets, and leases with a duration of 12 months or less, need not be recognised as leases. By contrast, the Standard does not include significant changes for lessors.

The Group carried out a preliminary analysis of all the lease agreements in place as at 31 December 2018 in light of the new lease accounting rules provided for by IFRS 16. The standard will mainly affect the accounting of the Group's operating leases and various lease agreements.

On the basis of the contracts currently in place, the Group expects an improvement in EBITDA of approximately Euro 9 million, since the amortisation of assets and interest are excluded from this measure. Furthermore, the Group's activities as lessor will increase by approximately Euro 32 million, corresponding to an increase in financial payables.

The Group will apply the standard starting from the mandatory adoption date of 1 January 2019, using the simplified transition approach and will not change the comparative amounts for the year before the first adoption. Assets recognised for the right of use will be measured by the amount of the lease payable upon adoption.

Amendments to IAS 40 - Transfers of Investment Property

The amendments, published on 08 December 2016, clarify transfers of a property to or from property investment. In particular, an entity must reclassify a property as, or from, property investments only when there is evidence that there has been a change in the use of the property. This change must be attributed to a specific event that has occurred and therefore not be limited to a change of intent by an entity's management.

Amendments to IFRS 2 - Classification and measurement of share-based payment transactions

The document, published on 20 June 2016, contains amendments to the international accounting standard IFRS 2. The amendments provide some clarifications in relation to the recognition of the effects of vesting conditions in the presence of cash-settled share-based payments, the classification of share-based payments with net settlement characteristics and the accounting of changes to the terms and conditions of a share-based payment, which alter their classification from cash-settled to equity-settled.

Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

This document, issued on 12 September 2016, primarily relates to entities whose business predominantly comprises insurance activities. The purpose of the amendments is to clarify the concerns deriving from application of the new IFRS 9 to financial assets.

Interpretation IFRIC 23 – Uncertainty over Income Tax Treatments

In June 2017, the IASB issued interpretation IFRIC 23 - Uncertainty over income tax treatments that provides indications on how to reflect in the accounting of income taxes the uncertainties about the tax treatment of a given phenomenon. In particular, the interpretation requires an entity to analyze uncertain tax treatments (individually or together, depending on the characteristics), always assuming that the tax authority examines the tax position in question, having full knowledge of all relevant information. If the entity considers it unlikely that the tax authority will accept the tax treatment followed, the entity shall reflect the effect of the uncertainty in the measurement of its current and deferred income taxes. The interpretation will enter into force on 1 January 2019. The Group is currently assessing the impact of adopting this interpretation.

Amendment to IFRS 9 – Financial Instruments

The amendments to IFRS 9 Prepayment Features with Negative Compensation, published in October 2017, are designed to allow measurement at amortised cost or at fair value through other comprehensive income (OCI) of financial assets characterized by an early repayment option with the so-called negative compensation.

The IASB has also published an example that illustrates how the provisions of IFRS 9 apply to long-term receivables in an associated company or joint venture.

The amendments will enter into force on 1 January 2019. The Group does not foresee any impact from the adoption of these amendments.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

The amendments, published in October 2017, are intended to clarify that long-term receivables from an associate or joint venture which, in substance, form part of the net investment in the associated company or joint venture, are applied IFRS 9. The IASB has also published an example that illustrates how the provisions of IAS 28 apply to long-term receivables in an associated company or joint venture.

The amendments will enter into force on 1 January 2019. The Group does not foresee any impact from the adoption of these amendments.

The Group is examining the aforementioned standards and assessing if their adoption is expected to have a significant impact on the consolidated financial statements.

Accounting principles, amendments and interpretations not yet approved by the European Union

IFRS 17 - Insurance contracts

In May 2017, the IASB issued IFRS 17 - Insurance contracts which establishes the principles for the recognition, measurement, presentation and communication of insurance contracts issued as well as the guidelines relating to reinsurance contracts held and investment contracts with elements of discretionary participation issued. IFRS 17 will take effect from 1 January 2021 or thereafter, with earlier adoption permitted if IFRS 15 - Revenues from contracts with customers and IFRS 9 - Financial instruments are also adopted. The Group does not foresee any impact from the adoption of this standard.

Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions

The amendment reduces current services costs for the period by contributions paid by employees or by third parties during the period that are not related to the number of years of service, instead of allocating these contributions over the period when the services are rendered.

Annual Improvements to IFRS Standards 2015-2017 Cycle

The improvements concerned IFRS 11, according to which a party that participates in a joint operation, without having joint control, could obtain joint control of the joint operation in the event that its activity constitutes a business as defined in IFRS 3. The amendments clarify that the investments previously held in this joint operation are not re-measured.

It has also been clarified that the effects of tax on dividends are linked more to past transactions or to events that generated distributable profits rather than to distributions to shareholders. Therefore, an entity recognises the effects of income tax on dividends in the profit/(loss) for the year, in the other components of the comprehensive income statement or in shareholders' equity consistent with the way in which the entity previously recognised such past transactions or events.

Amendment to IFRS 3 Business Combinations

The amendments, published in October 2018, point out that when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination that has been implemented in several phases, including the review at fair value of the equity investment previously held in the assets and liabilities of the joint operation. In doing so, the purchaser re-evaluates the entire equity investment previously held in the joint operation.

Significant accounting estimates

The preparation of consolidated financial statements requires directors to make discretionary assessments, estimates and assumptions that influence the amounts reported for revenue, costs, assets and liabilities and contingent liabilities at the reporting date. However, the uncertain nature of these hypotheses and estimates might result in significant adjustments to the reported carrying amounts of assets and liabilities during the coming financial year.

Estimates are used to calculate:

Impairment of intangible assets with an indefinite useful life

On each reporting date, the Group tests all intangible assets with an indefinite useful life to see whether there are any indicators of impairment.

More specifically, goodwill and trademarks with indefinite useful life are tested for possible impairment at least annually and during the year if such indicators exist. This test requires estimation of the value in use of the cash generating unit to which the investment's cost and goodwill are attributed, in turn based on estimation of the future cash flows expected from the unit and discounted to present value based on an appropriate discount rate. The net carrying amount of goodwill is Euro 211,871 thousand as at 31 December 2018 (2017: Euro 101,480 thousand).

Other non-financial assets are tested annually for impairment when there are indications suggesting that carrying value may not be recovered.

Deferred tax assets

Deferred tax assets are recognised in view of all temporary differences and all tax losses carried forward, to the extent that there will possibly be adequate future taxable income in view of which these temporary differences can be absorbed and such tax losses used. A significant discretionary assessment is required to directors to calculate the amount of deferred tax assets that can be recorded in the accounts. They have to estimate the probable timing and amount of future taxable income as well as a planning strategy for future taxes.

Other estimated items

Estimates are also used to calculate bad-debt provision and for inventory obsolescence, depreciation and amortisation, employee benefit obligations, and provisions for risks and charges.

Principles of consolidation

The consolidated financial statements include the financial statements of Nice S.p.A., the parent company, and those of the Italian and foreign companies that are directly or indirectly controlled by Nice S.p.A.
Subsidiaries' financial statements are drawn up applying the same accounting standards as the parent company. Consolidation adjustments have been made if necessary to achieve the uniformity of any items affected by the use of different accounting standards. All the intra-group balances and transactions, including any unrealised profits deriving from relations among Group companies, have been fully derecognised.
The principles of consolidation applied include derecognition of equity investments in view of the recognition of investee companies' assets and liabilities on a line-by-line basis, and derecognition of all intra-group transactions and thus of payables, receivables, sales, purchases, and profits and losses not realised with third parties. Subsidiaries are consolidated on a line-by-line basis starting from the acquisition date, i.e. from the date when the Group takes control, and they cease to be considered as consolidated on the date when control is transferred outside the Group. Any difference between the acquisition cost and book equity of investee companies at the time of acquisition of the investment is allocated – if positive – to specific assets of the acquired companies, based on their current value as at the acquisition date, and amortised on a straight-line basis according to the investment's future useful life, with the remainder, if the prerequisites to do so exist, being allocated to Goodwill. In this latter case, the amounts are not amortised but are tested for impairment at least annually and, in any case, whenever it is deemed appropriate. Any negative differences are charged to the income statement.
If the conditions do not exist for definitive allocation of the price paid to purchase control of a company, use is made of the longer deadline (12 months) allowed by the relevant accounting standard (IFRS 3 – Business combinations).
Non-controlling interests represent that part of the profits or losses and net assets not owned by the Group, for which the related risks and rewards have not been transferred to the subsidiary. They are classified separately in the income statement, while in the statement of financial position they are classified as part of shareholders' equity, but separately from the equity attributable to the owners of the parent.

As at 31 December 2018 the subsidiaries consolidated on a line-by-line basis were the following:

- **Nice S.p.A.** is the parent company and manages the design, production and marketing of Nice products, which holds:
- Nice France S.a.S., a company that markets the Group's products in France;
- Nice Polska Sp. Z.o.o., a company that markets the Group's products in Poland;
- Nice Automatismos Espana S.A., a company that markets the Group's products in Spain;
- Nice Belgium S.A., a company that markets the Group's products in Belgium;
- Nice Shanghai Automatic Control Co. Ltd., a company that markets the Group's products in the Far Eastern market;
- R.D.P. Shanghai Trading Ltd., a company that purchases basic components in the Asian market for subsequent resale to the Group companies;
- Nice UK Ltd., a company that markets the Group's products in the UK;
- Nice Deutschland GmbH, a company that markets the Group's products in Germany and deals with the assembly of a line of products;
- S.C. Nice Romania S.A., a company that markets the Group's products in Romania;

- Nice Istanbul Ltd, a company that markets the Group's products in Turkey;
- Nice Australia Home Automation Pty Ltd, a company that markets the Group's products in Australia and it also deals with the assembly of a line of products;
- AutomatNice Portugal S.A., a company that markets the Group's products in Portugal;
- ET Nice (PTY) LTD, subsidiary that designs, produces and markets automation systems in South Africa and the sub-Saharan region;
- Nice Home Automation JSC, a company that markets the Group's products in Russia;
- SAAC S.r.l., a company that markets and installs Nice products;
- Nice Gulf FZE, a company that markets the Group's products in the Middle East;
- Fenice Immobiliare S.p.A., a company that owns the property used as production facility, office and warehouses leased to FontanaArte S.p.A.;
- Building App s.r.l., innovative start-up that develops systems for intelligent and automatic access management in and around homes and offices;
- ACM International Srl, a company that deals with the design, production and commercialisation ACM brand automation systems;
- **Nice Group USA Inc.**, a company that deals with the commercialisation of the Group's products and the design, production and commercialisation of automation systems in the USA, which holds:
- Hy Security Gate Inc., a company that deals with the design, production and commercialisation of gate automation systems for industrial and commercial use, characterised by extremely high standards of security;
- Abode Systems Inc., a company that deals with the design, production and commercialisation of systems and solutions for home security and integrated home automation;
- Nice Canada Real Estate Holdings Inc., a company that owns the building used as a production plant, offices and warehouse, leased to Nice Group Canada Inc.;
- Nice Group Canada Inc., a company that deals with the design, production and commercialisation of automation systems for garage doors for commercial and industrial applications;
- **Peccinin Portoes Automaticos Industrial Ltda**, a company that designs, produces and markets automation systems in the Latin American market, which holds:
- Genno Tecnologia LTDA, a company that designs, produces and markets perimeter security systems and electronic accessories in the Latin American market;
- Omegaport Equipamentos de Seguranca LTDA, a company that designs, produces and markets automation systems in the Latin American market;
- Linear Equipamentos e Serviços Ltda, a company that deals with the design, production and commercialisation of products for access control for condominium security in the South American market;
- **King Gates Srl**, a company that operates in the automation sector, designing, producing and selling automation systems for gates and garage doors, which holds:

- King Gates France SAS, a company that markets automation systems for gates and garage doors in France;
- **elero GmbH**, a company that operates in the design, production and marketing of products by elero, which holds:
- elero Motors & Controls Pvt. Ltd., a company that markets the Group's products in India;
- elero Singapore Pte. Ltd., a company that markets elero products in Asia;
- elero AB, a company that markets the Group's products in Sweden.
- **Fibar Group SA**, company that operates in the design, production and commercialisation of Smart Home products, which holds:
- Fibar Group Intellectual Property Assets Sp z o.o., company deals with the management of intellectual property and the provision of marketing services for Fibar Group SA;
- Fibar Group Assets Sp. z o.o. SKA;
- Fibaro Dystrybucja Sp z o.o., holding company that holds:
- Fibar USA LLC, company that deals with the commercialisation of Fibaro brand products in the US territory;
- **V2 S.p.A.**, a company that deals with the design, production and commercialisation of home automation systems and industrial applications that holds:
- AFCA-V2 SAS, company that deals with the production and commercialisation of V2 and ACM brand products in France;
- V2 Home Automation Albania Shpk, company that deals with the commercialisation of V2 brand products in the Albanian territory;
- Vidue Automatismos Portugal Lda, company that deals with the commercialisation of V2 brand products in the Portuguese territory;
- V2 Hangzou Co. Ltd., company that deals with the assembly of actuators for gates and doors and the sale of products to V2 S.p.A. and its subsidiaries;
- V2 Domotique Maroc Sarl, company that deals with the commercialisation of V2 brand products in the Moroccan territory;
- V2 Electronica Iberica SL, holding company that holds:
- Vidue Spain SL, company that deals with the commercialisation of V2 brand products in the Spanish territory;
- Proevolution Sarl, holding company that holds:
- V2 Tunisie Sarl, company that deals with the commercialisation of V2 brand products in the Tunisian territory;

Please note that, as in the past years, Nice Middle East has not been consolidated as at 31 December 2018 because the Group is unable to exercise control over the subsidiary, due to the current complex political situation in Syria.

Translation of foreign currency items and financial statements in currency other than the Euro

Consolidated financial statements are presented in Euro, which is the Group's functional and presentation currency. Each Group company identifies its own functional currency, which is used to measure the items in their separate financial statements.

Transactions in foreign currencies are initially recognised using the exchange rates (against the functional currency) applying on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rates applying on the reporting date. All exchange differences are recognised in the income statement.

Any goodwill deriving from the acquisition of a foreign operation, and any changes in fair value that modify the carrying amounts of assets and liabilities deriving from the acquisition of that foreign operation, are recognised as the assets and/or liabilities of the foreign operation. These amounts are then expressed in the functional currency of foreign operation and translated using the exchange rate applying on the reporting date.

The functional currency of subsidiaries not domiciled in the Euro area is their local currency. As at the reporting date, the assets and liabilities of those subsidiaries are translated to Euro using the exchange rates applying on those dates, and their income statements are translated using the average exchange rates for the year. These translation adjustments are recognised directly in equity and classified in a separate equity reserve. Upon the disposal of a foreign company, the related cumulative translation adjustments recognised in equity are released to the income statement.

The exchange rates applied are shown in the table below and correspond to those published by the Italian Foreign Exchange Office:

Currency	Average 2018	Final as at 31/12/2018	Average 2017	Final as at 31/12/2017
Polish Zloty - PLN	4.2615	4.3014	4.2563	4.1770
Chinese Renminbi - CNY	7.8081	7.8751	7.6264	7.8044
Turkish Lira - TRY	5.7077	6.0588	4.1214	4.5464
Australian Dollar - AUD	1.5797	1.6220	1.4729	1.5346
US Dollar - USD	1.1810	1.1450	1.1293	1.1993
British Pound - GBP	0.8847	0.8945	0.8762	0.8872
Rumanian Leu - RON	4.6540	4.6635	4.5687	4.6585
South Africa Rand - ZAR	15.6186	16.4594	15.0434	14.8054
Russian Ruble - RUB	74.0416	79.7153	65.8877	69.3920
Singapore Dollar - SGD	1.5926	1.5591	1.5582	1.6024
Indian Rupee - INR	80.7332	79.7298	73.4980	76.6055
Swedish Krona - SEK	10.2583	10.2548	9.6369	9.8438
Brazilian Real - BRL	4.3085	4.4440	3.6041	3.9729
United Arab Emirates Dirham - AED	4.3371	4.2050	4.1461	4.4044
Albanian Lek - ALL	127.6200	123.5300	--	--
Moroccan Dirham - MAD	11.0820	10.9390	--	--
Tunisian Dinar - TND	3.1106	3.4302	--	--
Canadian Dollar - CAD	1.5294	1.5605	--	--

Summary of principal accounting policies

The accounting policies and measurement criteria adopted for preparing the consolidated financial statements at 31 December 2018 are described below.

Intangible fixed assets

Intangible assets acquired separately are initially capitalised at cost, while those acquired through business combinations are recognised at their fair value on the acquisition date. After initial recognition, intangible assets are stated at cost, net of accumulated amortisation and any accumulated impairment. Except for development costs, intangible assets generated internally are not capitalised and are expensed in the year incurred.
The useful life of intangible assets may be finite or indefinite.
Intangible assets with a finite life are amortised over their useful life and tested for impairment whenever there is evidence of a loss of value. The period and method of amortisation applied are reviewed at the end of each financial year, or more frequently if necessary. Any changes in expected useful life or in the way that the future economic benefits deriving from the intangible asset are obtained by the Group are recognised by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimate. The amortisation of intangible assets with a finite life is charged to the appropriate cost category of the income statement, with reference to their function.
Intangible assets with an indefinite useful life are subject to an annual impairment test at an individual level or at cash generating unit level. These assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to verify if the conditions for this classification still apply.
Profits or losses deriving from the sale of an intangible asset, calculated as the difference between net disposal proceeds and carrying amount, are recognised in the income statement at the time of sale.

Business combinations and Goodwill

Business combinations are accounted for using the purchase method. This requires recognition at fair value of the identifiable assets (including any intangible assets not previously recognised) and identifiable liabilities (including contingent liabilities but excluding future restructuring) of the acquired company.
Transaction costs are generally charged to the income statement as incurred.
Any contingent consideration envisaged in the business combination agreement is measured at fair value on the acquisition date and included in the value of the consideration transferred as part of the business combination in order to determine the goodwill paid. Any subsequent changes in that fair value considered to represent adjustments arising in the measurement period are retrospectively included in goodwill. Changes in fair value are considered to represent adjustments arising in the measurement period if they result from additional information, about facts and circumstances that existed on the acquisition date, obtained during the measurement period (which cannot be longer than one year after the business combination).
Liabilities connected to the exercise of put/call options, if any, on the non-controlling interests in the acquired companies are recognised as financial liabilities, as required by IAS 32, and included in the measurement of the cost of the business combination.
Goodwill acquired in a business combination is initially measured at cost and represents the excess of the cost of the business combination over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities (of the company acquired). After initial recognition, goodwill is not amortised but is reduced by any accumulated impairment losses, which are determined in the manner described below. Goodwill relating to investments in associates is included in the carrying amounts of those companies.

Goodwill is tested for recoverability annually, or more frequently if events or changes in circumstances occur that may lead to impairment.

For this purpose, the goodwill acquired in a business combination is allocated, from the acquisition date, to each of the Group's cash generating units (or groups of units) that are expected to benefit from the synergies released by the acquisition, regardless of the allocation of other assets or liabilities to those CGUs (or groups of CGUs).

Impairment, if any, is determined with reference to the recoverable amount of the cash generating unit (or group of units) to which the goodwill is allocated. When the recoverable amount of the cash generating unit (or group of units) is lower than its carrying amount, impairment is recognised. Should assets be removed from a cash generating unit (or group of units) to which goodwill was allocated, the goodwill associated with them is determined in order to calculate the capital gain (loss), if any, deriving from the transaction. In such cases, the goodwill sold is determined by reference to the value of the transferred assets and the value of the assets retained by the CGU concerned.

Trademarks

Trademarks with a definite useful life are amortised over a period of 10 years and tested for impairment whenever there is evidence of a possible loss of value. Their useful life is reviewed annually.
The carrying amount of trademarks relates to the price paid in 2005 by Mhouse to purchase the Mhouse logo in the USA. This trademark is considered to have an indefinite useful life and is therefore tested for impairment annually, or more frequently if events or changes in circumstances occur that may lead to a possible loss of value.

Software

The carrying amount of software relates to the cost of user licences. This intangible asset with a definite useful life is amortised over a period of 3 - 5 years.

Research and development costs

Research costs are charged to the income statement as incurred. Development costs incurred in relation to a specific project are only capitalised when the Group can demonstrate the technical feasibility of completing the intangible asset and making it available for use or sale, the intention to complete that asset for use or sale, the ways in which it would generate future economic benefits, the availability of technical, financial or other resources to complete development and its ability to measure reliably the costs attributable to the asset during its development.
The asset is tested for impairment each year during the development period, in order to identify any loss of value. After initial recognition, development costs are measured at cost net of any accumulated amortisation or impairment. Amortisation starts once development has been completed and the asset is available for use. Development costs are amortised over the period in which the related project is expected to generate revenue for the Group, but in any case not over more than 5 years. During the period in which the asset is not yet in use, it is tested for impairment every year to identify any loss of value.

Customer relations

The amount recorded reflects the cost of customer relations purchased from previous distributors. Based on analyses of customer loyalty, these relations are deemed to have a useful life of 10 years. The continuity of business relations with these customers is checked systematically, in order to determine the accuracy of the above estimated useful life.

Technological know-how

The amount recorded relates to the overall industrial-technical know-how required to make a product, activate a production process or use a technology correctly. This know-how derives from studies and the accumulation of entrepreneurial experience, reflects the ability to innovate and is confidential in nature. The residual life of this asset is deemed to be 10 years.

Tangible assets

Property, plant and equipment are initially recognised at their historical cost, including the directly-related charges necessary to put the asset into operation for the use for which it was purchased.
Maintenance and repair expenses that do not add value to or extend the residual lives of assets are expensed as incurred; otherwise, they are capitalised.
Property, plant and equipment are stated net of the related accumulated depreciation and impairment, if any, determined in the manner described below. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. This period is reviewed annually and any changes are made on a prospective basis.

The main economic-technical depreciation rates used are as follows:

Category	Depreciation rates
Buildings	3%
General and specific plant	10%-15.5%
Equipment (moulds)	10%-12.5%
Sundry and minor equipment	20%-25%
Office machines and furniture	12%-20%
Electronic office machines	20%-25%
Motor cars – Motor vehicles	20%-25%
Improvements on third-party assets	Throughout the duration of the lease contract

The carrying amount of property, plant and equipment is tested for impairment, if events or changes in circumstances indicate that their carrying amounts might not be recoverable. If there is evidence of this and the carrying amounts exceed expected realisable value, the assets are written down to reflect their realisable value. The realisable value of property, plant and equipment is its net sale price or value in use, whichever is higher.

In defining value in use, the forecast cash flows are discounted to present value using a discount rate that reflects the current market estimate for the time cost of money and the specific risks associated with the asset. The realisable value of assets that do not generate independent cash flows is determined in relation to the cash generating unit to which they belong. Impairment is classified in the income statement together with the depreciation charge and any write-downs recorded. This impairment is written back if the reasons for its recognition cease to apply.

When an asset is sold or no future economic benefits are expected from its use, it is derecognised and any loss or profit (calculated as the difference between sale value and carrying amount) is recorded in the income statement for the year of derecognition.

Property investments

Investment property is held to earn rental income. This property is recorded at purchase cost plus any related charges and stated net of accumulated depreciation and any impairment recognised.

Impairment of non-financial assets

On each reporting date, the Group assesses whether there is evidence that an asset may be impaired. In this case, or if annual impairment testing is required, the Group estimates the amount. Recoverable amount is the fair value of the asset or the cash generating unit, net of selling costs, or its value in use if greater. Recoverable amount is determined for each individual asset, except when the asset generates cash flows that are not fully independent from those generated by other assets or groups of assets. If the carrying amount of an asset is higher than its recoverable amount, the asset is considered impaired and is consequently written down to its recoverable amount. In measuring value in use, the Group discounts the forecast cash flows to their present value, using a pre-tax discount rate that reflects the market assessment of the current value of money and the specific risks associated with the asset. An appropriate model is used to measure fair value net of selling costs. These calculations are carried out using appropriate valuation multipliers and other available fair value indicators.

The impairment of continuing operations is charged to the appropriate cost categories of the income statement, consistent with the function of the impaired assets.

For assets other than goodwill, the Group also assesses on each reporting date if the reasons for any previously-recognised impairment have ceased to apply, in whole or in part, and estimates the recoverable amount should this be the case. The value of a previously impaired asset is only reinstated if the estimates used to determine its recoverable amount change after recognition of the last impairment. The recovery in value cannot exceed the carrying amount that would have been determined, net of amortisation/depreciation, had no impairment been recognised in prior years. Such recovery is recognised in the income statement unless the asset is recorded at a revalued amount, in which case the recovery is treated as a revaluation increase.

Goodwill is tested for loss of value annually, or more frequently if events or changes in circumstances indicate that its carrying amount may be subject to impairment.

Impairment of goodwill is determined by assessing the recoverable amount of the cash generating unit (or group of cash generating units) to which the goodwill has been allocated. Should the recoverable amount of the cash generating unit (or group of cash generating units) to which the goodwill has been allocated be less than its carrying amount, impairment is recognised. Impairment related to goodwill cannot be reinstated in future years. The Group tests goodwill for impairment annually, when preparing the financial statements.

Financial assets

IFRS 9 provides a single approach for the analysis and classification of all financial assets, including those containing embedded derivatives. The classification and related assessment is carried out considering both the financial asset management model and the contractual characteristics of the cash flows obtainable from the asset. Depending on the characteristics of the instrument and the business model adopted for its management, there are the following three categories:

(i) financial assets measured at amortised cost;

(ii) financial assets measured at fair value with recognition of the effects among the other components of comprehensive income (hereinafter also OCI);

(iii) financial assets measured at fair value with recognition of the effects in the Income Statement.

The financial asset is measured using the amortised cost method if both of the following conditions are met:

- the financial asset management model consists of the holding of the same with the sole purpose of collecting the related financial flows; and
- the financial asset generates, on contractually predetermined dates, cash flows that represent exclusively the yield of the financial asset itself.

According to the amortised cost method, the amount initially recognised is subsequently amended to account for principal repayments, any impairment and the cumulative amortisation of any difference between that initial amount and the maturity amount.

Amortisation is calculated according to the effective internal interest rate, which is the rate that, at initial recognition, aligns the present value of estimated cash flows and the amount initially recognised.

Receivables and other financial assets measured at amortised cost are presented in the balance sheet net of the related bad-debt provision.

The financial assets representing debt instruments whose business model envisages both the possibility of collecting contractual cash flows and the possibility of realising gains on disposal (hold to collect and sell business model), are measured at fair value with allocation of the effects to OCI. In this case, changes in the fair value of the instrument are recognised under shareholders' equity as other components of comprehensive income. The cumulative amount of changes in fair value recognised in the shareholders' equity reserve that includes other components of the overall profit, is reversed in the income statement when the instrument is derecognised. Interest income calculated using the effective interest rate, exchange rate differences and write-downs are recognised in the income statement.

A financial asset representing a debt instrument that is not valued at amortised cost or at the FVTOCI is measured at fair value with the effects recognised in the income statement.

Trade receivables

Trade receivables and other receivables are recognised initially at fair value and subsequently valued at amortised cost, net of the bad-debt provision.

IFRS 9 defines a new model of impairment/write-down of these assets, with the aim of providing useful information to users of the financial statements regarding the relative expected losses. According to this model, the Group evaluates receivables adopting an expected loss logic, replacing the IAS 39 framework typically based on the evaluation of the incurred losses.

Trade receivables are entirely written down in the absence of a reasonable expectation of recovery, or in the presence of inactive commercial counterparties.

The carrying amount of the asset is reduced by a bad-debt provision and the loss is recognised in the income statement.

When the collection of the amount is deferred beyond the normal commercial terms applied to customers, the credit is discounted.

Inventories

Inventories are recorded at purchase and/or production cost, determined using the weighted average cost method, or their estimated net realisable or replacement value if lower. Net realisable value is determined with reference to the estimated selling price under normal market conditions, net of direct selling costs.
Obsolete and/or slow-moving inventories are written down with reference to their future possibility of use or realisation. Write-downs are reversed in subsequent years if the reasons for them cease to apply.

Treasury shares

Treasury shares are deducted from shareholders' equity on the basis of their purchase cost. No profit or loss is recognised in the income statement on the purchase, sale or cancellation of treasury shares. All differences between carrying amount and consideration are recognised among the other equity reserves.

Cash and cash equivalents

Liquid funds and short-term deposits comprise cash on hand and demand and short-term deposits with an original duration of three months or less. This definition also applies to the liquid funds reported in the consolidated statement of cash flows.

Financial liabilities

Financial liabilities include financial payables, including payables for advances on transfer of receivables, and other financial liabilities, including derivative financial instruments and liabilities in respect of assets acquired under finance leases. Pursuant to IFRS 9, they also include trade and other payables of varied nature.
Financial liabilities are recognised at fair value net of transaction costs. After this initial recognition, loans are recognised with the amortised cost criterion, calculated using the application of the effective interest rate. With the introduction of IFRS 9, in the event of renegotiation of a financial liability that does not qualify as the settlement of the original debt, the difference between i) the carrying amount of the liability prior to the change and ii) the current value of the flows of the modified debt, discounted at the original rate (IRR), is recorded in the income statement.
Financial liabilities possibly hedged by derivatives are shown at fair value, according to the rules of hedge accounting: gains and losses from subsequent recognition at fair value are posted to the income statement and offset by the effective portion of the loss or gain deriving from the subsequent fair-value recognition of the hedging instrument.
At the time of initial recognition, a liability can be designated at fair value through profit or loss when such designation eliminates or significantly reduces a lack of uniformity in the valuation or recognition (sometimes referred to as accounting asymmetry) that would otherwise result from the valuation of assets or liabilities or the recognition of related profits and losses on different bases.

Payables are recognised at fair value and subsequently valued at amortised cost.

Financial guarantees given

The financial guarantees given by the Group comprise those contracts that require a payment to be made to reimburse the holder for the loss incurred should the specified debtor fail to make the specified payment on the due date, in accordance with the contractual clauses applicable to the debt instrument. Financial guarantees given are reported at their nominal value among the commitments and contingencies.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the right to receive the cash flows from the asset ceases;
- the Group retains the right to receive cash flows from the asset, but has accepted a contractual obligation to pay them in full and without delay to a third party;
- the Group has assigned the right to receive cash flows from the asset and (a) has assigned substantially all the risks and rewards of ownership of the financial asset or (b) has neither retained nor assigned substantially all of the risks and rewards of the asset, but has assigned its control over the asset.

If the Group has assigned the right to receive cash flows from an asset and has neither retained nor assigned substantially all of the risks and rewards or has not lost control over the asset, the Group continues to recognise the asset to the extent to which it has a residual involvement in the asset. This residual involvement, consisting of a guarantee given on the assigned asset, is measured at the initial carrying amount of the asset or, if lower, at the maximum amount that the Group could be required to pay.

Financial liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or fulfilled.

Employee benefits

Profit and losses deriving from actuarial valuations are recorded in the statement of comprehensive income.
Liabilities relating to defined benefit programmes, net of any assets servicing the plan, are determined using actuarial assumptions and are recognised on an accruals basis to match the employment services required to obtain the benefits concerned.
The liabilities are measured by independent actuaries using the projected unit credit method.
Profit and losses deriving from the actuarial valuation are recognised in the income statement as income or expense, regardless of their amount.
The amount reflects not only the liability accrued at the reporting date, but also future salary increases and the related statistical dynamics.

Benefits guaranteed to employees via defined contribution plans (having regard for recent changes in the Italian law on pension contributions) are recognised on an accruals basis and give rise to recognition of a liability measured at nominal value.

Provisions for risks and charges

The provisions for risks and charges cover known or likely costs and charges whose timing and extent cannot be determined at the reporting date.

Provisions for risks and charges are made when the Group must fulfil a current obligation (legal or implicit) arising from a past event, when an outflow of resources in order to fulfil this obligation is probable and it is possible to make a reliable estimate of its amount. When the Group considers that a provision for risks and charges will be partly or fully reimbursed, for example in the case of risks covered by insurance policies, the indemnity is recognised separately as an asset when, and only when, collection is practically certain.

In this case, any provisions charged to the income statement are reported net of the amount recorded for the indemnity.

Provisions reflect the best estimate of the amount the Group would have to pay to settle the obligation or transfer it to a third party at the reporting date. If the discounting effect is significant, provisions are determined by discounting the forecast cash flows to present value using a pre-tax discount rate that reflects, where appropriate, the specific risks associated with the liabilities. When discounting to present value, the increase in the provision due to the passage of time is recognised as a financial expense.

Leases

The definition of a contractual agreement as a lease transaction (or containing a lease transaction) is based on the substance of the agreement and requires an assessment of whether fulfilment of the agreement depends on the use of one or more specific assets and if the agreement transfers the right to use them. A review is only carried out after the agreement has started if one of the following conditions arises:

a)... there is a change in the contractual conditions, other than a renewal or extension of the agreement;

b)... a renewal option is exercised or an extension is granted, unless the terms of renewal or extension were initially included in the terms of the lease transaction;

c)... there is a change in the condition according to which fulfilment depends on a specific asset; or

d)... there is a substantial change in the asset.

If a review is carried out, recognition of the lease will start or terminate on the date when the circumstances that have caused the review for scenarios a), c) or d) change, or on the date of renewal or extension for scenario b).

Operating lease payments are recognised as costs in the income statement on a straight-line basis over the life of the agreement.

Revenues and income

On the basis of the five-step model introduced by IFRS 15, the Group recognises revenues after identifying the contracts with its customers and the related services to be performed (transfer of goods and/or services), determining the amount to which it considers to be entitled in exchange for the performance of each of these services, and assessing the means of performing these services (fulfilment at a given time versus fulfilment over time).

Revenues from the sale of products are recognised when the control of the asset involved in the transaction is transferred to the purchaser, or when the customer acquires the full capacity to decide on the use of the asset and to benefit from substantially all the benefits. Revenues mainly refer to transactions recognised as at point in time.

Revenues are generally shown net of discounts, net of premiums and taxes directly related to the sale of goods.

Revenues from services are recognised when the services are rendered, with reference to the state of progress.

Interest income is recognised on an accruals basis that takes account of the effective yield on the asset concerned.

Costs and expenses

Costs and expenses are recognised on an accruals basis.

Financial expenses are recorded in the income statement according to the accrual principle, except for some interest expenses and financial expenses recorded at amortised cost.

Dividends

Dividend income is recognised when the right of the shareholders to receive payment arises.

Income taxes

Current taxes

Current taxes for the current and previous years reflect the amount that is expected to be recovered or paid to the tax authorities in compliance with the regulations in force.

The tax rates and regulations used to calculate the charge are those issued or substantially issued at 31 December 2018.

Current taxes on items recognised directly in shareholders' equity are also recognised in shareholders' equity and not in the income statement.

Deferred taxes

Deferred taxes are calculated using the liability method on the temporary differences at the reporting date between the tax values for assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recorded on all taxable temporary differences, except when the deferred tax liabilities derive from initial recognition of goodwill, or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the profit for the year calculated for financial statement purposes nor the profit or loss calculated for tax purposes.

Deferred tax assets are recorded on all deductible temporary differences and tax losses carried forward, to the extent that future taxable income is likely to be sufficient to absorb the deductible temporary differences when they reverse and the tax assets and liabilities carried forward, except when the deferred tax asset associated with the deductible temporary differences derives from the initial recognition of an asset or liability in a transaction that is not a business

combination and that, at the time of the transaction, affects neither the profit for the year calculated for financial statement purposes nor the profit or loss calculated for tax purposes.
The recoverability of deferred tax assets is reviewed on each reporting date and their amount is written down to the extent that it is no longer likely that future taxable income will be sufficient for their recovery in whole or in part. Unrecognised deferred tax assets are reviewed annually at the reporting date and are recognised to the extent that it has become likely that future taxable income will be sufficient for their recovery.
Deferred tax assets and liabilities are measured using the tax rates that are expected to be applied in the years in which the assets are realised or the liabilities are settled, considering the rates currently in force and those already issued, or substantially issued, at the reporting date.
Deferred tax assets and liabilities relating to items recognised directly in shareholders' equity are also recognised directly in shareholders' equity and not in the income statement.
Deferred tax assets and liabilities are offset, if a legal right exists to offset current tax assets against current tax liabilities, and the deferred income taxes relate to the same taxable entity and the same tax authority.

Derivative financial instruments

Derivative financial instruments (where present) are initially recorded at fair value on the date when they are arranged. Subsequently, this fair value is periodically remeasured. They are recognised as assets when their fair value is positive and as liabilities when it is negative. Any profits or losses resulting from changes in their fair value are recognised directly in the income statement for the year.

The fair value of currency forward contracts is determined with reference to the current forward exchange rates for contracts with a similar maturity profile.

Earnings per share

Earnings per share are calculated by dividing the consolidated net profit for the year attributable to the Group's shareholders by the weighted average number of ordinary shares outstanding during the year.
Diluted earnings per share are obtained by adjusting the weighted average number of outstanding shares to take account of the conversion of all potential shares with a dilution effect and any purchases of treasury shares. The Group's net profit is also adjusted to take account of the effects of conversion, net of the related taxes.

Breakdown of the main items on the consolidated statement of financial position as at 31 December 2018

Non-current assets

1. Business combinations

On 2 January 2018, the Nice Group acquired 100% of Linear Equipamentos e Serviços Ltda, a Brazilian company, with headquarters in the city of São Paulo, specialized in access control, for condominium security with an annual turnover of approximately Brazilian Real 30 million.
For this acquisition, the Nice Group paid Brazilian Real 35 million. Furthermore, an earn-out is envisaged linked to the turnover produced by the acquired company in 2018, which has been assessed as required by IFRS 3 and does not constitute a financial liability.
The purchase was financed through own funds and credit facilities already available to the Group.

As at 31 December 2018, the price paid was allocated to goodwill.

(Thousands of Euro)

Linear Equipamentos e Serviços Ltda	**Fair value**	**Carrying values**
Cash	159	159
Assets acquired	277	277
Receivables acquired	1,178	1,178
Inventory acquired	1,685	1,685
Liabilities acquired	(18)	(18)
Total	3,282	3,282
Estimated price	10,523	10,523
(Provisional) goodwill	7,241	7,241
(Provisional) goodwill at the rate in force as at the reporting date	6,437	6,437
Liquidity connected to the acquisition:		
Cash and cash equivalents acquired		159
Payments made		8,860
Net liquidity acquired / (used)		9,019

On 13 April 2018, the Nice Group acquired 75% of Abode Systems Inc., an American company that offers smart solutions for integrated home security and home automation, for a connected and protected home with maximum ease of use.
For this acquisition, the Nice Group paid USD 18.8 million. An agreement has also been reached as to the possible exercise of put and call options for the remaining 25%, to be exercised in future years, at the contractual conditions agreed. The purchase was financed through own funds and credit facilities already available to the Group.

(Thousands of Euro)

Abode Systems Inc.	Fair value	Carrying values
Cash	211	211
Assets acquired	156	156
Receivables acquired	78	78
Inventory acquired	1,996	1,996
Supplier payables acquired	(2,679)	(2,679)
Liabilities acquired	(465)	(465)
Total	(704)	(704)
Estimated price	17,745	17,745
(Provisional) goodwill	18,450	18,450
(Provisional) goodwill at the rate in force as at the reporting date	19,139	19,139
Liquidity connected to the acquisition:		
Cash and cash equivalents acquired		211
Payments made		(15,944)
Net liquidity acquired / (used)		(15,733)

On 12 July 2018, the Nice Group acquired 100% of Fibar Group SA, the reference company in the Smart Home, indirectly acquiring also the subsidiary companies.
The operation resulted in the payment of Euro 63 million, partly financed through equity and partly through lines of credit already available to Nice S.p.A. Furthermore, the sellers may receive an additional amount through an earn-out mechanism linked to the performance of Fibar Group S.A. in the years 2019, 2020 and 2021.
As at 30 June 2018, the consolidated financial debt of the Fibar Group was Euro 7.7 million.

(Thousands of Euro)

Fibar Group SA	Fair value	Carrying values
Cash	-	-
Assets acquired	15,857	15,857
Receivables acquired	7,825	7,825
Inventory acquired	6,131	6,131
Supplier payables acquired	(5,644)	(5,644)
Liabilities acquired	(12,479)	(12,479)
Total	11,689	11,689
Estimated price	68,732	68,732
(Provisional) goodwill	57,043	57,043
(Provisional) goodwill at the rate in force as at the reporting date	63,180	63,180
Liquidity connected to the acquisition:		
Cash and cash equivalents acquired		-
Payments made		(63,000)
Net liquidity acquired / (used)		(63,000)

On 31 July 2018, the Nice Group acquired V2 S.p.A., an Italian company that leads international markets in solutions for home automation and industrial applications, consolidating its global leadership in Home Automation, Home Security and Smart Homes.

On the basis of the agreements reached, Nice S.p.A. acquired the entire share capital of V2 S.p.A., indirectly acquiring its subsidiaries as well. The transaction led to the payment of Euro 21.7 million, also due to the assumption by Nice S.p.A. of the financial debt of the acquired company, estimated at Euro 3.3 million. The purchase is being financed through own funds and credit facilities already available to Nice S.p.A.

With reference to this acquisition, the liability was recorded relating to the put and call option to be exercised in future years under the contractually determined conditions, on the remaining 26% of the subsidiary AFCA-V2 SAS.

(Thousands of Euro)

V2 S.p.A.	**Fair value**	**Carrying values**
Cash	1,016	1,016
Intangible fixed assets	1,740	1,740
Assets acquired	253	253
Financial assets	9,608	9,608
Receivables acquired	4,960	4,960
Inventory acquired	3,567	3,567
Supplier payables acquired	(2,096)	(2,096)
Liabilities acquired	(8,399)	(8,399)
Total	10,648	10,648
Estimated price	21,750	21,750
(Provisional) goodwill	11,102	11,102
Liquidity connected to the acquisition:		
Cash and cash equivalents acquired		1,016
Payments made		(21,707)
Net liquidity acquired / (used)		(20,691)

On 31 July 2018, the Nice Group acquired 100% of ACM International Srl, a Roman company operating in the automation sector for shutters, blinds and awnings, for a total amount of Euro 11.9 million that will be paid in various tranches. The purchase was financed through own funds and credit facilities already available to the Group.

(Thousands of Euro)

ACM International Srl	**Fair value**	**Carrying values**
Cash	-	-
Assets acquired	590	590
Receivables acquired	293	293
Inventory acquired	1,564	1,564
Supplier payables acquired		-
Liabilities acquired	(768)	(768)
Total	1,680	1,680
Estimated price	11,900	11,900
(Provisional) goodwill	10,220	10,220
(Provisional) goodwill at the rate in force as at the reporting date		
Liquidity connected to the acquisition:		
Cash and cash equivalents acquired		-
Payments made		(11,000)
Net liquidity acquired / (used)		(11,000)

Lastly, it is noted that the ancillary charges for the transactions have been recognised in the income statement, except for financial management taxes, for which capitalisation is envisaged.

2. Intangible fixed assets

The following table shows the changes in intangible fixed assets in 2018:

(Thousands of Euro)	**Goodwill**	**Software, licences and concessions**	**Trademarks**	**Customer relations**	**Technological know-how**	**Development costs**	**Other intangible assets**	**Total**
Cost:								
As at 31/12/2016	**106,663**	**10,965**	**10,885**	**2,980**	**2,649**	**1,816**	**5,424**	**141,381**
Increases for acquisitions	3,622	-	-	-	163	-	-	3,785
Increases	-	1,785	5	-	-	3,132	3,088	8,010
Disposals	-	-	-	(17)	-	-	(252)	(269)
Reclassifications	-	-	39	-	-	130	(169)	-
Translation differences	(8,117)	(126)	-	344	-	-	(186)	(8,085)
As at 31/12/2017	**102,167**	**12,624**	**10,929**	**3,307**	**2,812**	**5,078**	**7,905**	**144,821**
Increases for acquisitions	121,648	3,266	-	-	24	10,418	1,608	136,964
Increases	-	3,534	5	-	-	6,488	3,172	13,199
Disposals	-	(8)	-	-	-	(2)	(1,305)	(1,315)
Reclassifications	-	-	-	-	-	858	(858)	-
Translation differences	(1,413)	(68)	-	106	-	-	(13)	(1,389)
As at 31/12/2018	**222,402**	**19,348**	**10,934**	**3,413**	**2,836**	**22,840**	**10,508**	**292,281**
Amortisation and impairment:								
As at 31/12/2016	**(687)**	**(7,238)**	**(10,852)**	**(3,036)**	**(2,604)**	**(182)**	**(2,803)**	**(27,401)**
Increases for acquisitions	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Depreciation and amortisation	-	(1,367)	(10)	(271)	(46)	(420)	(556)	(2,670)
Disposals	-	-	-	-	-	-	2	2
Reclassifications	-	-	-	-	-	-	-	-
Translation differences	-	(42)	-	-	-	-	(65)	(107)
As at 31/12/2017	**(687)**	**(8,646)**	**(10,863)**	**(3,307)**	**(2,650)**	**(602)**	**(3,422)**	**(30,176)**
Increases for acquisitions	(9,965)	(3,121)	-	-	(24)	(3,831)	(1,246)	(18,186)
Impairment	-	-	-	-	-	-	-	-
Depreciation	-	(1,663)	(16)	-	(46)	(1,338)	(207)	(3,269)
Disposals	-	-	-	-	-	-	670	670
Reclassifications	-	-	-	-	-	(6)	3	(4)
Translation differences	121	68	1	(106)	-	2	19	104
As at 31/12/2018	**(10,531)**	**(13,361)**	**(10,878)**	**(3,413)**	**(2,720)**	**(5,776)**	**(4,184)**	**(50,862)**
Net carrying value:								
As at 31/12/2018	**211,871**	**5,986**	**57**	**-**	**116**	**17,064**	**6,324**	**241,419**
As at 31/12/2017	**101,480**	**3,978**	**67**	**-**	**162**	**4,475**	**4,483**	**114,645**

Intangible assets amounted to Euro 241,419 thousand as at 31 December 2018, compared with Euro 114,645 thousand as at 31 December 2017.

The change is mainly attributable to the increase in goodwill related to the acquisition operations carried out during the year, the increase in development costs and other intangible assets, as well as the decrease in the item due to the exchange differences accrued on the opening balances of values expressed in foreign currency (in particular on the item "Goodwill").

The amortisation and impairment of intangible assets are charged to the “Depreciation and amortisation” caption of the income statement, as discussed in point 28 below.

Impairment test on goodwill allocated to each cash generating unit (CGU)

The value recognised as goodwill refers to the higher value paid for the acquisition of some investees that have been consolidated on a line-by-line basis, compared to the fair value of the assets and liabilities acquired.

The value of recorded goodwill was tested for impairment with the support of an independent expert in order to check that it does not exceed the related recoverable amount. The recoverable amount of goodwill was defined in terms of value in use and was calculated for each CGU to which the goodwill was allocated. Consistent with recent technical trends and the internal reporting used by the Group, the CGUs tested for impairment were identified with reference to the macro geographical areas in which the products of the Nice Group are sold.

The significant change in the perimeter of the company, following which Euro 110,390 thousand of new goodwill emerged for the Nice Group, led Management to question the validity of the CGU structure used for the impairment test procedure until 31 December 2017 with respect to new acquisitions. Following a careful analysis process, Management agreed to maintain the segmentation logic of the CGUs based on geographical criteria (based on the geographical macro-areas of destination of the products) as it is consistent with the strategic directions that the Group intends to follow, also with respect to the new realities acquired.

With respect to the criterion of grouping presented in the segment information of the financial statements (which also represents the way in which the results of commercial performance are presented), Management has preferred to subdivide the CGUs in a more compact manner, in the **four main markets: Europe, North America, South America (Brazil) and Rest of the World.**

The value in use of the individual CGUs was estimated using the discounted cash flow method, discounting to present value the operating cash flows generated by the activities using a discount rate that represents the weighted average cost of capital (WACC).

The cash flows from each CGU indicated in the 2019-2021 business plan approved by the Board of Directors were used to determine their value in use.

A growth rate beyond the plan time horizon (g) was identified for each CGU and used to estimate terminal value, taking account of the expected growth of the business in the various geographical areas in which the Group operates and identifying a maximum limit of 1%. The WACC was calculated for each CGU, reflecting the country risk of the destination markets for their products, and ranges from 7.6% to 9.6%.

The difference between value in use and the net operating capital invested at the reporting date was compared with the carrying amounts of the goodwill recorded in the consolidated financial statements of Nice S.p.A.

When determining the various parameters, account was taken of the ongoing turmoil in the financial markets and the adverse macroeconomic scenario by “normalising” the current rates based on the most authoritative practices and literature on the matter. In order to obtain information about the potential net realisable value of the Group’s assets, stock market multiples were applied to determine values for certain listed companies operating in the sector, which were used for orientation purposes with regard to value in use.

The assessment methodology also included a sensitivity analysis of the various used (discount rate, WACC, growth rate g and EBITDA terminal value) and, in particular, the impairment test threshold levels. At this time, it is not reasonable to hypothesise any changes to the assumptions made that would eliminate the amount by which value in use exceeds the carrying amount. Management has assessed that, also in relation to the results obtained by the sensitivity analysis, there are currently no risks or need to write down the goodwill allocated to the various CGUs.

The following table details goodwill, also indicating its nature as at 31 December 2018:

(Thousands of Euro)	**31/12/2018**
Europe	99,701
North America	62,306
South America	21,605
Rest of the World	28,259
Total goodwill	**211,871**

Software, licences and concessions

Software mainly refers to costs incurred to purchase application software for long-term use, for the management of operations and for research activities. Licence costs refer to the purchase of software user licences.

Development costs

In 2018, development costs of Euro 6,488 thousand were capitalised, of which Euro 4,044 thousand related to personnel costs.

Other intangible assets

The item mainly refers to some projects under realisation concerning product development and software development.

3. *Tangible assets*

The following table shows changes in tangible fixed assets during 2018:

(Thousands of Euro)	Land and buildings	Property investments	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Improvements on third-party assets	Fixed assets under construction and advances	Total
Cost:								
As at 31/12/2016	**11,355**	**15,306**	**17,167**	**36,214**	**16,510**	**10,183**	**9,094**	**115,830**
Increases for acquisitions	-	-	-	-	-	-	-	-
Increases	3,791	-	2,286	1,494	2,261	2,904	512	13,247
Disposals	-	-	(44)	-	(204)	(11)	(10)	(269)
Reclassifications	5,845	-	(398)	878	1,931	(699)	(7,496)	61
Translation differences	(101)	-	(454)	(361)	(243)	-	(91)	(1,250)
As at 31/12/2017	**20,891**	**15,306**	**18,557**	**38,224**	**20,255**	**12,377**	**2,009**	**127,619**
Increases for acquisitions	3,647	-	4,785	6,692	2,887	260	610	18,882
Increases	1,255	-	2,182	2,231	2,100	1,963	3,205	12,936
Disposals	(54)	-	(1,220)	(404)	(1,426)	(14)	541	(2,577)
Reclassifications	281	-	169	-	305	417	(1,173)	-
Translation differences	(365)	-	(285)	(190)	(120)	(2)	(58)	(1,018)
As at 31/12/2018	**25,656**	**15,306**	**24,188**	**46,554**	**24,001**	**15,001**	**5,135**	**155,841**
Amortisation and impairment:								
As at 31/12/2016	**(184)**	**(6,782)**	**(11,480)**	**(27,949)**	**(14,519)**	**(3,671)**	**-**	**(64,584)**
Increases for acquisitions	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Depreciation	(365)	(330)	(1,473)	(2,371)	(1,457)	(1,602)	-	(7,597)
Disposals	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
Translation differences	(24)	-	294	228	150	-	-	648
As at 31/12/2017	**(573)**	**(7,112)**	**(12,659)**	**(30,092)**	**(15,825)**	**(5,272)**	**-**	**(71,532)**
Increases for acquisitions	(78)	-	(3,033)	(4,828)	(1,742)	(75)	-	(9,755)
Impairment	-	-	-	-	-	-	-	-
Depreciation	(458)	(330)	(1,717)	(2,414)	(1,751)	(1,795)	-	(8,464)
Disposals	-	-	(115)	509	641	(2)	-	1,111
Reclassifications	(246)	-	567	(494)	188	(15)	-	-
Translation differences	18	-	164	120	73	1	-	376
As at 31/12/2018	**(1,337)**	**(7,442)**	**(16,791)**	**(37,199)**	**(18,416)**	**(7,159)**	**-**	**(88,343)**
Net carrying value:								
As at 31/12/2018	**24,319**	**7,865**	**7,397**	**9,355**	**5,585**	**7,843**	**5,135**	**67,499**
As at 31/12/2017	**20,318**	**8,195**	**5,898**	**8,132**	**4,430**	**7,105**	**2,009**	**56,087**

As at 31 December 2018, tangible fixed assets amounted to Euro 67,499 thousand, net of the depreciation for the period of Euro 8,464 thousand and net investments of Euro 10,359 thousand.

Land and buildings

The item includes the value of buildings owned by the Group, mainly in Germany and Brazil.
The increase compared to 31 December 2017 is related to the purchase of the land adjacent to the elero GmbH focused factory.

Property investments

The item "Property investments" includes the value of the building used as production facility, office and warehouses, belonging to Fenice Immobiliare S.p.A. and leased to FontanaArte S.p.A.

Plant and machinery

The item includes shelving and equipment for the regulatory and operational testing of products, as well as investment in production machinery.

Industrial and commercial equipment

This item mainly includes moulds that are lent free of charge to sub-suppliers; the investment for the year relates to equipment for new products launched on the market.

Other assets

This item mainly includes furniture and furnishings, IT equipment and electronic laboratory instruments. Investment during 2018 included new IT equipment (computers and printers), as well as electronic equipment for the technical offices.

Fixed assets under construction and advances

This item includes advances paid for plant and improvements on leased assets.

4. Other non-current assets

The item includes receivables of various kinds and mainly includes security deposits paid for the lease of buildings and other receivables from certain group shareholders.

5. Deferred tax assets

The following table sets forth the temporary differences that originated deferred tax assets:

(Thousands of Euro)	31/12/2018 Amount of temporary differences	31/12/2018 Tax effect (rate %) %)	31/12/2018 Tax effect	31/12/2017 Amount of temporary differences	31/12/2017 Tax effect (rate %) %)	31/12/2017 Tax effect
Unrealised profits on inventories	4,615	24.9%	1,150	4,618	24.0%	1,106
Deferred tax assets on tax losses of foreign subsidiary companies	16,377	29.5%	4,836	16,506	30.0%	4,950
Other deferred tax assets			2,575			2,706
Total deferred tax assets			**8,560**			**8,763**

The Group has fully recognised the deferred tax assets deriving from temporary differences between taxable income and the statutory pre-tax results of Group companies, because it believes that future taxable income will be sufficient to absorb all these temporary differences (including consolidation adjustments) when they reverse.

Measurement of deferred tax has been based, for Italian companies, on the Italian corporate income tax rate (IRES) (24%) and, where applicable, to the regional income tax rate (IRAP) (3.9%). In the case of foreign subsidiaries, it has been based on their local tax rates.

Deferred tax assets mainly relate to:

- Prior tax losses reported by some foreign subsidiaries that have been recognised in the financial statements since they are considered to be recoverable in a reasonably short time.
- Reversal of unrealised profits on intra-group sales recognised in inventories as at the reporting date. In relation to this point, it should be noted that this effect has been calculated applying the tax rates of the countries where the inventories were held at the end of the reporting period. Because of this, the tax rate indicated in the table is a weighted average of the various countries' tax rates.
- Other deferred tax assets mainly refer to adjustment provisions that are not relevant for tax purposes.

Current assets

6. Inventories

The following table shows the breakdown of inventories as at 31 December 2018 and 31 December 2017:

(Thousands of Euro)	31/12/2018	31/12/2017
Basic components, ancillary materials and consumables	43,764	29,191
Work in progress and semi-finished products	13,410	9,689
Finished products	33,305	27,141
Inventory write-down provision	(4,193)	(3,402)
Total inventories	**86,286**	**62,619**

Inventories at the end of the year increased by Euro 23,667 thousand compared to the previous year. This increase is mainly due to the warehouse of companies acquired during the year.

Inventories are recognised net of the inventory write-down provision deemed appropriate for prudent assessment of raw materials, work in progress and semi-finished products, and finished products.

The following table shows the changes in the inventory write-down provision for the years under consideration:

(Thousands of Euro)	31/12/2018	31/12/2017
Allowance at start of period	**3,402**	**3,287**
Provisions	2,418	2,431
Acquisitions	605	-
Utilisations	(2,235)	(2,255)
Translation difference	4	(62)
Allowance at end of period	**3,291**	**3,402**

7. Trade receivables

The following table sets forth the breakdown of receivables due from customers and the relevant adjustment provisions as at 31 December 2018 and 31 December 2017:

(Thousands of Euro)	31/12/2018	31/12/2017
Trade receivables - Italy	11,016	9,895
Trade receivables - EU	34,610	26,019
Trade receivables - outside EU	30,499	24,929
Receivables from customers	**76,126**	**60,843**
Bad-debt provision	(7,284)	(6,712)
Total trade receivables	**68,842**	**54,131**

Customer receivables are up compared to the previous year, influenced by the development for acquisitions of the Group and the business.

Trade receivables are non-interest bearing and collected in accordance with the typical commercial conditions of the countries of destination.

As at 31 December 2018, trade receivables overdue but not written down were:

			Overdue but not written down		
(Thousands of Euro)	**Total**	**Not overdue**	**0-30 days**	**30-60 days**	**over 60**
Receivables as at 31/12/2018	68,842	49,696	9,903	3,012	6,231
Receivables as at 31/12/2017	54,131	30,527	11,803	4,477	7,323

As at 31 December 2018, trade receivables amounted to Euro 68,842 thousand, net of the bad-debt provision of Euro 7,284 thousand. The changes in the bad-debt provision for the periods under consideration were as follows:

(Thousands of Euro)	31/12/2018	31/12/2017
Allowance at start of period	**6,712**	**6,452**
Provisions	585	721
Acquisitions	903	-
Utilisations	(723)	(301)
Translation difference	(192)	(160)
Allowance at end of period	**7,283**	**6,712**

The provision existing at the end of the period represents a prudent estimate of the current risk.

8. Other current assets

Other current assets include other receivables and in particular include advance payments for fees regarding maintenance of hardware and software and the net receivable from the parent company Nice Group S.p.A. of the Group companies that have adhered to the national tax consolidation. For further information on this receivable, please see note 32. Income taxes

9. Tax receivables

This item mainly includes the receivable due from tax authorities for VAT, the tax receivable for Research and Development and receivables due from tax authorities as further detailed in note 13. Provisions for risks and charges

10. Other current financial assets

The change compared to 31 December 2017 refers to short-term investment securities for Euro 6 million that can be readily liquidated. The remaining part to the repayment of a loan that had been granted to an important customer of the Group.

11. Cash and cash equivalents

The following table shows the breakdown of cash and cash equivalents as at 31 December 2018 and 31 December 2017:

(Thousands of Euro)	**31/12/2018**	**31/12/2017**
Bank and post office deposits	43,119	55,715
Cash and equivalents on hand	25	7
Cash and cash equivalents	**43,144**	**55,722**

Cash and cash equivalents and bank demand deposits accrue interest at variable rates based on the rate of return of deposits. The fair value of cash and cash equivalents corresponds to their carrying value.
In the statement of cash flows, prepared according to changes in cash flows, cash and cash equivalents correspond to the item “Cash and cash equivalents”.

For the analysis of changes in cash and cash equivalents during the period, reference should be made to the statement of cash flows.

12. Shareholders’ equity

The following table sets forth the breakdown of shareholders’ equity:

(Thousands of Euro)	31/12/2018	31/12/2017
Share Capital	11,600	11,600
Legal reserve	2,320	2,320
Share premium reserve	32,179	32,179
Treasury shares	(20,771)	(20,771)
Reserves and retained earnings	207,671	197,744
Foreign currency translation adjustments	(30,378)	(25,982)
Profit for the year	18,823	22,931
Group Shareholders' Equity	**221,445**	**220,021**
Non-controlling interests in capital and reserves	(970)	(1,317)
Income/loss pertaining to non-controlling interests	316	491
Equity attributable to non-controlling interests	**(653)**	**(826)**
Total Shareholders' Equity	**220,791**	**219,194**

The share capital totals 116,000,000 shares with a par value of Euro 0.1 each, for a total amount of Euro 11,600,000.
The legal reserve is equal to one-fifth of the share capital.
In previous financial years, as part of the buyback programme approved by the Shareholders' Meeting, the Group purchased 5,336,000 shares for a total amount of Euro 20,771 thousand. This amount is recognised as a direct reduction of shareholders' equity.
The item "Retained earnings and reserves" comprises earnings from previous years and the consolidation reserve.

The number of shares outstanding at the end of 2018 is 110,664,000 and did not change during the year.

The translation reserve relates to the differences caused by translation into Euro of financial statements expressed in foreign currencies.

Foreign subsidiaries do not present revenue reserves that, in the event of distribution to the parent company, would lead to a significant tax charge.

Shareholders' equity attributable to non-controlling interests is the portion of shareholders' equity and profit/loss for the period of subsidiaries not wholly owned.

Non-current liabilities

13. Provisions for risks and charges

The following table shows the breakdown of the provisions for risks and charges as at 31 December 2018 and 31 December 2017:

(Thousands of Euro)	31/12/2018	31/12/2017
Provision for product warranty	1,215	1,063
Provision for legal dispute risks	1,200	1,200
Provision for miscellaneous risks	927	991
Provision of Customers' additional indemnity	82	68
Total provisions for risk and charges	**3,424**	**3,321**

Provision for product warranty

The "Provision for product warranty" is allocated based on forecasts of the cost to be incurred, presumably over two financial years following the reporting date, to fulfil the obligation of contract warranty for products already sold as at the reporting date.

Provision for miscellaneous risks

The provision for miscellaneous risks at 31 December 2018 mainly refers to a probable liability arising from a supply contract completed during the year and certain allocations deriving from ongoing organizational restructuring.
It also includes the prudential estimate of Euro 500 thousand, determined on the basis of the opinion of legal and tax consultants, in relation to verifications by the tax administration on the tax periods from 2008 to 2014 of Nice S.p.A. This amount corresponds, on the basis of current information, to the probable outlay required. Accordingly, the Company appealed against the assessment notices of December 2014, December 2015, December 2016 and December 2017. The Company believes that there are valid elements to contain the risk of loss, despite the mandatory payment of a portion of taxes ascertained.

Provision for customers' additional indemnity

The "Provision for customers' additional indemnity" includes amounts allocated for indemnities due to the agents in the event of termination of employment due to the Company. The provisions have been calculated with reference to the collective agreements for the industrial sector and are based on the commissions earned by agents during 2018 and in prior years.

14. Employee benefits

The breakdown is as follows:

(Thousands of Euro)	**31/12/2018**	**31/12/2017**
Provision for employee severance indemnity (TFR)	2,431	1,881
Other defined benefit plans	484	1,013
Total provisions for risk and charges	**2,916**	**2,894**

The changes in the provision for employee severance indemnities at 31 December 2018 and 31 December 2017 are as follows:

(Thousands of Euro)	31/12/2018	31/12/2017
TFR at the beginning of the period pursuant to IAS 19	**1,881**	**1,648**
Increases for acquisitions	853	9
Use of TFR	(578)	(155)
Service cost	265	378
Interest cost	13	16
Actuarial Gain/Losses	(3)	(14)
TFR at the end of the period pursuant to IAS 19	**2,431**	**1,881**
Plan assets	-	-
Provision at the end of the period	**2,431**	**1,881**

The value of the TFR provision has been properly measured by the Group using actuarial methods. The liability was measured by independent actuaries using the projected unit credit method.
The capitalised policy arranged to guarantee the employees' termination benefits has been reclassified as a deduction from the employees' termination benefit provision, since it represents a plan asset. Plan assets are stated at their carrying amount, which approximates their fair value at the reporting date.

The independent actuary used by the Group to determine the liability for employee severance indemnities made the following main assumptions:

- mortality rate: said data was taken from the actuarial technician on the basis of recent survival studies carried out by ANIA, which led to the establishment of a new demographic base called IPS 55. These studies were based on a projection of the mortality of the Italian population for the period 2001-2051 carried out by ISTAT adopting an age-shifting approach to simplify the management of the tables by generation;

- disability rate: the annual probability of ceasing work due to invalidity was determined with reference to the INPS disclosures in 2000;

- annual probability of elimination from service for other reasons: it was assumed equal to 7%, determined on the basis of the historical trend of this parameter within the company;

- annual probability of request for TFR advances: this was assumed to be 2%, based on the historical trend of this parameter for the Company;

- annual interest rate: an interest rate of 1.3% was used, based on the average duration of liabilities to employees;

- annual inflation rate: this was estimated to be 1.5% over the time period considered.

Other defined benefit plans

The change compared to the previous year refers to the release of the amount related to the long-term incentive plan that had been approved by the Board of Directors in 2016 in favour of Directors, Key Executives and other key employees and collaborators of the Group due to the failure to achieve the Group income parameters established by the plan.

The balance as at 31 December 2018 refers to the other defined benefit plans envisaged in some foreign Group companies in favour of its employees.

15. Medium- and long-term loans

The item mainly includes loans recorded at amortised cost taken out to meet the strategic needs of the Group. The expected maturity of such loans is set respectively between 2021 and 2023.

Company	No. of banking institutions	Residual debt at 31/12/2018	Current portion (within 12 months)	Non-current portion (beyond 12 months)	Of which beyond 5 years
Nice S.p.A.	8	177,007	40,368	136,639	-
Elero GmbH	1	9,702	3,327	6,375	-
Fibaro	1	3,117	3,117	-	-
V2 Spa	2	6,063	1,342	4,721	-
Others		465	32	433	-
Total payables for loans		**196,355**	**48,187**	**148,168**	**-**

The maintenance of loans is subject to compliance with certain financial parameters determined at contractual level (covenants), which are complied with at the end of the financial year.

Net financial debt

The following is the composition of the Group's Net Financial Position as at 31 December 2018 and 2017, determined in accordance with the Consob Communication of 28 July 2006 and in compliance with the Recommendations ESMA/2013/319:

(Thousands of Euro)	31/12/2018	31/12/2017
A. Cash	25	7
B. Other cash and cash equivalents	43,119	55,715
C. Securities held for trading	-	-
D. Liquidity (A) + (B) + (C)	**43,144**	**55,722**
E. Current financial receivables	7,765	2,765
F. Current bank loans	(4,207)	(51)
G. Current portion of non-current debt	(43,980)	(21,762)
H. Other current financial payables	(1,109)	(34)
I. Current financial debt (F) + (G) + (H)	**(49,295)**	**(21,846)**
J. Net current financial debt (I) + (E) + (D)	**1,613**	**36,640**
Non-current financial receivables (*)	14	13
K. Non-current bank loans	(148,168)	(35,209)
L. Bonds issued	-	-
M. Other non-current payables	(2)	(2)
N. Non-current financial debt (K) + (L) + (M) (**)	**(148,157)**	**(35,198)**
O. Net financial debt (J) + (N)	**(146,544)**	**1,443**

(*) Non-current financial receivables are included in the "Other non-current assets" caption of the "Consolidated statement of financial position".

(**) Non-current financial debt includes non-current financial receivables.

The following table shows the reconciliation between the net financial position as at 31 December 2017 and 31 December 2018:

(Thousands of Euro)	31/12/2017	Monetary flows		Non-monetary flows			31/12/2018
		Cash flows	New/Repayment Loans	Exchange rate differences	Change in fair value	Other Changes	
Cash and cash equivalents	55,722	(13,327)	-	749	-	-	43,144
Current financial receivables	2,765	(1,915)	-	(284)	-	7,199	7,765
Current bank loans	*(51)*	*(4,130)*	*-*	*(26)*	*-*	*-*	*(4,207)*
Current portion of non-current debt	*(21,762)*	*-*	*16,168*	*-*	*-*	*(38,385)*	*(43,980)*
Other current financial payables	*(34)*	*-*	*(1,067)*	*(8)*	*-*	*-*	*(1,109)*
Current financial debt	(21,846)	(4,130)	15,101	(34)	-	(38,385)	(49,295)
Non-current financial receivables	*13*	*-*	*-*	*-*	*-*		*14*
Non-current bank loans	*(35,209)*	*-*	(152,849)	1,505	*-*	*38,385*	*(148,168)*
Bonds issued	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Other non-current payables	*(2)*	*-*	*-*	*-*	*-*	*-*	*(2)*
Non-current financial debt	(35,198)	-	(152,849)	1,505	-	38,385	(148,157)
Total Net Financial Position	**1,443**	**(19,372)**	**(137,748)**	**1,935**	**-**	**7,199**	**(146,544)**

16. Other non-current liabilities

This item comprises the non-current portion of payables for the acquisitions carried out during the year for Euro 15,381 thousand.

17. Deferred tax provision

The following table shows the differences that originated deferred tax liabilities as at 31 December 2018 and as at 31 December 2017:

(Thousands of Euro)	31/12/2018			31/12/2017		
	Amount of temporary differences	Tax effect (rate %)	Tax effect	Amount of temporary differences	Tax effect (rate %)	Tax effect
Reversal of goodwill amortization	3,459	24.00%	830	3,459	24.00%	830
Technological know-how	16	27.90%	5	-	0.00%	-
Conversion of foreign currency items	-	0.00%	-	613	24.00%	147
Development costs	10,704	22.48%	2,406	-	0.00%	-
Other differences			1,256			488
Total deferred tax liabilities			**4,496**			**1,465**

The provision for deferred taxes mainly refers to temporary differences relating to the reversal of the amortisation of goodwill and to the development costs capitalised in some Group branches.
The tax rates applied are those in force in the countries where the acquired companies are based.

Current liabilities

18. Bank overdrafts and loans

This item mainly refers to bank advances and to the current portion of bank loans. For further details, please refer to note no. 15 *Medium and long-term loans*.

19. Other current financial liabilities

Other financial liabilities as at 31 December 2018 include the fair value measurement of financial instruments and the residual debt relating to finance lease contracts.

20. Trade payables

The following table shows the breakdown of trade payables as at 31 December 2018 and as at 31 December 2017:

(Thousands of Euro)	31/12/2018	31/12/2017
Payables to Italian suppliers	49,379	37,318
Payables to EU suppliers	14,398	12,203
Payables to suppliers outside EU	9,296	5,256
Total trade payables	**73,073**	**54,777**

As at 31 December 2018, trade payables amounted to Euro 73,073 thousand, an increase of Euro 18,296 thousand compared to 31 December 2017, also following the inclusion of new acquisitions in the perimeter.
Trade payables are non-interest bearing and are normally settled under conditions in line with market practices. Terms and conditions referring to related parties are not different from those applied to third-party suppliers.

It should be noted that the carrying value of trade payables corresponds to their fair value.

21. Other current liabilities

The following table shows the breakdown of other current liabilities:

(Thousands of Euro)	31/12/2018	31/12/2017
Due to employees	8,253	6,491
Due to social security and welfare institutions	3,398	2,414
Other payables	3,701	2,466
Total other current liabilities	**15,351**	**11,372**

Due to social security and welfare institutions

The amounts due to social security and welfare institutions mainly refer to amounts payable to such agencies for social security charges pertaining to the current year and paid at the beginning of the following year.

Due to employees

The amounts due to employees relate to monthly payments, accrued bonuses and holidays accrued but not yet taken as at the reporting date. These payables are not significant and are generally paid within the following month, except for the payable for holidays accrued but not taken that is paid or used within the following year.

Other payables

The change compared to 31 December 2017 mainly refers to the deferral of revenues related to multi-year services.

22. Tax payables (within 12 months)

Tax payables due within 12 months mainly refer to the amount payable for current tax, net of the relevant prepaid taxes, and to taxes already withheld.

Analysis of the principal captions of the consolidated income statement as at 31 December 2018

23. Costs for the use of basic components and consumables

The following table shows the use of basic components, ancillary materials and consumables:

(Thousands of Euro)	**2018**	**2017**
Purchase of basic components, semi-finished products and consumables:	*178,704*	*145,239*
Purchase of basic components	171,819	139,853
Other industrial purchases	4,833	2,870
Commercial purchases	2,052	2,516
Change in inventories	*(8,238)*	*(1,728)*
Cost of basic components and consumables	**170,466**	**143,511**

The use of basic components, semi-finished products and consumables increased by Euro 26,955 thousand in absolute terms.

24. Costs for services

The following table provides details of the cost of services:

(Thousands of Euro)	**2018**	**2017**
Direct production services	12,649	14,287
Industrial services	8,871	6,384
Trade services	28,022	22,729
General services	19,099	13,349
Total costs for services	**68,640**	**56,749**

Costs for services increased by Euro 11,891 thousand in absolute terms.
The costs of direct production services mainly refer to outsourced processing. Industrial services include costs relating to outsourced planning and design, certifications, expenses for trademarks and patents. Trade costs mainly relate to transport costs on sales, commissions, trips, travels and other trade costs, as well as marketing and advertising costs. General services include fees for directors and statutory auditors, legal, tax, notarial and financial consulting, insurance, utilities and other general costs.

25. Rental and lease costs

The following table shows the breakdown of rental and lease costs:

(Thousands of Euro)	2018	2017
Rental costs	6,308	6,175
Hire fees	2,671	2,192
Total rental and lease costs	**8,980**	**8,365**

Rental costs mainly refer to the rentals of the properties of the headquarters of the Group companies and in particular of the headquarters of Nice S.p.A., owned by the affiliated company Nice Immobiliare S.r.l. The amount of lease fees with Nice Immobiliare was determined on the basis of an appraisal conducted by an independent consultant.
Hire fees (mainly for motor vehicles) refer to the rents paid for vehicles under long-term leases.

26. Personnel costs

The following table details personnel costs:

(Thousands of Euro)	2018	2017
Wages and salaries	57,589	50,010
Social security contributions	12,457	10,760
Employee benefits	1,102	952
Other charges	6,305	2,793
Total personnel costs	**77,454**	**64,515**

Group employees as at 31 December 2018 were 2,251 compared to 1,581 in 2017.

27. Other operating costs

Other operating costs include the allocation made to the bad-debt provision to adjust trade receivables to their realisable value. The residual amount of this item refers to bad-debt expenses and other operating costs such as general expenses, bank commissions and various taxes and duties.

28. Depreciation and amortisation

The following table shows the breakdown of depreciation and amortisation:

(Thousands of Euro)	2018	2017
Depreciation of tangible assets	8,464	7,597
Amortization of intangible assets	4,761	2,670
Total depreciation and amortisation	**13,224**	**10,267**

Depreciation of tangible assets mainly consists of depreciation of moulds, testing machinery, industrial equipment, furniture, furnishings and hardware.

29. Other income

Other income for the year ended 31 December 2018 amounts to Euro 5,328 thousand and mainly relates to chargebacks for transport costs, insurance compensation and other customer chargebacks.

30. Financial income

The following table shows the breakdown of financial income:

(Thousands of Euro)	2018	2017
Bank interest income	240	336
Exchange rate gains	4,567	2,286
Other financial income	3,958	184
Total financial income	**8,766**	**2,806**

Exchange gains mainly relate to unrealised profits deriving from the translation, at the rate in force as at the reporting date, of assets and liabilities in currencies other than the Euro.
Other financial income includes the income realised with reference to the price adjustment relating to the exercise of the call option and the revision of the earn-out of some equity investments.

31. Financial expenses

The following table shows the breakdown of financial expenses:

(Thousands of Euro)	2018	2017
Cash discounts	2,897	2,852
Exchange rate losses	4,924	3,576
Bank interest expenses	856	560
Other financial expenses	474	340
Total financial expenses	**9,151**	**7,329**

Financial expenses in 2018 amounted to Euro 9,151 thousand and increased by Euro 1,822 thousand, mainly due to greater unrealised exchange losses, arising from the translation of assets and liabilities in currencies other than the Euro at the year-end exchange rate.

32. Taxes for the period

The following table shows the breakdown of income taxes, distinguishing between the current, deferred and prepaid component and between Italian and foreign taxes:

(Thousands of Euro)	2018	2017
IRES	1,477	2,843
IRAP	406	607
Current foreign tax	8,036	7,449
Current taxes	**9,919**	**10,899**
Deferred tax (assets) liabilities	1,848	1,377
Total taxes	**11,767**	**12,275**

The following table shows the impact of taxes on pre-tax profit for each accounting period under consideration:

(Thousands of Euro)	2018	2017
EBT	30,907	35,697
Income taxes	11,767	12,275
Impact on pre-tax profit	**38.1%**	**34.4%**

Reconciliation between the theoretical and effective tax charge is presented only for IRES - whose structure has the typical features of a corporate income tax - and considers the tax rate applicable to the Group. For IRAP, to which Italian companies are subject, in view of the different basis used to calculate this tax, the reconciliation between the theoretical and effective tax charge has not been prepared.

Calculation of theoretical tax	**2018**		**2017**	
EBT	30,907		35,697	
Theoretical taxes	7,418	24.0%	8,567	24.0%
Effective taxes	11,767	38.1%	12,275	34.4%
Difference	*4,350*	14.1%	*3,708*	10.4%
IRAP	406	1.3%	607	1.7%
Non-deductible provisions	(857)	-2.8%	(898)	-2.5%
Deferred taxes	1,844	6.0%	1,377	3.9%
ACE	(231)	-0.7%	(288)	-0.8%
Effect on dividends received	106	0.3%	(367)	-1.0%
Different tax rates in force in other countries	1,193	3.9%	1,327	3.7%
Other differences	1,888	6.1%	1,950	5.5%
Total differences	*4,350*	14.1%	*3,708*	10.4%

The tax rate for the year amounts to 38.1%, higher than 34.4% last year. The increased tax rate is mainly attributable to the different geographic distribution of profits.

Taxes have been measured with reference to the taxable income and in compliance with the legislation in force in the individual countries. The Group's Italian companies participated in the Italian Tax consolidation scheme envisaged by Articles 117 et seq. of the TUIR (Italian Consolidated Law on Income Taxes) - Italian Presidential Decree no. 917 of 22 December 1986, with Nice Group S.p.A. as consolidator. Transactions arising from such Tax consolidation scheme are governed by specific regulations approved and signed by all members of the tax consolidation scheme. Pursuant to said regulations, the companies recognise, and subsequently transfer, current tax even in case of a tax loss, recording, as a compensation, a receivable due from Nice Group S.p.A. On the other hand, if there is a tax gain, current tax as well as a payable due to the parent company as a compensation shall be recognised. Transactions among the parties are governed by a contract that envisages full recognition of the amount calculated on tax gains or losses transferred at current IRES rates.

33. Segment information

For management purposes, the Group is organised in just one business segment, within which there are product differentiations that, however, are not separate business units. Given this, consistently with the approach adopted in previous financial statements in application of IFRS 8, it was decided to provide information based on geographical areas. This aspect is currently being closely analysed and managed by the management, and the relevant operational responsibilities have been attributed.

It is noted that, to better show the procedures for the analysis and reading of the management data, the grouping by geographical area is presented according to the destination market.

The tables below show information on revenues and certain assets relating to the segments in which the Group operates for 2018 and 2017.

	31/12/2018					
(Thousands of Euro)	**Italy**	**France**	**EU 15**	**Rest of Europe**	**Rest of the world (***)**	**Consolidated figures**
Net sales	31,692	48,723	100,128	68,406	119,271	368,220
Operating Result (EBIT)	2,693	4,140	8,509	5,813	10,136	31,292
Net Working Capital	6,537	10,050	20,654	14,111	24,603	75,956
Non-current assets (*)	26,655	40,978	84,213	57,533	100,314	309,694
Non-current liabilities (**)	(14,678)	(22,565)	(46,373)	(31,681)	(55,239)	(170,536)

(*) Excluding deferred tax assets
(**) Excluding deferred tax liabilities
(***) Includes USA and Canada

	31/12/2017					
(Thousands of Euro)	**Italy**	**France**	**EU 15**	**Rest of Europe**	**Rest of the world (***)**	**Consolidated figures**
Net sales	32,161	43,133	87,313	58,053	104,298	324,957
Operating Result (EBIT)	3,981	5,339	10,807	7,185	12,909	40,220
Net Working Capital	7,997	4,776	12,507	8,887	20,737	54,904
Non-current assets (*)	25,425	15,183	39,761	28,254	65,927	174,550
Non-current liabilities (**)	(7,171)	(5,433)	(13,347)	(8,858)	(16,637)	(51,446)

(*) Excluding deferred tax assets
(**) Excluding deferred tax liabilities
(***) Includes USA and Canada

Please see the section “Consolidated revenue” of the Report on Operations for an explanation of the most significant changes, as required by IAS 4.

34. Earnings per share

As required by IAS 33, information on the data used to calculate basic and diluted earnings per share (EPS) is provided. EPS is calculated by dividing the net profit for the period attributable to the Group shareholders by the weighted average number of shares outstanding during the reporting periods.

For the calculation of basic EPS, it should be noted that the numerator used is the period's net profit/loss, less the portion attributable to non-controlling interests. There are no preference dividends, conversion of preference shares and other similar effects requiring adjustments to the income statement attributable to holders of ordinary equity instruments.
Diluted EPS is equal to basic EPS, since there are no ordinary shares that could have dilution effect, or shares or warrants that could have the same effect, and, based on the current plan, there is no likelihood of stock options accruing.

The following table shows the profit/loss and the number of ordinary shares used to calculate basic EPS, established according to the method envisaged by IAS 33.

Consolidated earnings per share	**2018**	**2017**
(Euro thousands)		
Average number of shares	110,664,000	110,664,000
Net profit/loss attributable to the Group	18,823	22,931
Data per share (Euro)		
Basic, net profit attributable to the ordinary shareholders of the parent company	0.17009	0.20721
Diluted, net profit attributable to the ordinary shareholders of the parent company	0.17009	0.20721

No other transactions involving ordinary shares occurred between the reporting date and the date of preparation of the financial statements.

35. Dividends paid and proposed

In consideration of the effects deriving from the recent extraordinary transactions involving the Group, the Board of Directors did not deem it appropriate to propose to the Shareholders' Meeting the distribution of a dividend.

36. Commitments and risks

The Group has entered into some lease contracts for industrial and commercial properties. In particular, the Parent Company's existing contracts have a duration of six years and can be automatically renewed upon expiration for a further six-year period; they are index-linked to the Istat consumer price index. The lease contracts mainly relate to properties leased by the associate Nice Immobiliare Srl.

The following table shows future lease payments relating to such contracts and in relation to the major lease contracts held by subsidiaries:

(Euro thousands)	**31/12/2018**	**31/12/2017**
within 1 year	6,925	5,593
between 1 and 5 years	17,919	11,903
over 5 years	9,431	8,359
Total lease contract commitments	**34,276**	**25,855**

37. Related-party disclosures

Nice S.p.A. is controlled by the Italian company Nice Group S.p.A. The Group's transactions with related parties are the following:

- Nice Group S.p.A.: receivables from participation in the Italian tax consolidation scheme;
- Nice Immobiliare S.r.l.: property leases and renovation of a building;
- Nice Real Estate SL: property lease to Nice Automatismos Espana S.A.;
- Fattoria Camporotondo S.agr.s.: supply of wine products. This company is indirectly managed by Lauro Buoro, who is also the Chairman of Nice S.p.A.;
- Modular Professional S.r.l.: supply of production material and purchase of some assets. This company is indirectly managed by Lauro Buoro, who is also the Chairman of Nice S.p.A.;
- New Real: property lease to Nice France S.a.S. Lauro Buoro, who is also the Chairman of Nice S.p.A., and one of the Group's directors have an interest in this company;
- Italian Creation Group S.p.A. (ICG): lease of property to FontanaArte S.p.A., a subsidiary of ICG, used for production, offices and warehousing, and service contract covering Administration and Finance, Credit Management, Information Technology, Purchasing, Planning, Logistics and Customer Relations. This company is an investee of Nice Group S.p.A. or indirect investee of Lauro Buoro, who is also the Chairman of Nice S.p.A.;
- Habitat S.r.l.: property lease to Nice S.p.A.

Sales and purchases among related parties take place at arm's length. Balances outstanding as at the reporting date are unsecured, non-interest bearing and settled in cash. No guarantees have been given or received for receivables from or payables to related parties.
For the year ended 31 December 2018, the Group made no allocation to any bad-debt provision for amounts due from related parties. This assessment is made each year by examining the financial position of related parties and the markets in which they operate.

Economic and financial transactions during 2018 are summarised in the table below, which does not include the financial liabilities from the acquisition of minorities (amounts in thousands of Euro):

Company/Natural person	Revenues	Other revenues	Investments	Rental and lease costs	Costs for services	Trade payables	Trade receivables	Other current receivables/ payables
Nice Group S.p.A.	-	61	177	-	5	221	112	2,297
Nice Immobiliare S.r.l.	-	58	-	2,926	16	33	106	139
Nice Real Estate SL	-	-	-	418	-	-	-	-
SCI New Real	-	-	-	114	-	-	-	-
Fattoria Camporotondo S. agr. S.	3	9	-	-	-	1	18	-
Modular Professional Srl	-	12	1	-	3	1	27	-
Italian Creation Group	-	219	-	-	-	100	-	-
Habitat Srl	-	-	-	15	-	-	-	-
Total related parties	**3**	**359**	**178**	**3,473**	**24**	**356**	**263**	**2,436**

Pursuant to Consob resolution no. 15520 of 27 July 2006, it is hereby specified that none of said transactions is considered significant and therefore it is not separately indicated in the consolidated financial statements.

The following are the fees due to Directors and Statutory Auditors for their offices held in Nice S.p.A. and in other subsidiaries of Nice S.p.A. This is in compliance with article 78 of the Issuers' Regulation no. 11971/99 as subsequently amended, and in accordance with the provisions of Attachment 3 C of the same Regulation (amounts in thousands of Euro):

Person	Office	Duration of office	Remuneration as a director	Remuneration as an employee	Fringe benefits	Total
Lauro Buoro	Chairman	2016-2018	400	-	11	411
Roberto Griffa	Chief Executive Officer	2016-2018	350	-	12	362
Denise Cimolai	Director	2016-2018	13	96	3	111
Lorenzo Galberti	Director	2016-2018	186	-	3	189
Giorgio Zanutto	Director	2016-2018	90	85	3	178
Chiara Mio	Director	2016-2018	24	-	-	24
Antonio Bortuzzo	Independent Director	2016-2018	22	-	-	22
Emanuela Paola Banfi	Independent Director	2016-2018	13	-	-	13
Giuliano Saccardi	Chair of the Board of Statutory Auditors	2018-2020	26	-	-	26
Monica Berna	Standing Auditor	2018-2020	14	-	-	14
Enzo Dalla Riva	Standing Auditor	2018-2020	14	-	-	14
Total fees			**1,150**	**181**	**32**	**1,362**

The amounts shown above include short-term and termination benefits accrued and paid to the directors and statutory auditors of Nice S.p.A.

38. Financial risk management policies and objectives

The Group's net financial position results in a surplus of Euro 146,544 thousand of financial payables over cash and cash equivalents.

The Group also holds financial instruments, mainly trade receivables and payables, and in some cases bank advances or overdrafts directly arising from operations.

Credit risk

Credit risk is the exposure to potential losses arising from the failure to meet commitments made by both trade and financial counterparties.

The Group tends to minimise the risk arising from customers' default by dealing only with known, reliable and solvent customers. The Group's policy is to subject customers requesting extended payment terms to procedures to check their credit rating. In addition, the balance of receivables is monitored during the year so that the amount of exposure to losses is not significant. Lastly, in case of new customers operating in some countries not belonging to the European Union, the Group usually requests and obtains letters of credit. There is no significant concentration of credit risk in the Group.

Credit risk relating to the Group's other financial assets, which include cash and cash equivalents, features a maximum risk equal to the carrying value of such assets in the event of insolvency of the counterparty.

Liquidity risk

Liquidity risk is related to the possibility of not having the necessary financial instruments to meet the obligations relating to financial and trade liabilities within the established deadlines.

It is believed that the liquidity risk is essentially null, given the cash flows that the Group has always generated and it expects to continue to generate.

Exchange rate risk

The Nice Group exports its products all over the world: at present, the turnover abroad exceeds 85% of the total. The characteristics of the business, distribution model and financial structure are factors that expose the Group to exchange rate risk.

The main objective of the Nice Group is to limit exposure in currency arising from the export of the finished product primarily through the compensation of collection and payment flows (natural hedging) settled in the same currency.

Interest rate risk

Bank loans expose the Group to interest rate risk, particularly with reference to variable rate loans. The Group manages this risk by relying on Interest Rate Swaps (IRS).

39. Financial instruments

<u>Fair Value</u>

Comparison of the carrying value and the fair value by class of all the Company's financial instruments recognised in the financial statements does not show any significant differences that should be mentioned, besides those highlighted.

As required by paragraphs 25 and 27 of IFRS 7, the table below presents the comparison of carrying value and fair value by class for all the Company's financial instruments recognised in the financial statements:

(Thousands of Euro)	Carrying value 31/12/2018	Fair value 31/12/2018
Financial assets at fair value through income statement	-	-
(i) designated as such at time of initial recognition	-	-
(ii) classified as held for trading	-	-
Financial liabilities at fair value through income statement	238	238
(i) designated as such at time of initial recognition	-	-
(ii) classified as held for trading	*238*	*238*
Financial assets measured at amortised cost	118,836	118,836
Trade receivables	*68,842*	*68,842*
Other financial assets	*6,850*	*6,850*
Cash and cash equivalents	*43,144*	*43,144*
Financial liabilities measured at amortised cost	121,667	121,667
Bank overdrafts and loans	*48,186*	*48,186*
Trade payables	*73,073*	*73,073*
Other non-current financial liabilities	-	-
Financial assets at fair value through the comprehensive income	-	-

(Thousands of Euro)	Carrying value 31/12/2017	Fair value 31/12/2017
Financial assets at fair value through income statement	-	-
(i) designated as such at time of initial recognition	-	-
(ii) classified as held for trading	-	-
Financial liabilities at fair value through income statement	34	34
(i) designated as such at time of initial recognition	-	-
(ii) classified as held for trading	*34*	*34*
Financial assets measured at amortised cost	112,602	112,602
Trade receivables	*54,131*	*54,131*
Other financial assets	*2,750*	*2,750*
Cash and cash equivalents	*55,722*	*55,722*
Financial liabilities measured at amortised cost	76,589	76,589
Bank overdrafts and loans	*21,812*	*21,812*
Trade payables	*54,777*	*54,777*
Other non-current financial liabilities	-	-
Financial assets at fair value through the comprehensive income	-	-

Fair value measurement and hierarchy

Regarding financial instruments recognised in the statement of financial position at fair value, IFRS 7 requires that their value would be classified according to a hierarchy of levels that reflects the significance of the inputs used in measuring fair value. The following levels are identified:

- Level 1 – quoted prices in an active market for the asset or liability being measured;

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

All assets and liabilities measured at fair value as at 31 December 2018 can be classified in Level 2 of the fair value hierarchy, with the exception of some short-term financial assets that can be classified in Level 1 of the hierarchy. In addition, during 2018 there were no transfers from Level 1 to Level 2 or Level 3 and vice versa.

With regard to derivative financial instruments, as at 31 December 2018, the Group only has IRS hedging contracts on the interest rate of some bank loans.

40. Events after the reporting period

At the beginning of January 2019, the Nice Group finalized the acquisition of 100% of the capital of Micanan, North American excellence in the offer of systems for the automation of garage doors, for commercial and industrial applications, for an amount of 8 million Canadian dollars. The purchase is being financed through own funds and credit facilities already available to Nice S.p.A.

With reference to the delisting process commented on in the report on operations in the chapter on Company Control, it is noted that from 27 December 2018 to 19 February 2019, Nice Group S.p.A. and B-Age Nice S.p.A. (controlled by Nice Group S.p.A.) purchased a total of 4,205,596 shares of Nice S.p.A. and that, following these purchases, Nice Group came to hold 99,955,411 shares and B-Age Nice 3,389,515 shares, equal in total to 93.69% of the share capital of Nice S.p.A. (also including treasury shares). The period from 4 March 2019 to 22 March 2019 is reserved for B-Age Nice to initiate, on behalf of Nice Group, the Purchase Obligation procedure, pursuant to art. 108, paragraph 2, of the TUF on a maximum of 7,319,074 ordinary shares of Nice S.p.A., equal to 6.31% of the share capital of the same, all for the purpose of obtaining the revocation of the listing of Nice shares probably starting from April 2019.

Also on the basis of specific opinions provided by the legal advisors of the Parent Company, in light of the aforementioned delisting process that will lead to the revocation of the listing of the ordinary shares of Nice S.p.A. and the choice to subsequently call the annual shareholders' meeting in May 2019, it is considered correct not to proceed on the occasion of such fulfilment with the publication of the report on corporate governance, on the ownership structure and on remuneration as the same is connected to the status of listed company.

These consolidated financial statements provide a true and fair view of the financial position and of the consolidated results from operations during 2018.

Oderzo, 13 March 2019.

For the Board of Directors

The Chair

Lauro Buoro

Annexes to the consolidated financial statements

List of consolidated companies as at 31 December 2018

Company Name	Registered office	Reporting date	Currency	Social capital	% ownership		
					Direct	Indirect	Total
Nice S.p.A.	Oderzo (Province of Treviso), Italy	31/12/2018	EUR	11,600,000			
Building App s.r.l.	Oderzo (Province of Treviso), Italy	31/12/2018	EUR	110,000	100.0%		100.0%
Nice UK LTD	Nottinghamshire, United Kingdom	31/12/2018	GBP	765,000	100.0%		100.0%
Nice Belgium S.A.	Hervelee, Belgium	31/12/2018	EUR	212,000	99.7%		99.7%
Nice Polska S.p. Z.o.o.	Pruszkov, Poland	31/12/2018	PLN	1,000,000	100.0%		100.0%
Nice Automatismos Espana S.A.	Mostoles, Madrid, Spain	31/12/2018	EUR	150,253	60.0%		60.0%
Nice Group USA Inc.	San Antonio, Texas, USA	31/12/2018	USD	1	100.0%		100.0%
Nice France S.a.s.	Aubagne, France	31/12/2018	EUR	600,000	100.0%		100.0%
S.C. Nice Romania S.A.	Bucharest, Romania	31/12/2018	RON	383,160	99.0%		99.0%
Nice Deutschland GmbH	Billerbeck, Germany	31/12/2018	EUR	50,000	100.0%		100.0%
Nice Shanghai Automatic Control Co. LTD	Shanghai, China	31/12/2018	EUR	2,300,000	100.0%		100.0%
R.D.P. Shanghai Trading Co. LTD	Shanghai, China	31/12/2018	EUR	200,000	100.0%		100.0%
Nice Istanbul Makine Ltd	Istanbul, Turkey	31/12/2018	TRY	10,560,000	99.0%		99.0%
Nice Australia Home Automation PTY Ltd	Adelaide, Australia	31/12/2018	AUD	5,113,814	100.0%		100.0%
AutomatNice Portugal S.A.	Lisbon, Portugal	31/12/2018	EUR	50,000	100.0%		100.0%
ET Nice (PTY) LTD	Cape Town, South Africa	31/12/2018	ZAR	22,000,000	100.0%		100.0%
Nice Home Automation JSC	Moscow, Russia	31/12/2018	RUB	20,000	100.0%		100.0%
SAAC S.r.l.	Treviso (Italy)	31/12/2018	EUR	25,000	100.0%		100.0%
Fenice Immobiliare S.p.A.	Oderzo (Province of Treviso), Italy	31/12/2018	EUR	2,670,000	100.0%		100.0%
Peccinin Portoes Automaticos Industrial Ltda	Limeira, Brazil	31/12/2018	BRL	87,107,700	100.0%		100.0%
King Gates S.r.l.	Pordenone, Italy	31/12/2018	EUR	100,000	100.0%		100.0%
King Gates France SAS	Castelnau D'estrefonds, France	31/12/2018	EUR	10,000		100.0%	100.0%
elero GmbH	Beuren, Germany	31/12/2018	EUR	1,600,000		100.0%	100.0%
elero Motors & Controls Pvt. Ltd.	New Delhi, India	31/03/2019	INR	638,200		100.0%	100.0%
elero Singapore Pte. Ltd.	Singapore	31/12/2018	SGD	2		100.0%	100.0%
elero AB	Malmo, Sweden	31/12/2018	SEK	100,000		100.0%	100.0%
Nice Gulf FZE	Dubai, United Arab Emirates	31/12/2018	AED	1,008,000	100.0%		100.0%
ET Systems (Pty) Ltd (*)	Cape Town, South Africa	28/02/2019	ZAR	150		100.0%	100.0%
Genno Tecnologia LTDA	Santa Rita do Sapucaí, Brazil	31/12/2018	BRL	8,005,000		100.0%	100.0%
Omegaport Equipamentos de Seguranca LTDA	Toledo (PR), Brazil	31/12/2018	BRL	60,000		100.0%	100.0%
Hy-Security Gate Inc.	Kent, Washington, USA	31/12/2018	USD	200,000		100.0%	100.0%
Linear Equipamentos e Serviços Ltda	São Paulo, Brazil	31/12/2018	BRL	11,000,000		100.0%	100.0%
Abode Systems Inc.	Palo Alto, USA	31/12/2018	USD	-		75.0%	75.0%
Fibar Group SA	Poznań, Poland	31/12/2018	PLN	1,182,100	100.0%		100.0%
Fibar USA LLC	Glenview, Illinois, USA	31/12/2018	USD	100		100.0%	100.0%
Fibar Group Assets Sp. z o.o. SKA	Poznań, Poland	31/12/2018	PLN	91,651		100.0%	100.0%
Fibar Group Intellectual Property Assets Sp z o.o.	Poznań, Poland	31/12/2018	PLN	5,000		100.0%	100.0%
Fibaro Dystrybucja	Poznań, Poland	31/12/2018	PLN			100.0%	100.0%
V2 S.p.A.	Racconigi (CN), Italy	31/12/2018	EUR	8,378,500	100.0%		100.0%
AFCA-V2 SAS	Genas, France	31/12/2018	EUR	1,020,000		74.0%	74.0%
V2 Home Automation Albania Shpk	Tirana, Albania	31/12/2018	ALL	2,000,000		100.0%	100.0%
V2 Poland Sp.Zoo	Bielsko-Biała, Poland	31/12/2018	PLN	-		100.0%	100.0%
Vidue Spain SL	Cerdanyola del Valles, Spain	31/12/2018	EUR	62,214		48.6%	48.6%
Vidue Automatismos Portugal Lda	Caxarias, Portugal	31/12/2018	EUR	120,000		50.0%	50.0%
V2 Domotique Maroc Sarl	Casablanca, Morocco	31/12/2018	MAD	1,000,000		60.0%	60.0%
V2 Hangzou Co. Ltd.	Hangzou, China	31/12/2018	CNY	6,357,817		100.0%	100.0%
V2 Home Automation Transilvania Srl	Timisoara, Romania	31/12/2018	RON	-		70.0%	70.0%
V2 Tunisie Sarl	Tunisi, Tunisia	31/12/2018	TND	50,000		40.0%	40.0%
V2 Electronica Iberica SL	Cerdanyola del Valles, Spain	31/12/2018	EUR	6,010		95.0%	95.0%
Proevolution Sarl	Tunisi, Tunisia	31/12/2018	TND	20,000		50.0%	50.0%
ACM International Srl	Pomezia, Italy	31/12/2018	EUR	100,000	100.0%		100.0%
Nice Group Canada Inc.	Montreal, Quebec	31/12/2018	CAD	0	100.0%		100.0%
Nice Canada Real Estate Holdings Inc.	Montreal, Quebec	31/12/2018	CAD	0	100.0%		100.0%

(*) ET Systems (Pty) Ltd was merged into ET Nice (Pty) Ltd effective 1 September 2016. To date, the procedures for closing the company name are underway.

Certification of the consolidated financial statements pursuant to article 154 *bis* of Legislative Decree 58/98 (Consolidated Finance Act)

1. The undersigned Roberto Griffa, in his capacity as Chief Executive Officer, and Denise Cimolai, in her capacity as Financial Reporting Manager of Nice S.p.A., herewith certify, also taking into account the requirements of article 154 *bis*, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998:

- the appropriateness in relation to the enterprise's characteristics and
- the effective application

of administration and accounting procedures for the preparation of Consolidated Financial Statements during the period from 1 January 2018 to 31 December 2018.

2. Analysis and assessment of the adequacy and effectiveness of Nice's administration-accounting internal control system has been performed through the set-up of uniform administration-accounting Internal Control System Model common to the entire Group, developed consistently with the most commonly applied international framework, i.e. the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (CoSO Report), and also through the use of international auditing standards and best practices.

3. It is further certified that:

3.1 the consolidated financial statements:

a) have been drawn up in accordance with the applicable International Accounting Standards adopted by the European Union in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and Council, dated 19 July 2002, as well as with the provisions issued in implementing article 9 of the Italian Legislative Decree no. 38/2005;

b) match the data of corporate books and accounting records;

c) are appropriate to provide a true and fair view of the assets and liabilities, results, and financial position of the issuer and of the companies included in the scope of consolidation.

3.2 the report on operations contains a reliable operating and financial review, as well as the situation of the issuer and of the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Oderzo, 13 March 2019

Roberto Griffa	Denise Cimolai
(CEO)	(Financial Reporting Manager)

Report of the Board of Statutory Auditors

NICE S.P.A.

REGISTERED OFFICE IN ODERZO - VIA CALLALTA 1, ODERZO

SHARE CAPITAL EURO 11,600,000.00 FULLY PAID-IN

REGISTER OF COMPANIES OF TREIVSO AND TAX ID CODE 02717060277

* * * *

REPORT OF THE BOARD OF STATUTORY AUDITORS

TO THE SHAREHOLDERS' MEETING

IN ACCORDANCE WITH ARTICLE 153 OF ITALIAN LEGISLATIVE DECREE NO. 58/1998 AND OF ARTICLE 2429, PAR. 2 OF THE ITALIAN CIVIL CODE

Dear Shareholders,

during the year ending at 31 December 2018, we performed the supervisory activity required by the law, in accordance with the standards of conduct for the Board of Statutory Auditors of listed companies recommended by the Italian Associations of Chartered Certified Accountants, bearing in mind the applicable CONSOB recommendations and the indications contained in the Corporate Governance Code of listed companies.

Supervisory activity on compliance with the law and with the Articles of Association

During the year, the Board of Statutory Auditors held regular meetings, attended the Shareholders' Meetings and all the meetings the Board of Directors held during the year, and obtained regular information from Directors about the work carried out and about the most important transactions undertaken by the Company or its subsidiaries.

In particular, the Board of Statutory Auditors:

- held 12 meetings, attended as a rule by all members in office;
- attended, as a rule with all members, 13 meetings of the Board of Directors;
- attended, as a rule through the presence of the Chairman and/or another Statutory Auditors, the 7 meetings held by the "Audit and Risk Committee";
- attended, as a rule through the presence of the Chairman and/or another Statutory Auditors, the 5 meetings held by the "Committee for the Performance of Transactions with Related Parties";
- attended with all members the ordinary Shareholders' Meeting held on 24 April 2018;
- met the head of the Internal Audit function;
- met the Supervisory Body;
- held meetings with the persons in charge of the independent auditor for the purpose of the timely exchange of data and of the relevant information for the performance of the respective duties;
- received the documents and the information deemed relevant by the executive directors and by the other corporate functions.

No claims pursuant to article 2408 of the Italian Civil Code were submitted during the year.

No petitions were submitted to the Board of Statutory Auditors during the year.

During 2018, the Board of Statutory Auditors expressed an opinion on the proposal to renew the authorisation for the purchase/sale of treasury shares.

Supervisory activity on compliance with correct administration principles and significant transactions

The most important transactions at an economic, financial and equity level undertaken by the Company and its subsidiaries were carried out in compliance with the law and with the Articles of Association. Based on the information acquired, the Board has been able to ascertain that they were not manifestly imprudent, hazardous, in conflict of interest or in any case such as to jeopardize the integrity of company assets.

The Board did not find any atypical and/or unusual transactions undertaken during the year with third parties, related parties or intra-group.

In their Report on Operations, and above all in the Explanatory Notes, the Directors indicate and describe the main transactions with third parties, related parties or intra-group, highlighting their characteristics and economic impact. As regards this, we recall the business combination transactions performed by the Group in 2018:

- Linear Equipamentos e Serviços Ltda: purchase of 100% for a price of 35 million Brazilian Real;
- Abode System Inc: purchase of 75% for a price of 18.8 million USD, with the possible exercise of put and call options for the remaining 25%;
- Fibar Group S.A.: purchase of 100% for a price of 63 million Euro;

- V2 S.p.A.: purchase of 100% with indirect acquisition of the subsidiaries for a price of 21.7 million Euro;
- ACM International S.r.l.: purchase of 100% for a price of 11.9 million Euro.

The Board has acknowledged that these transactions are in the Company's best interest and it also acknowledged the fairness of the prices agreed.

Furthermore, the Board ascertained that the ordinary operating procedures applied within the Group ensure that all commercial transactions with related parties are concluded at arm's length and in compliance with the procedure for the performance of the aforesaid transactions, approved by the Board of Directors. To this end, these transactions are described in detail by the Directors in their Report on Operations and in the Explanatory Notes.

The Board of Statutory Auditors deems the information provided to be adequate.

The Board of Statutory Auditors has no particular comments to make concerning compliance with the principles of proper management, which appear to have been constantly observed.

Supervisory activity on the adequacy of the organisation, of the internal control system and of the administrative and accounting system

The Board of Statutory Auditors supervised the existence of an adequate organisational structure in relation to the dimensions, to the structure of the entity and to the objectives pursued and to allow compliance with regulations, including specific sector regulations, applicable to the Company.

As regards the ways in which the Board of Statutory Auditors carried out its institutional activity, the Board declares that it:

- monitored the Group's organisational evolution;
- monitored the functioning of internal audit and administration-accounting systems to assess their appropriateness for operational needs, as well as their reliability in terms of representing operating events. In carrying out this activity, the Board was supported by the Internal Audit function and by the outcome of systematic audits carried out by the independent auditors on the regular maintenance of the Company's accounts, which were concluded without any faults being found;
- monitored concrete approaches to implement the corporate governance rules established by current regulations and by the Corporate Governance Code for Listed Companies promoted by Borsa Italiana S.p.A.

In particular, the Board of Statutory Auditors reports that during 2018, the Company's organisational structure was further improved so as to manage, direct, coordinate and control development of the various activities carried out by the Group's operating companies, through the systematic direction of decision-making processes. The Internal Audit function has been outsourced once again, for the years 2016-2018, to Vittorio Gennaro, the Chief Executive Officer of the consulting firm Operari Srl. The appointment took place by resolution of the Board of Directors on 11 March 2016, at the proposal of the Director in charge of the internal audit system, after obtaining the favourable opinion of the Audit and Risk Management Committee and after consulting the Board of Statutory Auditors. On 28 February 2017, the Company stipulated a new contract that replaced the previous one in full for the years 2017 and 2018. In compliance with said contract, the audit plan has been limited to just some consultancy appointments to assist the Financial Reporting Manager and some consultancy or assurance appointments in support of the Company's Supervisory Body. This year, the internal audit activity continued both through specific inspection activities and the check and assessment of the internal audit system implemented in the Group Companies, with suggestions put forth in order to rectify any deficiencies found and with support provided to the declarations made by the Financial Reporting Manager; the head of the Internal Audit function also supported the activity of the Audit and Risk Committee.

On 4 March 2019, the Board of Directors also approved the revision of the Organisational Model per Legislative Decree no. 231/2001.

In the Report on Operations, the Directors present a prudent perception of the risks stemming from the markets' macroeconomic trends and the more specific risks relating to the sector in which the Group operates. Lastly, based on the results of the supervisory activity performed by the Internal Audit function and on the indications emerging in the various meetings with Group representatives, the Board of Statutory Auditors duly acknowledges that the checks performed during the year did not discover any critical aspects in the overall internal audit system of an entity such as to require their mention in this report.

The Board of Statutory Auditors, as recommended by the Rules of Behaviour of the Boards of Statutory Auditors of listed Companies, carried out its own self-assessment on composition and operation and disclosed the results to the Board of Directors.

In the same way the Board carried out its own audit activity on the permanence of the requirement of independence of its own members.

The Board collected evidence on the adequacy of the composition, dimension and operation of the Board of Directors and of the Committees, with particular regard to the requirements prescribed for independent Directors.

The Board of Statutory Auditors was informed of the results of the Self-assessment activity carried out by the Board of Directors which did not uncover any elements which the Board of Statutory Auditors deems that it has to point out in this report.

In 2018, the Group's Administration Division continued to strengthen the corporate information systems of subsidiaries so as to maintain effective supervision over the management of the entire Group's data and information.

The Board acknowledges that it has verified compliance with legal requirements on the preparation of financial statements, consolidated financial statements and the relevant report on operations by means of direct checks, information acquired by the Financial Reporting Manager, as well as specific information acquired by the independent auditors;

The Board monitored the appropriateness of the instructions given by the Company to its subsidiaries pursuant to article 114, paragraph 2 of Italian Legislative Decree no. 58/1998, to ensure they provide the necessary information for compliance with the disclosure requirements pursuant to the law, and no exceptions were found.

The Board stresses that, as commented in the Report on Operations and in the Explanatory Notes, in December 2018 the Company initiated a process directed at de-listing the shares on the Electronic Stock Market (*Mercato Telematico Azionario*, MTA), STAR segment. This process, which continued in the early months of 2019 also through a Purchase Obligation procedure in accordance with article 108 Paragraph 2 of Legislative Decree no. 58/1998, should be completed in April 2019. The Explanatoy Notes of the separate financial statements and of the consolidated financial statements specify that, in light of the aforementioned delisting process and of the choice to call the annual Shareholders' Meeting after the delisting of ordinary share, also on the basis of specific opinions provided by the legal advisors of the Company, the Directors decided not to prepare the report on corporate governance and ownership structure in accordance with article 123-*bis* of Legislative Decree no. 58/1998.

Supervisory activity on the account audit activity

The company engaged to audit the accounts is BDO Italia S.p.A.

The appointment was made by the ordinary Shareholders' Meeting with its resolution of 30 November 2010 and will expire with the approval of the financial statements as at 31 December 2018.

The Company initiated the procedure for the selection of the new independent auditor to be appointed, taking into account the delisting operation currently taking place.

During 2018, Italian and foreign companies of the BDO Italia S.p.A. network provided services amounting to a total of 230 thousand Euro to the Companies of the Nice S.p.A. Group; in particular, 215 thousand Euro related to audit activities and 15 thousand Euro to other services.

As far as we know, no further assignments were awarded, either by Nice S.p.A. or by its subsidiaries, to parties linked by continual relations with the firms appointed to audit the accounts.

The Board points out that no critical issues emerged with regard to the independence of the audit firm.

During the systematic meetings between the Board of Statutory Auditors and the independent auditors, pursuant to article 150, paragraph 3, of Italian Legislative Decree no. 58/1998, no significant aspects to be reported emerged.

Non-financial statement

In compliance with Legislative Decree no. 254/2016, the Company prepared the 2018 Consolidated Non-Financial Statement.

The statement was prepared in accordance with articles 3 and 4 of Legislative Decree no. 254/2016 and with the "Global Reporting Initiative Sustainability Reporting Guidelines", published in 2016 by the Global Reporting Initiative.

The Consolidated Non-Financial Statement, contained in the Report on Operations, was subjected to compliance assessment by the independent auditor which expressed, with a dedicated report, a certification attesting that no information was received that suggest that this has not been prepared, in all its significant aspects, in compliance with the requirements of articles 3 and 4 of Italian Legislative Decree no. 254 and the selected GRI Standards.

Observations concerning the financial statements, approval and matters under the competence of the Board of Statutory Auditors

The financial statements of Nice S.p.A. for the year ended 31 December 2018 and the consolidated financial statements at the same date were prepared according to IAS/IFRS international accounting standards issued by the International Accounting Standard Board (IASB).

The Board of Statutory Auditors familiarised itself with the criteria adopted in the formation of the aforesaid financial statements, with particular reference to the content and structure, to the scope of consolidation and to the uniformity of application of the accounting standards, to the existence of adequate disclosure on corporate performance and on the assessments carried out to test assets for impairment and on the permanence of the going concern requirement.

With particular reference to the assessment of equity investments in the separate financial statements and of goodwill in the consolidated financial statements, deemed to be key aspects also by the independent auditors, in consideration of their significance, of their amount and of the important acquisitions that took place in 2018, and of the significance of the assessment processes, the Board points out that the Board of Directors approved the Impairment Test procedure, defined with the support of an independent expert. The related cash flows derived from the previously approved 2019-2021 business plan.

Since the Board is not responsible for checking the content of the financial statements line by line, we oversaw the general set-up of the financial statements, general compliance with the law with regard to their formation and structure, for which we have no particular observations to report.

As far as the Board is aware, the Directors, in preparing the financial statements, complied with the provisions of the Law in accordance with article 2423, Paragraph 4, of the Italian Civil Code.

The Board of Statutory Auditors verified whether the financial statements and the report on operations matched the facts and information of which it has knowledge as a result of the performance of our duty and we have no observations in this regard.

In its own audit Reports, issued on 27 March 2019, on the separate financial statements at 31 December 2018 and on the consolidated financial statements at 31 December 2018, the independent auditor BDO Italia S.p.A.:

- issued an opinion stating that the separate and consolidated financial statements of Nice S.p.A. provide a truthful and fair representation of the financial position of Nice S.p.A and of the Group at 31 December 2018, of the income and of the cash flows for the year ended on that date in accordance with the IFRS adopted by the European Union, and with the measures promulgated to implement article 9 of Legislative Decree no. 38/05;

- issued an opinion of consistence of the Report on Operations with the separate financial statements and with the consolidated financial statements as at 31 December 2018 and its compliance with laws and regulations;

- declared that it has nothing to report, with regard to any significant errors, in the Report on Operations, based on the knowledge and on the understanding of the entity and of the related context acquired in the course of the audit activity;
- declared that it has not issued the opinion per article 123-*bis*, Paragraph 4 of Italian Legislative Decree no. 58/1998, because as pointed out, in emphasis of matter paragraphs, as a result of the ongoing Delisting procedure, the Directors decided not to proceed with the preparation of the report on corporate governance and ownership structure, per article 123-*bis* of Legislative Decree no. 58/1998.

The Chief Executive Officer and the Financial Reporting Manager issued the certification pursuant to article 154-*bis* of Italian Legislative Decree no. 58/1998.

The Board also expressed its consent to the recognition of development costs among assets in the financial statements for 2018.

We herewith declare that the supervisory activity of the Board did not reveal omissions, faults or irregularities such as to require reporting or mention to Shareholders.

The Board of Statutory Auditors, on the basis of the activity carried out during the year, did not observe any reasons barring approval of the financial statements as at 31 December 2018 and of the related proposed resolutions formulated by the Board of Directors.

Oderzo, 28 March 2019

for THE BOARD OF STATUTORY

AUDITORS

The Chair

Giuliano Saccardi

This report has been translated into English from the original, which was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.

Report of the Independent Auditors

Nice S.p.A.

Independent auditor's report pursuant to article 14 of Legislative Decree No. 39, dated January 27, 2010 and article 10 of EU Regulation No. 537/2014

Consolidated financial statements at December 31, 2018

This report has been translated into English from the original, which was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.

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Via Leone Pancaldo, 68
37138 Verona

Independent auditor's Report
pursuant to article 14 of Legislative Decree No. 39, dated January 27, 2010 and article 10 of EU Regulation No. 537/2014

To the Shareholders of
Nice S.p.A.

Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Nice Group (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated statement of comprehensive income, the consolidated income statement, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flow 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 as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement article 9 of Legislative Decree No. 38/'05.

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 the company Nice S.p.A. (the "Company") in accordance with the ethical and independence requirements applicable in Italy to the audit of financial statements.

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.

Key audit matter	Audit response
Impairment of the goodwill *Note 2 "Intangible assets"* The Group includes in the consolidated financial statements at December 31, 2018 goodwill for a total of Euro 211.9 million, representing 39.2% of total assets. The value recorded as goodwill refers to the higher value paid at the time of the acquisition of some subsidiaries consolidated line-by-line, compared to the fair value of the assets and liabilities acquired. This value is tested for impairment, with the support of an independent expert, in order to assess whether it resulted higher than the recoverable amount. The recoverable amount for goodwill has been determined for each Cash Generating Unit ("CGU") to which the goodwill is allocated, which have been identified in the macro geographical areas of destination of the Group's products (Europe, North America, South America Rest of the World). The value in use for each CGU has been estimated with the Discounted Cash Flow ("DCF") method, discounting the operating cash flows generated by the assets at a discount rate representative of the weighted average cost of capital (WACC). The cash flows for each CGU have been used to determine the value in use, as resulting from the business plan 2019 - 2021 approved by the Board of Directors. In estimating the residual value, a growth rate above the plan horizon was considered, identified for each CGU, consistently with the expected business growth in the different geographical areas where the Group carries out its activities. The evaluation method included a sensitivity analysis of valuation parameters used and in particular the maximum limit of impairment test. The difference between the value in use and net capital employed at the closing date has been compared to the carrying amounts of the goodwill recorded in the consolidated financial statements of the Group.	Our main audit procedures performed, also with the support of our internal specialists, included the following: ▪ we assessed the expertise, capacity and objectivity of the expert appointed by the Directors for the preparation of the impairment test; ▪ we verified the adequacy of the impairment model; ▪ we assessed the reasonableness of the key underlying assumptions for the business plan 2019-2021, also considering variances between the forecast and actual results; ▪ we assessed the key underlying assumptions for the impairment model, in particular the ones related to cash flow projections, the correct configuration of the CGUs consistent with any changes within the Group perimeter, discount rates, future growth rates; ▪ we verified the clerical accuracy of the impairment model; ▪ we checked the sensitivity analysis of impairment when key assumptions change; ▪ we verified the disclosures provided in the notes to the consolidated financial statements.

We focused on this item due to the significance of its amount, considering also the important acquisitions made during 2018, and the complexity of its valuation process; the recoverability of goodwill is related to the occurrence of the assumptions underlying the business plan 2019-2021, the discount rates and future growth rates used and further parameters characterized by subjectivity, used to support the impairment test.

Responsibilities of the Directors and of the Board of Statutory Auditors for the consolidated financial statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement article 9 of Legislative Decree No. 38/'05 and, within the terms prescribed by the law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Parent Company Nice S.p.A. or to cease operations, or have no realistic alternative but to do so.

The Board of Statutory Auditors is responsible 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 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 ISA Italia, we exercised professional judgment and maintain professional skepticism throughout the audit. We also 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;

- 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;
- evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- 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;
- 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 audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We have communicated with those charged with governance, as properly identified in accordance with ISA Italia, 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 also provided Those charged with governance with a statement that we have complied with relevant ethical and independence requirements applicable in Italy and communicated with them all relationships and other 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 determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described those matters in our auditor's report.

Other information communicated pursuant to article 10 of Regulation (EU) 537/2014

We were initially engaged by the Shareholders meeting of Nice S.p.A. on November 30, 2010 to perform the audits of the Company's and the consolidated financial statements of each fiscal year starting from December 31, 2010 to December 31, 2018.

We declare that we did not provide prohibited non-audit services, referred to article 5, paragraph 1, of Regulation (EU) 537/2014, and that we remained independent of the Company in conducting the audit.

We confirm that the opinion on the consolidated financial statements of Nice S.p.A. included in this audit report is consistent with the content of the additional report prepared in accordance with article 11 of the EU Regulation n.537/2014, submitted to Those charged with governance.

Emphasis of matter - subsequent events

As disclosed in the report on operations and the notes to the consolidated financial statements, the Company started in December 2018 a process oriented toward the delisting of ordinary shares from the Electronic Stock Market (MTA) STAR segment. This process, that continued in the first months of 2019 also by means of the Purchase Obligation procedure pursuant to art. 108, paragraph 2, of the TUF should be closed, with good chance, during April 2019.

In the notes to the consolidated financial statements it's pointed out that, due to the described delisting process and the choice to subsequently call the annual Shareholders' meeting in May 2019, based also on specific opinions provided by the legal advisors of the Company, it is considered correct not to proceed on the occasion of such fulfilment with the publication of the report on corporate governance, on the ownership structure and on remuneration pursuant to article 123 bis of Legislative Decree No. 58, 1998.

Report on other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, letter e), of Legislative Decree n. 39/'10

The Directors of Nice S.p.A. are responsible for the preparation of the report on operations of Nice S.p.A. as at December 31, 2018, including its consistency with the consolidated financial statements and its 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 with the consolidated financial statements of Nice Group as at December 31, 2018 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the report on operations is consistent with the consolidated financial statements of Nice Group as at December 31, 2018 and is compliant with applicable laws and regulations.

With reference to the assessment pursuant to article 14, paragraph. 2, letter e), of Legislative Decree No. 39/'10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Other matters

In the absence of the Corporate Governance and Ownership Structure Report as described in the *Emphasis of matter -subsequent event*s paragraph of this report, this report does not contain our opinion pursuant to article 123-bis, comma 4, of Legislative Decree No. 58/'98.

Statement in accordance with article 4 of Consob Regulation in application of Legislative Decree n.254, of December 30, 2016

The Directors of Nice S.p.A. are responsible for the preparation of the consolidated non-financial statement in accordance with Legislative Decree n. 254, of December 30, 2016. We verified the approval of the consolidated non-financial statement by the Board of Directors.

According to article 3, paragraph 10, of Legislative Decree n. 254, of December 30, 2016 we perform a separate audit analysis on this statement.

Verona, March 27, 2019

BDO Italia S.p.A.

Signed by:
Carlo Boyancé
Partner

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Nice S.p.A. financial statements as at 31 December 2018

Nice S.p.A. statement of financial position as at 31 December 2018 and 2017*

(amounts in Euro)	Notes	31/12/2018	31/12/2017
ASSETS			
Non-current assets			
Intangible fixed assets	(1)	18,605,569	10,173,412
Tangible assets	(2)	16,971,079	16,212,748
Equity investments	(3)	290,045,279	142,135,277
Other non-current financial assets	(4)	83,176	76,380
Non-current financial assets due from subsidiaries	(5)	29,924,786	53,398,690
Deferred tax assets	(6)	2,567,435	2,812,724
Total non-current assets		**358,197,324**	**224,809,232**
Current assets			
Inventories	(7)	25,653,054	23,106,468
Trade receivables	(8)	39,580,478	34,602,189
- of which to associates		*27,972,459*	*24,225,118*
Other current assets	(9)	2,732,520	873,932
Tax receivables	(10)	4,412,889	2,618,359
Other current financial assets	(11)	6,852,211	2,750,000
Cash and cash equivalents	(12)	25,492,377	33,068,946
Total current assets		**104,723,528**	**97,019,894**
Total assets		**462,920,852**	**321,829,126**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Capital		11,600,000	11,600,000
Legal reserve		2,320,000	2,320,000
Share premium reserve		32,179,122	32,179,122
Treasury shares		(20,771,291)	(20,771,291)
Other reserves and retained earnings		189,742,513	193,353,857
Profit for the year		10,957,483	7,478,394
Total shareholders' equity	(13)	**226,027,827**	**226,160,081**
Non-current liabilities			
Provisions for risks and charges	(14)	2,381,758	2,407,306
Employee benefits	(15)	802,224	828,012
Medium-/long-term loans	(16)	136,658,083	26,666,667
Other non-current liabilities	(17)	6,000,000	-
Tax payables (beyond 12 months)		-	-
Deferred tax provision		830,247	706,177
Total non-current liabilities		**146,672,312**	**30,608,162**
Current liabilities			
Bank overdrafts and loans	(18)	41,049,238	21,961,667
Other financial liabilities	(19)	237,764	33,844
Trade payables	(20)	44,001,828	38,220,788
- of which to associates		*4,954,138*	*5,588,321*
Other current liabilities	(21)	4,299,911	3,928,413
Tax payables (within 12 months)		631,972	916,171
Total current liabilities		**90,220,713**	**65,060,882**
Total liabilities		**236,893,025**	**95,669,044**
Total liabilities and shareholders' equity		**462,920,852**	**321,829,126**

Nice S.p.A. Income Statement for 2018 and 2017*

(amounts in Euro)	**Notes**	**2018**	**2017**
Revenues	(22)	**124,872,314**	**115,572,843**
- of which to associates		*73,986,689*	*68,200,449*
Operating costs:			
Costs for the use of basic components and consumables	(23)	(62,183,877)	(58,835,645)
Costs for services	(24)	(32,032,381)	(26,571,541)
Rental and lease costs	(25)	(3,982,847)	(3,529,113)
Personnel costs	(26)	(17,577,233)	(12,930,195)
Other operating costs	(27)	(988,291)	(2,411,683)
Depreciation and amortisation	(28)	(6,860,929)	(5,328,367)
Other income	(29)	6,189,431	4,734,086
Operating result		**7,436,187**	**10,700,386**
Financial income	(30)	10,456,278	5,982,906
Financial expenses	(31)	(4,921,934)	(7,719,199)
Other expenses		-	-
EBT		**12,970,531**	**8,964,093**
Income taxes	(32)	(2,013,048)	(1,485,699)
Net profit/loss		**10,957,483**	**7,478,394**

* Pursuant to Consob resolution no. 15519 of 27 July 2006, the effects of transactions with related parties are described in note 38.

Consolidated earnings per share	**2018**	**2017**
Basic, net profit attributable to the ordinary shareholders of the parent company	0.1701	0.2072
Diluted, net profit attributable to the ordinary shareholders of the parent company	0.1701	0.2072

Statement of comprehensive income as at 31 December 2018 and 2017

(amounts in Euro)	2018	2017
Net profit/loss	**10,957,483**	**7,478,394**
Other items of comprehensive income after taxes not reclassified to profit or loss	-	-
Other comprehensive income after taxes that may be recycled to profit or loss		
- Actuarial gain / loss on TFR	*(23,337)*	*(6,555)*
Total comprehensive income (loss) after taxes	**10,934,146**	**7,471,839**

Statement of cash flows for 2018 and 2017

(amounts in Euro)	**2018**	**2017**
CASH FLOWS GENERATED BY OPERATING ACTIVITIES:		
Net profit/loss attributable to the Group	**10,957,483**	**7,478,394**
Net results attributable to non-controlling interests	-	-
Income taxes	2,013,048	1,485,699
Depreciation, amortisation and write-downs of intangible and tangible assets	6,860,929	5,328,367
Accrual/(use) of bad-debt provision	(17,789)	311,454
Accrual/(use) of inventory write-down provision	(495,277)	(197,369)
Accrual/(use) of provision for risks	(25,548)	1,201,069
Accrual/(use) of employee benefit obligations	(25,788)	318,677
Fair value measurement of financial instruments	-	(108,117)
Other write-downs	-	4,420,000
Accrual/(use) of deferred tax assets/liabilities	369,359	(1,771,245)
Changes in current assets and liabilities:		
Decrease (increase) in Receivables due from customers	(4,960,500)	2,503,029
Other current assets	(1,858,587)	986,727
Inventories	(2,051,309)	(572,067)
Payables due to suppliers	5,781,041	1,924,954
Other current liabilities	371,499	223,977
Income taxes paid in the period	(4,091,778)	(2,028,240)
Total adjustments and changes	**1,869,299**	**14,026,915**
Operating cash flow	**12,826,782**	**21,505,309**
CASH FLOW FROM INVESTING ACTIVITIES:		
Investments in intangible fixed assets:	(10,480,339)	(3,592,339)
Investments in tangible fixed assets:	(5,571,078)	(2,940,298)
Other changes in equity investments	(141,910,002)	-
Cash flows absorbed by investing activities	**(157,961,419)**	**(7,226,880)**
CASH FLOW FROM FINANCING ACTIVITIES:		
Dividend distribution	(11,089,737)	(11,066,400)
New loans	137,000,000	60,000,000
Repayment of loans	(7,921,012)	(76,371,667)
Net change in other current financial liabilities	203,920	(108,117)
Net change in other non-current assets	21,744,628	(2,571,930)
Net change in other financial assets	(3,756,556)	830,019
Interest income collected	834,829	921,920
Interest expense paid	(406,534)	(406,534)
Cash flows absorbed by financing activities	**136,609,537**	**(28,772,708)**
Effect of exchange rate differences on cash and cash equivalents	128,620	401,433
Decrease in cash and cash equivalents	**(7,576,569)**	**(14,092,846)**
Cash and cash equivalents, start of year	33,068,946	47,161,792
Cash and cash equivalents, end of year	**25,492,377**	**33,068,946**

Statement of changes in shareholders' equity as at 31 December 2017 and 2016

(amounts in Euro)	Share capital	Legal reserve	Share premium reserve	Treasury shares	Retained earnings and reserves	Profit (loss) for the year	Total Shareholders' Equity
Balance as at 31/12/2016	**11,600,000**	**2,320,000**	**32,179,122**	**(20,771,291)**	**192,071,899**	**12,354,912**	**229,754,642**
Allocation of profit/(loss)					12,354,912	(12,354,912)	-
Dividend distribution					(11,066,400)		(11,066,400)
Profit for the period						7,478,394	7,478,394
Actuarial loss/gain on termination benefits					(6,555)		(6,555)
Balance as at 31/12/2017	**11,600,000**	**2,320,000**	**32,179,122**	**(20,771,291)**	**193,353,855**	**7,478,394**	**226,160,081**
Allocation of profit/(loss)					7,478,394	(7,478,394)	-
Dividend distribution					(11,066,400)		(11,066,400)
Profit for the period						10,957,483	10,957,483
Actuarial loss/gain on termination benefits					(23,337)		(23,337)
Balance as at 31/12/2018	**11,600,000**	**2,320,000**	**32,179,122**	**(20,771,291)**	**189,742,512**	**10,957,483**	**226,027,827**

Explanatory notes to the financial statements as at 31 December 2018

Company information

Nice S.p.A. is an Italian joint-stock company established and located in Oderzo (TV) – via Callalta 1, Oderzo. It is the operating holding company of a group of entities (Nice Group), which is primarily active in the design, production and marketing of automation systems for gates, garage doors, rolling shutters, awnings, and access and security systems.

The parent company of Nice is Nice Group S.p.A. with registered office in Oderzo (TV). The publication of the financial statements of Nice S.p.A. for the year ended 31 December 2018 was approved by the Board of Directors on 13 March 2019.

Contents and format of the financial statements

The financial statements as at 31 December 2018 were prepared in compliance with the International Financial Reporting Standards (IFRS) endorsed by the European Union and in force on the reporting date.
The financial statements have been drawn up based on the historical-cost principle - except in the case of derivative financial instruments, which are recorded at fair value - and also on a going concern basis. The carrying value of assets and liabilities involved in fair value hedging transactions, and which otherwise would have been posted at cost, has been adjusted to take account of changes in fair value attributable to the risks hedged.

The currency unit used is the Euro and, unless otherwise indicated, all amounts are rounded to thousands of Euro.

Accounting Standards variations

The accounting policies adopted are the same as those used as at 31 December 2017, except for adoption of the following new or revised IFRSs and IFRICs, which were applied for the first time by the Group as from 1 January 2018.

New accounting standards, amendments and interpretations effective from 1 January 2018

The application of the new and amended accounting standards and interpretations, indicated below, did not have a significant impact on the consolidated financial statements of the Group.

IFRS 9 – Financial Instruments
This standard was issued on 24 July 2014. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 - Financial instruments: recognition and measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets. The new standard reduces to three the number of categories of financial assets pursuant to IAS 39 and requires that all financial assets be: (i) classified on the basis of the model which a company has adopted in order to manage its financial activities and on the basis of the cash flows from financing activities; (ii) initially measured at fair value plus any transaction costs in the case of financial assets not measured at fair value through income statement; and (iii) subsequently measured at their fair value or at the amortised cost. IFRS 9 also provides that embedded derivatives which fall within the scope of IFRS 9 must no longer be separated from the primary contract which contains them and

states that a company may decide to directly record - within the consolidated statement of comprehensive income - any changes in the fair value of investments which fall within the scope of IFRS 9. The new impairment model introduced by IFRS 9 no longer requires for a trigger event to have occurred before impairment losses are recognised, on the contrary, it requires an entity to recognise expected impairment losses at all times and to review and update the amount of expected impairment losses at each reporting date to reflect changes in the credit risk of the financial instrument. IFRS 9 contains a three-stage approach to account for impairment losses. Each stage dictates how an entity measures impairment losses. IFRS 9 aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. The new standard enables an entity to use information produced internally as a basis for hedge accounting. The standard is not applicable until 1 January 2018.
The Group completed its analysis of the impacts deriving from the adoption of said Standard, concluding that the current accounting treatment of financial assets, financial liabilities and derivative instruments is compliant with the requirements of IFRS 9 and, therefore, there will not be significant effects on the consolidated financial statements of the Group at the time of the initial adoption of the standard.

IFRS 15 – Revenue from Contracts with Customers
On 28 May 2014, the IASB published the standard IFRS 15 – Revenue from Contracts with Customers which is destined to replace IAS – 18 Revenue and IAS 11 – Construction Contracts, as well as the interpretations of IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services. The standard specifies how and when an Entity that adopts IFRS will recognise revenues, in addition to requiring additional disclosures to be provided to the recipients of the financial statements. The standard provides a single basic standard based on a five-phase model to be applied to all contracts with customers. In particular, the model for recognition of revenues proposed will include the following phases:

f) Identification of the contract with the customer;
g) Identification of individual performance obligations of the contract;
h) Determination of the transaction price;
i) Allocation of the transaction price to individual performance obligations;
j) Recognition of revenues consistent with fulfilment of individual performance obligations.

Fulfilment of performance obligations and thus, the simultaneous recognition of the revenue, occurs upon transfer of the control of the good/service. For the purposes of recognition of the revenue, verification of the transfer of the risks and benefits related to the ownership of the good sold currently imposed by IAS 18 is no longer applicable.
The company did not use any of the practical expedients referred to in Appendix C of IFRS 15. As permitted by IFRS 15, the company adopted the standard retroactively, recognizing the cumulative effect of the initial application as adjustment of the opening balance of retained earnings in the year, which includes the date of initial application ("modified retrospective approach"), i.e. 1 January 2018. The company assessed as non significant the impacts, in terms of economic and equity result, on the company's consolidated financial statements at the time of initial adoption of the standard and amendments.

IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

The purpose of this interpretation, issued on 8 December 2016, is to provide guidelines for foreign currency transactions in which non-monetary advances are recognised in the financial statements prior to recognition of the related asset, cost or revenue. This document clarifies how an entity shall determine the transaction date and, therefore, the spot exchange rate to be used in relation to foreign currency transactions that involve advance payments or collections. IFRIC 22 was applied as of 1 January 2018. The adoption of said interpretation had no impact on the consolidated financial statements of the company.

Annual Improvements to IFRSs: 2014-2016 Cycle

On 8 December 2016, the IASB published the document "*Annual Improvements to IFRSs: 2014-2016 Cycle*" which implements the amendments to some standards in the context of the annual process of improving the same. The principal amendments relate to: (i) IFRS 1, envisaging the elimination of certain short-term exemptions included in paras. E3-E7 of Appendix E to IFRS 1; (ii) IAS 28, whereby the option for a venture capital organisation (or other similar entity) to measure investments in associates and joint ventures at fair value through profit or loss is applied to each investment at the time of initial recognition; (iii) IFRS 12, specifying that the disclosures required by the standard apply to all equity interests that are classified as held for sale, as held for distribution to owners or as discontinued operating activities.

Most of the amendments have been applied as of 1 January 2018. The adoption of these amendments has not had effects on the consolidated financial statements of the company.

Accounting standards, amendments and interpretations not yet applicable and/or not adopted early by the Company

IFRS 16 – Leases

On 13 January 2016, the IASB issued IFRS 16 – Leases which is intended to replace IAS 17 – Leases, as well as IFRIC 4 - Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The new standard provides a new definition of lease and introduces a criterion based on control (right of use) of an asset to distinguish lease contracts from service contracts, identifying as discriminants: the identification of the asset, the right to replace the same, the right to obtain substantially all of the economic benefits arising from the use of the asset and the right to direct the use of the asset underlying the contract.

The standard establishes a single lessee accounting model that requires the recognition of the leased asset, including those held under operating leases, as an asset in the statement of financial position together with the matching financial liability. It also establishes that contracts for low-value assets, and leases with a duration of 12 months or less, need not be recognised as leases. By contrast, the Standard does not include significant changes for lessors.

The company carried out a preliminary analysis of all the lease agreements in place as at 31 December 2018 in light of the new lease accounting rules provided for by IFRS 16. The standard will mainly affect the accounting of the company's operating leases and various lease agreements.

On the basis of the contracts currently in place, the company expects an improvement in EBITDA of approximately Euro 4 million, since the amortisation of assets and interest are excluded from this measure. Furthermore, the Group's activities as lessor will increase by approximately Euro 20 million, corresponding to an increase in financial payables.

The company will apply the standard starting from the mandatory adoption date of 1 January 2019, using the simplified transition approach and will not change the comparative amounts for the year before the first adoption. Assets recognised for the right of use will be measured by the amount of the lease payable upon adoption.

Amendments to IAS 40 - Transfers of Investment Property

The amendments, published on 08 December 2016, clarify transfers of a property to or from property investment. In particular, an entity must reclassify a property as, or from, property investments only when there is evidence that there has been a change in the use of the property. This change must be attributed to a specific event that has occurred and therefore not be limited to a change of intent by an entity's management. These amendments are applicable as of 1 January 2018.

Amendments to IFRS 2 - Classification and measurement of share-based payment transactions

The document, published on 20 June 2016, contains amendments to the international accounting standard IFRS 2. The amendments provide some clarifications in relation to the recognition of the effects of vesting conditions in the presence of cash-settled share-based payments, the classification of share-based payments with net settlement characteristics and the accounting of changes to the terms and conditions of a share-based payment, which alter their classification from cash-settled to equity-settled. The amendments are applicable starting from 1 January 2018.

Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

This document, issued on 12 September 2016, primarily relates to entities whose business predominantly comprises insurance activities. The purpose of the amendments is to clarify the concerns deriving from application of the new IFRS 9 to financial assets.

Interpretation IFRIC 23 – Uncertainty over Income Tax Treatments

In June 2017, the IASB issued interpretation IFRIC 23 - Uncertainty over income tax treatments that provides indications on how to reflect in the accounting of income taxes the uncertainties about the tax treatment of a given phenomenon. In particular, the interpretation requires an entity to analyze uncertain tax treatments (individually or together, depending on the characteristics), always assuming that the tax authority examines the tax position in question, having full knowledge of all relevant information. If the entity considers it unlikely that the tax authority will accept the tax treatment followed, the entity shall reflect the effect of the uncertainty in the measurement of its current and deferred income taxes. The interpretation will enter into force on 1 January 2019. The Group is currently assessing the impact of adopting this interpretation.

Amendment to IFRS 9 – Financial Instruments

The amendments to IFRS 9 Prepayment Features with Negative Compensation, published in October 2017, are designed to allow measurement at amortised cost or at fair value through other comprehensive income (OCI) of financial assets characterized by an early repayment option with the so-called negative compensation.

The IASB has also published an example that illustrates how the provisions of IFRS 9 apply to long-term receivables in an associated company or joint venture.

The amendments will enter into force on 1 January 2019. The Group does not foresee any impact from the adoption of these amendments.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

The amendments, published in October 2017, are intended to clarify that long-term receivables from an associate or joint venture which, in substance, form part of the net investment in the associated company or joint venture, are applied IFRS 9. The IASB has also published an example that illustrates how the provisions of IAS 28 apply to long-term receivables in an associated company or joint venture.

The amendments will enter into force on 1 January 2019. The company does not foresee any impact from the adoption of these amendments.

The Company is examining the aforementioned standards and assessing if their adoption is expected to have a significant impact on the annual financial statements.

Accounting principles, amendments and interpretations not yet approved by the European Union

IFRS 17 - Insurance contracts

In May 2017, the IASB issued IFRS 17 - Insurance contracts which establishes the principles for the recognition, measurement, presentation and communication of insurance contracts issued as well as the guidelines relating to reinsurance contracts held and investment contracts with elements of discretionary participation issued. IFRS 17 will take effect from 1 January 2021 or thereafter, with earlier adoption permitted if IFRS 15 - Revenues from contracts with customers and IFRS 9 - Financial instruments are also adopted. The Group does not foresee any impact from the adoption of this standard.

Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions

The amendment reduces current services costs for the period by contributions paid by employees or by third parties during the period that are not related to the number of years of service, instead of allocating these contributions over the period when the services are rendered.

Annual Improvements to IFRS Standards 2015-2017 Cycle

The improvements concerned IFRS 11, according to which a party that participates in a joint operation, without having joint control, could obtain joint control of the joint operation in the event that its activity constitutes a business as defined in IFRS 3. The amendments clarify that the investments previously held in this joint operation are not re-measured.

It has also been clarified that the effects of tax on dividends are linked more to past transactions or to events that generated distributable profits rather than to distributions to shareholders. Therefore, an entity recognises the effects of income tax on dividends in the profit/(loss) for the year, in the other components of the comprehensive income statement or in shareholders' equity consistent with the way in which the entity previously recognised such past transactions or events.

Amendment to IFRS 3 Business Combinations

The amendments, published in October 2018, point out that when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination that has been implemented in several phases, including the review at fair value of the equity investment previously held in the assets and liabilities of the joint operation. In doing so, the purchaser re-evaluates the entire equity investment previously held in the joint operation.

Significant accounting estimates

The preparation of financial statements requires directors to make discretionary assessments, estimates and assumptions that have an impact on the values of revenue, costs, assets and liabilities and the indication of contingent liabilities as at the reporting date. However, the uncertain nature of these hypotheses and estimates might result in significant adjustments to the reported carrying amounts of assets and liabilities during the coming financial year.

Estimates are used to calculate:

Impairment of intangible assets with an indefinite useful life

On each reporting date, the Company checks all intangible assets with an indefinite useful life to see whether there are any indicators of impairment.

More specifically, goodwill is tested for possible impairment at least annually and during the year if such indicators exist. This test requires estimation of the value in use of the cash generating unit to which the investment's cost and goodwill are attributed, in turn based on estimation of the future cash flows expected from the unit and discounted to present value based on an appropriate discount rate. The carrying amount of goodwill is Euro 3,460 thousand as at 31 December 2018 (2017: Euro 3,460 thousand). Further details are provided in note 1. Intangible fixed assets.

Deferred tax assets

Deferred tax assets are recognised in view of all temporary differences and all tax losses carried forward, to the extent that there will possibly be adequate future taxable income in view of which these temporary differences can be absorbed and such tax losses used. A significant discretionary assessment is required to directors to calculate the amount of deferred tax assets that can be recorded in the accounts. They have to estimate the probable timing and amount of future taxable income as well as a planning strategy for future taxes.

Other estimated items

Estimates are also used to calculate bad-debt provision and for inventory obsolescence, depreciation and amortisation, employee benefit obligations, and provisions for risks and charges.

Summary of principal accounting policies

The accounting standards and assessment criteria adopted to prepare the financial statements as at 31 December 2018 are set out below.

Intangible fixed assets

Intangible fixed assets purchased separately are initially capitalised at cost. After initial recognition, intangible assets are stated at cost, net of accumulated amortisation and any accumulated impairment. Except for development costs, intangible assets generated internally are not capitalised and are expensed in the year incurred.
The useful life of intangible assets may be finite or indefinite.
Intangible assets with a finite life are amortised over their useful life and tested for impairment whenever there is evidence of a loss of value. The period and method of amortisation applied are reviewed at the end of each financial year, or more frequently if necessary. Any changes in the expected useful life and in the procedures used by the Company to achieve the future economic benefits linked to the intangible asset are recognised changing the amortisation period or method, as appropriate, and are treated as changes to the accounting estimates. The amortisation of intangible assets with a definite life is charged to the appropriate cost category of the income statement, with reference to their function.
Intangible assets with an indefinite useful life are subject to an annual impairment test at an individual level or at cash generating unit level. These assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to verify if the conditions for this classification still apply.
Profits or losses deriving from the sale of an intangible asset, calculated as the difference between net disposal proceeds and carrying amount, are recognised in the income statement at the time of sale.

Goodwill

Goodwill is tested for recoverability annually, or more frequently if events or changes in circumstances occur that may lead to impairment.

For the purposes of such analyses, the goodwill acquired in a business combination is allocated, from the acquisition date, to each of the Company’s cash generating units (or groups of units) that are expected to benefit from the synergy effects of the acquisition, regardless of the allocation of other assets or liabilities to said units (or groups of units).

Impairment, if any, is determined with reference to the recoverable amount of the cash generating unit (or group of units) to which the goodwill is allocated. When the recoverable amount of the cash generating unit (or group of units) is lower than its carrying amount, impairment is recognised. Should assets be removed from a cash generating unit (or group of units) to which goodwill was allocated, the goodwill associated with them is determined in order to calculate the capital gain (loss), if any, deriving from the transaction. In such cases, the goodwill sold is determined by reference to the value of the transferred assets and the value of the assets retained by the CGU concerned.

Trademarks

Trademarks with a definite useful life are amortised over a period of 10 years and tested for impairment whenever there is evidence of a possible loss of value. Their useful life is reviewed annually.
The carrying amount of trademarks relates to the price paid in 2005 by Mhouse to purchase the Mhouse logo in the USA.

Software

The carrying amount of software relates to the cost of user licences. This intangible asset with a definite useful life is amortised over a period of 3 - 5 years.

Research and development costs

Research costs are charged to the income statement as incurred. Development costs incurred in relation to a specific project are capitalised only when the Company can prove the technical possibility of completing the intangible asset so as to make it available for use or sale, the intention to complete said asset to use it or sell it, the ways in which it would generate future economic benefits, the availability of technical, financial or other resources to complete development, and its ability to reliably measure the cost attributable to the asset during its development.
During the development period, the asset is annually tested for impairment. After initial recognition, development costs are measured at cost net of any accumulated amortisation or impairment. Amortisation starts once development has been completed and the asset is available for use. Development costs are amortised over the period in which it is foreseen that the related project will generate revenue for the Company, but in any case the time period that shall not exceed 5 years. During the period in which the asset is not yet in use, it is tested for impairment every year to identify any loss of value.

Customer relations

The amount recorded reflects the cost of customer relations purchased from previous distributors. Based on analyses of customer loyalty, these relations are deemed to have a useful life of 10 years. The continuity of business relations with these customers is checked systematically, in order to determine the accuracy of the above estimated useful life.

Tangible assets

Property, plant and equipment are initially recognised at their historical cost, including the directly-related charges necessary to put the asset into operation for the use for which it was purchased.
Maintenance and repair expenses that do not add value to or extend the residual lives of assets are expensed as incurred; otherwise, they are capitalised.
Property, plant and equipment are stated net of the related accumulated depreciation and impairment, if any, determined in the manner described below. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. This period is reviewed annually and any changes are made on a prospective basis.

The main economic-technical depreciation rates used are as follows:

Category	Depreciation rates
Buildings	3%
General and specific plant	10%-15.5%
Equipment (moulds)	10%-12.5%
Sundry and minor equipment	20%-25%
Office machines and furniture	12%-20%
Electronic office machines	20%-25%
Motor cars – Motor vehicles	20%-25%
Improvements on third-party assets	Throughout the duration of the lease contract

The carrying amount of property, plant and equipment is tested for impairment, if events or changes in circumstances indicate that their carrying amounts might not be recoverable. If there is evidence of this and the carrying amounts exceed expected realisable value, the assets are written down to reflect their realisable value. The realisable value of property, plant and equipment is its net sale price or value in use, whichever is higher.

In defining value in use, the forecast cash flows are discounted to present value using a discount rate that reflects the current market estimate for the time cost of money and the specific risks associated with the asset. The realisable value of assets that do not generate independent cash flows is determined in relation to the cash generating unit to which they belong. Impairment is classified in the income statement together with the depreciation charge and any write-downs recorded. This impairment is written back if the reasons for its recognition cease to apply.

When an asset is sold or no future economic benefits are expected from its use, it is derecognised and any loss or profit (calculated as the difference between sale value and carrying amount) is recorded in the income statement for the year of derecognition.

Impairment of non-financial assets

On each reporting date, the Company assesses whether there is an indication that an asset may be impaired. In this case, or if annual impairment testing is required, the Company estimates the amount. Recoverable amount is the fair value of the asset or the cash generating unit, net of selling costs, or its value in use if greater. Recoverable amount is determined for each individual asset, except when the asset generates cash flows that are not fully independent from those generated by other assets or groups of assets. If the carrying amount of an asset is higher than its recoverable amount, the asset is considered impaired and is consequently written down to its recoverable amount. In measuring the value in use, the Company discounts to present value the estimated future cash flows using a pre-tax discount rate that reflects the market assessment of the current value of money and the specific risks of the asset. An appropriate model is used to measure fair value net of selling costs. These calculations are carried out using appropriate valuation multipliers and other available fair value indicators.

The impairment of continuing operations is charged to the appropriate cost categories of the income statement, consistent with the function of the impaired assets.

For assets other than goodwill, on each reporting date the Company also assesses the existence of any derecognition (or reduction) of previously recognised impairment and estimates the recoverable amount, should such indications exist. The value of a previously impaired asset is only reinstated if the estimates used to determine its recoverable amount change after recognition of the last impairment. The recovery in value cannot exceed the carrying amount that would have been determined, net of amortisation/depreciation, had no impairment been recognised in prior years. Such recovery is recognised in the income statement unless the asset is recorded at a revalued amount, in which case the recovery is treated as a revaluation increase.

Goodwill is tested for loss of value annually by an independent expert, or more frequently if events or changes in circumstances indicate that its carrying amount may be subject to impairment.

Impairment of goodwill is determined by assessing the recoverable amount of the cash generating unit (or group of cash generating units) to which the goodwill has been allocated. Should the recoverable amount of the cash generating unit (or group of cash generating units) to which the goodwill has been allocated be less than its carrying amount, impairment is recognised. Impairment related to goodwill cannot be reinstated in future years. The Company tests goodwill for impairment each year at the end of the reporting period.

Equity investments in subsidiaries

Equity investments in subsidiaries are recorded at purchase or underwriting cost, including price and put/call option adjustments, if any, on non-controlling interests of subsidiaries, from which potential capital repayments are deducted and, if necessary, adjusted for impairment, which is determined in the same way as indicated above for tangible assets and subsequent re-determinations of the put/call options themselves. The original amount is restored in subsequent years if the grounds for the impairment no longer exist. These adjustments are charged to the income statement.

Financial assets

IFRS 9 provides a single approach for the analysis and classification of all financial assets, including those containing embedded derivatives. The classification and related assessment is carried out considering both the financial asset management model and the contractual characteristics of the cash flows obtainable from the asset. Depending on the characteristics of the instrument and the business model adopted for its management, there are the following three categories:

i. financial assets measured at amortised cost;
ii. financial assets measured at fair value with recognition of the effects among the other components of comprehensive income (hereinafter also OCI);
iii. financial assets measured at fair value with recognition of the effects in the Income Statement.

The financial asset is measured using the amortised cost method if both of the following conditions are met:

- the financial asset management model consists of the holding of the same with the sole purpose of collecting the related financial flows; and
- the financial asset generates, on contractually predetermined dates, cash flows that represent exclusively the yield of the financial asset itself.

According to the amortised cost method, the amount initially recognised is subsequently amended to account for principal repayments, any impairment and the cumulative amortisation of any difference between that initial amount and the maturity amount.

Amortisation is calculated according to the effective internal interest rate, which is the rate that, at initial recognition, aligns the present value of estimated cash flows and the amount initially recognised.

Receivables and other financial assets measured at amortised cost are presented in the balance sheet net of the related bad-debt provision.

The financial assets representing debt instruments whose business model envisages both the possibility of collecting contractual cash flows and the possibility of realising gains on disposal (hold to collect and sell business model), are measured at fair value with allocation of the effects to OCI. In this case, changes in the fair value of the instrument are recognised under shareholders' equity as other components of comprehensive income. The cumulative amount of changes in fair value recognised in the shareholders' equity reserve that includes other components of the overall profit, is reversed in the income statement when the instrument is derecognised. Interest income calculated using the effective interest rate, exchange rate differences and write-downs are recognised in the income statement.

A financial asset representing a debt instrument that is not valued at amortised cost or at the FVTOCI is measured at fair value with the effects recognised in the income statement.

Trade receivables

Trade receivables and other receivables are recognised initially at fair value and subsequently valued at amortised cost, net of the bad-debt provision.
IFRS 9 defines a new model of impairment/write-down of these assets, with the aim of providing useful information to users of the financial statements regarding the relative expected losses. According to this model, the Group evaluates receivables adopting an expected loss logic, replacing the IAS 39 framework typically based on the evaluation of the incurred losses.
Trade receivables are entirely written down in the absence of a reasonable expectation of recovery, or in the presence of inactive commercial counterparties.
The carrying amount of the asset is reduced by a bad-debt provision and the loss is recognised in the income statement.
When the collection of the amount is deferred beyond the normal commercial terms applied to customers, the credit is discounted.

Inventories

Inventories are recorded at purchase and/or production cost, determined using the weighted average cost method, or their estimated net realisable or replacement value if lower. Net realisable value is determined with reference to the estimated selling price under normal market conditions, net of direct selling costs.
Obsolete and/or slow-moving inventories are written down with reference to their future possibility of use or realisation. Write-downs are reversed in subsequent years if the reasons for them cease to apply.

Treasury shares

Treasury shares are deducted from shareholders' equity on the basis of their purchase cost. No profit or loss is recognised in the income statement on the purchase, sale or cancellation of treasury shares. All differences between carrying amount and consideration are recognised among the other equity reserves.

Cash and cash equivalents

Liquid funds and short-term deposits comprise cash on hand and demand and short-term deposits with an original duration of three months or less. As far as the statement of cash flows is concerned, cash and cash equivalents are represented by cash as described above.

Financial liabilities

Financial liabilities include financial payables, including payables for advances on transfer of receivables, and other financial liabilities, including derivative financial instruments and liabilities in respect of assets acquired under finance leases. Pursuant to IFRS 9, they also include trade and other payables of varied nature.
Financial liabilities are recognised at fair value net of transaction costs. After this initial recognition, loans are recognised with the amortised cost criterion, calculated using the application of the effective interest rate. With the introduction of IFRS 9, in the event of renegotiation of a financial liability that does not qualify as the settlement of the original debt, the

difference between i) the carrying amount of the liability prior to the change and ii) the current value of the flows of the modified debt, discounted at the original rate (IRR), is recorded in the income statement.
Financial liabilities possibly hedged by derivatives are shown at fair value, according to the rules of hedge accounting: gains and losses from subsequent recognition at fair value are posted to the income statement and offset by the effective portion of the loss or gain deriving from the subsequent fair-value recognition of the hedging instrument.
At the time of initial recognition, a liability can be designated at fair value through profit or loss when such designation eliminates or significantly reduces a lack of uniformity in the valuation or recognition (sometimes referred to as accounting asymmetry) that would otherwise result from the valuation of assets or liabilities or the recognition of related profits and losses on different bases.

Payables are recognised at fair value and subsequently valued at amortised cost.

Financial guarantees given

Financial guarantee liabilities issued by the Company comprise those contracts requiring payment to reimburse the owner for a loss suffered due to non-compliance by a given debtor in making payment on the due date, on the basis of the debt instrument’s contractual clauses. Financial guarantees given are reported at their nominal value among the commitments and contingencies.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the right to receive the cash flows from the asset ceases;
- the Company maintains the right to receive cash flows from the asset, but has undertaken the contractual obligation to pay them in full and without delay to a third party;
- the Company has transferred the right to receive cash flows from the asset and (a) has transferred substantially all the risks and rewards of ownership of the financial asset or (b) it has neither retained nor transferred substantially all of the risks and rewards of the asset, but has transferred its control over the same.

If the Company has transferred the right to receive cash flows from an asset while it has neither retained nor transferred substantially all of the risks and rewards or has retained control over the asset, the Company continues to recognise the asset to the extent to which it has a continuing involvement in the asset. The continuing involvement, which consists of a guarantee on the transferred asset, is measured at the lower between the initial carrying value of the asset and the maximum amount that the Company could be required to pay.

Financial liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or fulfilled.

Employee benefits

Benefits guaranteed to employees, paid when or after employment is terminated, by means of defined benefit programmes (Employees' termination benefits accrued as at 31 December 2018 or pension plans) or other long-term benefits (retirement indemnity) are recognised in the period when the right accrues.

Liabilities relating to defined benefit programmes, net of any assets servicing the plan, are determined using actuarial assumptions and are recognised on an accruals basis to match the employment services required to obtain the benefits concerned.
The liabilities are measured by independent actuaries using the projected unit credit method.
Profit and losses deriving from actuarial valuation are recorded in the statement of comprehensive income. The amount reflects not only the liability accrued at the reporting date, but also future salary increases and the related statistical dynamics.
Benefits guaranteed to employees via defined contribution plans (having regard for recent changes in the Italian law on pension contributions) are recognised on an accruals basis and give rise to recognition of a liability measured at nominal value.

Provisions for risks and charges

The provisions for risks and charges cover known or likely costs and charges whose timing and extent cannot be determined at the reporting date.
Provisions for risks and charges are made when the Company must fulfil a current obligation (legal or implicit) arising from a past event, when an outflow of resources in order to fulfil this obligation is probable and it is possible to make a reliable estimate of its amount. When the Company considers that a provisions for risks and charges shall be partly or fully reimbursed, for example in the case of risks covered by insurance policies, the indemnity is recognised separately among the assets when, and only when, it is practically certain.
In this case, any provisions charged to the income statement are reported net of the amount recorded for the indemnity.
Provisions reflect the best estimate of the amount the Group would have to pay to settle the obligation or transfer it to a third party at the reporting date. If the discounting effect is significant, provisions are determined by discounting the forecast cash flows to present value using a pre-tax discount rate that reflects, where appropriate, the specific risks associated with the liabilities. When discounting to present value, the increase in the provision due to the passage of time is recognised as a financial expense.

Leases

The definition of a contractual agreement as a lease transaction (or containing a lease transaction) is based on the substance of the agreement and requires an assessment of whether fulfilment of the agreement depends on the use of one or more specific assets and if the agreement transfers the right to use them. A review is only carried out after the agreement has started if one of the following conditions arises:

(a) there is a change in the contractual conditions, other than a renewal or extension of the agreement;

(b) a renewal option is exercised or an extension is granted, unless the terms of renewal or extension were initially included in the terms of the lease transaction;

(c) there is a change in the condition according to which fulfilment depends on a specific asset; or

(d) there is a substantial change in the asset.

If a review is carried out, recognition of the lease will start or terminate on the date when the circumstances that have caused the review for scenarios a), c) or d) change, or on the date of renewal or extension for scenario b).

Operating lease payments are recognised as costs in the income statement on a straight-line basis over the life of the agreement.

Revenues and income

On the basis of the five-step model introduced by IFRS 15, the Group recognises revenues after identifying the contracts with its customers and the related services to be performed (transfer of goods and/or services), determining the amount to which it considers to be entitled in exchange for the performance of each of these services, and assessing the means of performing these services (fulfillment at a given time versus fulfillment over time).

Revenues from the sale of products are recognised when the control of the asset involved in the transaction is transferred to the purchaser, or when the customer acquires the full capacity to decide on the use of the asset and to benefit from substantially all the benefits. Revenues mainly refer to transactions recognised as at point in time.

Revenues are generally shown net of discounts, net of premiums and taxes directly related to the sale of goods.

Revenues from services are recognised when the services are rendered, with reference to the state of progress.

Interest income is recognised on an accruals basis that takes account of the effective yield on the asset concerned.

Costs and expenses

Costs and expenses are recognised on an accruals basis.

Financial expenses are recorded in the income statement according to the accrual principle, except for some interest expenses and financial expenses recorded at amortised cost.

Dividends

Dividend income is recognised when the right of the shareholders to receive payment arises.

Income taxes

Current taxes

Current taxes for the current and previous years reflect the amount that is expected to be recovered or paid to the tax authorities in compliance with the regulations in force.

The tax rates and regulations used to calculate the charge are those issued or substantially issued at 31 December 2018.

Current taxes on items recognised directly in shareholders' equity are also recognised in shareholders' equity and not in the income statement.

Deferred taxes

Deferred taxes are calculated using the liability method on the temporary differences at the reporting date between the tax values for assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recorded on all taxable temporary differences, except when the deferred tax liabilities derive from initial recognition of goodwill, or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the profit for the year calculated for financial statement purposes nor the profit or loss calculated for tax purposes.

Deferred tax assets are recorded on all deductible temporary differences and tax losses carried forward, to the extent that future taxable income is likely to be sufficient to absorb the deductible temporary differences when they reverse and the tax assets and liabilities carried forward, except when the deferred tax asset associated with the deductible temporary differences derives from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the profit for the year calculated for financial statement purposes nor the profit or loss calculated for tax purposes.

The recoverability of deferred tax assets is reviewed on each reporting date and their amount is written down to the extent that it is no longer likely that future taxable income will be sufficient for their recovery in whole or in part. Unrecognised deferred tax assets are reviewed annually at the reporting date and are recognised to the extent that it has become likely that future taxable income will be sufficient for their recovery.

Deferred tax assets and liabilities are measured using the tax rates that are expected to be applied in the years in which the assets are realised or the liabilities are settled, considering the rates currently in force and those already issued, or substantially issued, at the reporting date.

Deferred tax assets and liabilities relating to items recognised directly in shareholders' equity are also recognised directly in shareholders' equity and not in the income statement.

Deferred tax assets and liabilities are offset, if a legal right exists to offset current tax assets against current tax liabilities, and the deferred income taxes relate to the same taxable entity and the same tax authority.

Derivative financial instruments

Derivative financial instruments (where present) are initially recorded at fair value on the date when they are arranged. Subsequently, this fair value is periodically remeasured. They are recognised as assets when their fair value is positive and as liabilities when it is negative. Any profits or losses resulting from changes in their fair value are recognised directly in the income statement for the year.

The fair value of currency forward contracts is determined with reference to the current forward exchange rates for contracts with a similar maturity profile.

Earnings per share

Earnings per share are calculated by dividing the consolidated net profit for the period attributable to the Company's shareholders by the weighted average number of ordinary shares outstanding in the period.

Diluted earnings per share are obtained by adjusting the weighted average number of outstanding shares to take account of the conversion of all potential shares with a dilution effect and any purchases of treasury shares. The Group's net profit is also adjusted to take account of the effects of conversion, net of the related taxes.

Breakdown of the main items on the statement of financial position as at 31 December 2018

The following is a description of changes in the financial statement items. The amounts are expressed in thousands of Euro.

Non-current assets

1. Intangible fixed assets

The table below shows the change in the historical cost and accumulated amortisation of intangible fixed assets during 2018:

(Thousands of Euro)	Goodwill	Software, licences and concessions	Trademarks	Customer relations	Development costs	Other intangible assets	Total
Cost:							
As at 1 January 2017	**3,460**	**6,227**	**5,968**	**785**	**1,938**	**171**	**18,549**
Increases	-	707	-	-	2,911	-	3,618
Reclassifications	-	114	-	-	32	(171)	(25)
Disposals	-	-	-	-	-	-	-
As at 31 December 2017	**3,460**	**7,048**	**5,968**	**785**	**4,881**	**-**	**22,142**
Increases	3,174	1,900	-	-	5,406	-	10,480
Reclassifications	-	-	-	-	-	-	-
As at 31 December 2018	**6,634**	**8,948**	**5,968**	**785**	**10,287**	**-**	**32,622**
Amortisation and impairment:							
As at 1 January 2017	-	**(4,001)**	**(5,968)**	**(750)**	**(182)**	-	**(10,901)**
Amortisation	-	(614)	-	(35)	(419)	-	(1,068)
Disposals	-	-	-	-	-	-	-
As at 31 December 2017	**-**	**(4,615)**	**(5,968)**	**(785)**	**(601)**	**-**	**(11,969)**
Amortisation	-	(726)	-	-	(1,321)	-	(2,048)
Disposals	-	-	-	-	-	-	-
As at 31 December 2018	**-**	**(5,341)**	**(5,968)**	**(785)**	**(1,922)**	**-**	**(14,017)**
Net carrying value:							
As at 31 December 2018	**6,634**	**3,607**	**-**	**-**	**8,365**	**-**	**18,606**
As at 31 December 2017	**3,460**	**2,433**	**-**	**-**	**4,280**	**-**	**10,173**

Investments mainly involve:

<u>Goodwill</u>

The increase of Euro 3,174 thousand in goodwill is related to the merger deficit arising following the merger of the former subsidiary Silentron S.p.A.

Software, licences and concessions

Software mainly refers to costs incurred to purchase application software for long-term use, for the management of operations and for research activities. Licence costs refer to the purchase of software user licences.

These intangible fixed assets are amortised over a residual useful life of 3/5 and 10 years.

Development costs

During the year, the company capitalised development costs of Euro 1,666 related to personnel.

2. Tangible assets

The table below shows the change in the historical cost and accumulated amortisation of tangible fixed assets during 2018:

(Thousands of Euro)	**Land and buildings**	**Plant and machinery**	**Industrial and commercial equipment**	**Other tangible fixed assets**	**Improvements on third-party assets**	**Fixed assets under construction and advances**	**Total**
Cost:							
As at 1 January 2017	-	**9,155**	**23,573**	**8,809**	**8,676**	**2,177**	**52,390**
Increases		830	1,049	389	589	103	2,960
Disposals				(115)			(115)
Reclassifications		44	66	28	2,013	(2,151)	-
As at 31 December 2017	**-**	**10,029**	**24,688**	**9,111**	**11,278**	**129**	**55,235**
Increases		1,326	4,008	1,233	1,804	88	8,459
Disposals		(4)	(3)	(53)			(60)
Reclassifications		35	15	18	4	(72)	-
As at 31 December 2018	**-**	**11,386**	**28,708**	**10,309**	**13,086**	**145**	**63,634**
Amortisation and impairment:							
As at 1 January 2017	**-**	**(6,648)**	**(17,303)**	**(6,819)**	**(4,087)**	**-**	**(34,857)**
Amortisation		(776)	(1,628)	(572)	(1,284)		(4,260)
Disposals				106			106
Reclassifications							-
As at 31 December 2017	**-**	**(7,424)**	**(18,931)**	**(7,285)**	**(5,371)**	**-**	**(39,011)**
Amortisation		(1,275)	(4,162)	(785)	(1,480)		(7,702)
Disposals		3	2	45			50
Reclassifications							-
As at 31 December 2018	**-**	**(8,696)**	**(23,091)**	**(8,025)**	**(6,851)**	**-**	**(46,663)**
Net carrying value:							
As at 31 December 2018	**-**	**2,690**	**5,617**	**2,284**	**6,235**	**145**	**16,971**
As at 31 December 2017	**-**	**2,605**	**5,757**	**1,826**	**5,907**	**129**	**16,224**

Investments mainly involve:

Plant and machinery

The item includes shelving and equipment for the regulatory and operational testing of products, as well as investment in production machinery.

Industrial and commercial equipment

This item mainly includes moulds that are lent free of charge to sub-suppliers; the investment for the year relates to equipment for new products launched on the market.

Other assets

This item mainly includes furniture and furnishings, IT equipment and electronic laboratory instruments. Investment during 2018 included new IT equipment (computers and printers), as well as electronic equipment for the technical offices.

Expenses for improvements on leased assets

The increase refers to the accounting of expenses for improvements on leased third-party assets.

Fixed assets under construction and advances

This item includes advances paid for plant and improvements on leased assets.

3. Equity investments

Equity investments as at 31 December 2018 and changes in the period were the following:

	31/12/2018						
(Thousands of Euro)	Opening amount	Acquisitions	Disposals	Increases	Value adjustments	Closing amount	Share Held
Nice France S.a.s.	11,697				(2,350)	9,347	100.0%
Building App Srl	796					796	100.0%
ACM International Srl		11,900				11,900	100.0%
Nice Polska S.p. Z o.o.	1,475					1,475	100.0%
Nice Automatismos Espana S.a.	877					877	60.0%
Nice Belgium S.a.	116					116	99.7%
Nice U.K. LTD	901					900	100.0%
S.C. Nice Romania S.a.	103					103	99.0%
Nice Deutschland G.m.b.h.	28,637					28,637	100.0%
Nice Group USA Inc.	10,070			40,904		50,974	100.0%
Nice Shanghai Automatic Control Ltd	1,800					1,800	100.0%
R.D.P. Shanghai Trading	200					200	100.0%
Nice Australia Home Automation Ltd	3,624					3,624	100.0%
Nice Istanbul Ltd	5,024					5,024	99.0%
AutomatNice Portugal	-					-	100.0%
ET Nice Pty	17,840					17,840	100.0%
Silentron SpA	5,639				(5,639)	-	100.0%
Nice Home Automation JSC	7,190			420		7,610	100.0%
SAAC Srl	3,637					3,637	100.0%
Fibar Group		68,737				68,737	100.0%
Fenice Immobiliare S.p.A. (formerly Fontanaarte S.p.A.)	3,018					3,018	100.0%
Peccinin	31,582			12,200		43,782	100.0%
King Gates Srl	5,300					5,300	100.0%
Nice Gulf FZE	2,610					2,610	100.0%
V2 S.p.A.	-	21,738				21,738	100.0%
Total Equity Investments	**142,136**	**102,375**	**-**	**53,524**	**(7,989)**	**290,045**	

The changes in 2018 were as follows:

- ACM International Srl: purchase of 100% of the company;
- Nice France: reversal of the 2013 capitalization with the replenishment of intercompany receivables due to the improvement of the economic/equity situation of the company;
- Nice Group USA: increase in the investment through cash contribution and conversion of loans;
- Peccinin: capitalisation for 12,200 thousand for the purchase of the subsidiary Linear and for the payment of the Omega call;
- Fibar Group: purchase of 100% of the company
- V2 S.p.A.: purchase of 100% of the company
- Nice Home Automation JSC: purchase of the minority portion.
- Silentron: merger deficit

Differences, if any, in the book value of some equity investments and the shareholders' equity of the relevant subsidiaries are justified by the recoverable amount of the cash generating unit which the subsidiaries belong to and valued as part of the impairment test prepared by an independent expert.

4. Other non-current financial assets

This item includes deposits and securities.

5. Non-current financial assets due from subsidiaries

The item "Non-current financial assets due from subsidiaries" refers to medium-/long-term loans provided to some subsidiaries and also includes the amount of accrued interest that has not yet been received.
The following table sets out in detail the fair value of these loans:

(Thousands of Euro)	31/12/2018	31/12/2017
Loans to ET Nice	80	192
Loans to Fenice Immobiliare	5,451	5,451
Loans to Elero GmbH	13,902	13,684
Loans to Nice France	2,350	2,000
Loans to Nice Home Automation JSC	-	1,210
Loans to Nice Australia PTY	1,818	1,867
Loans to Nice Group USA	3,550	28,295
Loans to Abode	2,674	-
Loans to ACM International	100	-
Loans to Nice Automatismos Espana	-	700
Total other non-current assets	**29,925**	**53,399**

Loans to foreign subsidiaries accrue variable interest at Euribor, Libor or Prime Rate 3, 6 or 12 month market rates increased by a spread between 0.84% and 3% or fixed at 4%.

6. Deferred tax assets

The following table sets forth the temporary differences that originated deferred tax assets:

	31/12/2018			31/12/2017		
(Thousands of Euro)	Amount of temporary differences	Tax effect (rate %) %	Tax effect	Amount of temporary differences	Tax effect (rate %) %	Tax effect
Non-deductible amortisation of trademarks		27.9%	-	117	27.9%	33
Provision for products within the guarantee period	317	27.9%	88	317	27.9%	88
Inventory write-down provision	1,182	27.9%	330	1,677	27.9%	468
Bad-debt provision after taxes	2,556	24.0%	613	2,552	24.0%	612
Inventory write-down provision	4,421	24.0%	1,061	4,421	24.0%	1,061
Provision for legal dispute risks	1,200	24.0%	288	1,200	24.0%	288
Provision for returns	150	24.0%	36	150	24.0%	36
Deferred tax assets on accrued expense	484	27.9%	135	407	27.9%	114
Other deferred tax assets	66	24.0%	16	465	24.0%	113
Total deferred tax assets	**10,376**		**2,567**	**11,306**		**2,813**

The Company has recognised deferred tax assets deriving from temporary differences between taxable income and pre-tax statutory results, since future taxable income is expected to be sufficient to absorb all the temporary differences that generated them. In determining deferred tax assets, reference is made to the IRES rate (24%) and, where applicable, the IRAP rate (3.9%).

The most significant effects mainly refer to adjustment provisions that are not relevant for tax purposes.

Current assets

7. Inventories

The following table shows the breakdown of inventories at the end of the years under consideration:

(Thousands of Euro)	**31/12/2018**	**31/12/2017**
Basic components, ancillary materials and consumables	14,846	12,550
Work in progress and semi-finished products	4,906	4,225
Finished products	7,083	8,008
Inventory write-down provision	(1,182)	(1,677)
Total inventories	**25,653**	**23,106**

Inventories are recognised net of the inventory write-down provision deemed appropriate for prudent assessment of raw materials, work in progress and semi-finished products, and finished products.
The changes in the provision is as follows:

(Thousands of Euro)	**31/12/2018**	**31/12/2017**
Allowance at start of period	**1,677**	**1,874**
Provisions	1,182	1,350
Acquisitions/mergers	130	
Utilisations	(1,807)	(1,547)
Allowance at end of period	**1,182**	**1,677**

8. Trade receivables

The following table sets forth the breakdown of receivables due from customers and the relevant adjustment provisions as at 31 December 2018 and 31 December 2017:

(Thousands of Euro)	**31/12/2018**	**31/12/2017**
Trade receivables - Italy	9,055	7,606
Trade receivables - EU	1,630	1,697
Trade receivables - outside EU	3,761	3,930
Bad-debt provision - third parties	(2,840)	(2,857)
Total receivables due from third parties	*11,606*	*10,376*
Receivables due from subsidiaries	28,124	24,375
Bad-debt provision - subsidiaries	-	-
Provision for returns	(150)	(150)
Total receivables due from subsidiaries	*27,974*	*24,225*
Total trade receivables	**39,580**	**34,602**

As at the reporting date the company did not feature any significant concentration of credit risks. Trade receivables are non-interest bearing and are due within 90-120 days.

As at 31 December, the breakdown of trade receivables due from third parties by their maturity date was as follows:

			Overdue but not written down		
(Thousands of Euro)	**Total**	**Not overdue**	**0-30 days**	**30-60 days**	**over 60**
Receivables as at 31/12/2018	11,606	10,265	467	256	618
Receivables as at 31/12/2017	10,376	9,174	602	146	454

Trade receivables as at 31 December 2018 amounted to Euro 39,580 thousand, net of the bad-debt provision of Euro 2,840 thousand and the provision for returns, which amounted to Euro 150 thousand. The changes in the bad-debt provision for the periods under consideration were as follows:

(Thousands of Euro)	**31/12/2018**	**31/12/2017**
Allowance at start of period	**2,857**	**2,546**
Provisions	169	389
Acquisitions/mergers	82	-
Utilisations	(268)	(78)
Allowance at end of period	**2,840**	**2,857**

The allocation of Euro 169 thousand made during the year was necessary in order to adjust receivables to their estimated realisable value on the basis of the examination of the individual credit positions. The provision existing at the end of the period represents a prudent estimate of the current risk.

9. Other current assets

The following table shows the breakdown of other current assets:

(Thousands of Euro)	**31/12/2018**	**31/12/2017**
Advances on expenses	4	8
Other receivables	847	551
Receivables for tax consolidation	1,400	69
Deferred assets	482	246
Total other current assets	**2,733**	**874**

Advances on expenses mainly refer to advances paid to employees for travel costs.

Deferred assets mainly refer to advance payments for hardware and software maintenance expenses and the credit balance to the parent company Nice Group s.p.a. deriving from participation in the tax consolidation. For further details, reference is made to note 32. Income taxes

10. Tax receivables

This item mainly includes the receivable due from tax authorities for VAT, the tax receivable for Research and Development and receivables due from tax authorities.

11. Other current financial assets

This item includes a loan granted to an important customer of the Group and short-term investments in financial assets that can be readily liquidated.

12. Cash and cash equivalents

The following table shows the breakdown of cash and cash equivalents:

(Thousands of Euro)	**31/12/2018**	**31/12/2017**
Bank and post office deposits	25,474	33,066
Cash and equivalents on hand	18	3
Total cash and cash equivalents	**25,492**	**33,069**

Cash and cash equivalents and bank demand deposits accrue interest at variable rates based on the rate of return of deposits. The fair value of cash and cash equivalents corresponds to their carrying value.

In the statement of cash flows, prepared according to changes in cash flows, cash and cash equivalents correspond to the item “Cash and cash equivalents”.

For the analysis of changes in cash and cash equivalents during the period, reference should be made to the statement of cash flows.

13. Shareholders’ equity

The following table sets forth the breakdown of shareholders’ equity:

(Thousands of Euro)	**31/12/2018**	**31/12/2017**
Share capital	11,600	11,600
Legal reserve	2,320	2,320
Share premium reserve	32,179	32,179
Treasury shares	(20,771)	(20,771)
Other reserves and retained earnings	189,743	193,354
Profit for the year	10,957	7,478
Total Shareholders’ Equity	**226,028**	**226,160**

The share capital totals 116,000,000 shares with a par value of Euro 0.1 each, for a total amount of Euro 11,600.
The legal reserve amounted to Euro 2,320 thousand and corresponds to the fifth part of the share capital and has not changed compared to the previous year.
In previous financial years, as part of the buyback programme approved by the Shareholders’ Meeting, the company purchased 5,336,000 shares for a total amount of Euro 20,771 thousand. This amount is recognised as a direct reduction of shareholders’ equity.

The number of outstanding shares did not change in the year and stood at 110,664,000.
The item “Other reserves and retained earnings” includes the profits from previous years.

The following table shows, pursuant to article 2427, paragraph 1 no. 7 *bis* of the Italian Civil Code, the description, the possibility of use and distribution, and any use in previous years of each item of the shareholders' equity as at 31 December 2018.

Table pursuant to article 2427, no. 7 *bis*

Nature/description	***Amount***	***Possibility of use***	***Amount available***	***Summary of uses made in the previous three years***	
				to cover losses	***for other reasons***
Capital	11,600,000		-		
Share capital reserves:					
Share premium reserve	11,407,831	A,B,C	11,407,831		
Profit reserves:					
Legal reserve	2,320,000	B	-		
Extraordinary reserve	187,259,928	A,B,C	187,259,928		20,815,897
Reserves for exchange gains	-	A,B	-		
Merger surplus	1,225,459	A,B,C	1,225,459		
Reserve for stock option plan	-	A,B,C	-		
Reserve for application of IASs	1,245,512	B	-		
Retained earnings	11,614	A,B,C	11,614		
Profit for the year	10,957,483	A,B,C	10,957,483		
TOTAL	**226,027,827**		**210,862,315**		
Non-distributable share			-		
Remaining distributable share			**210,862,315**		

Key:
A: for capital increase
B: for loss coverage
C: for distribution to shareholders

As required by art. 2426, paragraph 5, it is noted that there are reserves available to cover the residual carrying amount of development costs that are not amortised.

Non-current liabilities

14. Provisions for risks and charges

The following table shows the breakdown of provisions for risks and charges:

(Thousands of Euro)	**31/12/2018**	**31/12/2017**
Provision for product warranty	317	317
Provision for legal dispute risks	1,200	1,200
Provision for miscellaneous risks	823	823
Provision for customers' additional indemnity	42	67
Total provisions for risks and charges	**2,382**	**2,407**

Provision for product warranty

The “Provision for product warranty” is allocated based on forecasts of the cost to be incurred, presumably over two financial years following the reporting date, to fulfil the obligation of contract warranty for products already sold as at the reporting date.

Provision for legal dispute risks

The “Provision for legal disputes” refers to a probable liability arising from a supply contract completed during the year.

Provision for miscellaneous risks

The Provision for miscellaneous risks mainly includes a prudent estimate, also taking into account the opinions of legal and tax advisors, and amounts to Euro 500 thousand, in view of the assessments carried out by tax authorities on tax periods from 2008 to 2014. This amount corresponds, on the basis of current information, to the probable outlay required. Accordingly, the Company appealed against the assessment notices of December 2014, December 2015, December 2016 and December 2017. The Company believes that there are valid elements to contain the risk of loss, despite the mandatory payment of a portion of taxes ascertained.

15. Employee benefits

Employee benefits entirely refer to the employees’ termination benefit (TFR) provision, whose changes as at 31 December 2018 and 31 December 2017 were as follows:

(Thousands of Euro)	31/12/2018	31/12/2017
TFR at the beginning of the period pursuant to IAS 19	550	585
Curtailment		
Increases	626	-
Use of TFR	(417)	(49)
Interest cost	45	7
Actuarial Gains/Losses	(2)	7
TFR at the end of the period pursuant to IAS 19	**802**	**550**
Plan assets	-	-
Other defined benefit plans	-	278
Provision at the end of the period	**802**	**828**

The value of the TFR provision has been properly measured by the Company using actuarial methods. The liability was measured by an independent actuary using the projected unit credit method.
The capitalised policy arranged to guarantee the employees’ termination benefits has been reclassified as a deduction from the employees’ termination benefit provision, since it represents a plan asset. Plan assets are stated at their carrying amount, which approximates their fair value at the reporting date.

The actuarial valuation of the TFR provision was based on calculations performed by an independent actuary, who made the following main assumptions:

- mortality rate: said data was taken from the actuarial technician on the basis of recent survival studies carried out by ANIA, which led to the establishment of a new demographic base called IPS 55. These studies were based on a projection of the mortality of the Italian population for the period 2001-2051 carried out by ISTAT adopting an age-shifting approach to simplify the management of the tables by generation;

- disability rate: the annual probability of ceasing work due to invalidity was determined with reference to the INPS disclosures in 2000;

- annual probability of elimination from service for other reasons: it was assumed equal to 7%, determined on the basis of the historical trend of this parameter within the company;

- annual probability of request for TFR advances: this was assumed to be 2%, based on the historical trend of this parameter for the Company;

- annual interest rate: an interest rate of 1.30% was used, based on the average duration of liabilities to employees;

- annual inflation rate: this was estimated to be 1.5% over the time period considered.

16. Medium-/long-term loans

The item includes the loans contracted to meet the strategic needs of the group also in light of the acquisitions made during the year.

The maintenance of loans is subject to compliance with certain financial parameters determined at contractual level (covenants), which are complied with at the end of the financial year.

The following table shows the reconciliation between the net financial position as at 31 December 2017 and 31 December 2018:

		Monetary flows		Non-monetary flows			
	31/12/2017	**Cash flows**	**New/Repayment Loans**	**Exchange rate differences**	**Change in fair value**	**Other Changes**	**31/12/2018**
Cash and cash equivalents	33,069	(7,705)	-	129	-	-	25,492
Current financial receivables	2,750	(1,900)	-	-	-	6,002	6,852
Current bank loans	-	-	-	-	-	-	-
Current portion of non-current debt	*(21,961,667)*	-	*21,961,667*	-	-	*(41,049,238)*	*(41,049,238)*
Other current financial payables	*(33,844)*	-	-	-	(203,920)	-	*(237,764)*
Current financial debt	(21,996)	-	21,962	-	(204)	(41,049)	(41,287)
Non-current financial receivables	*53,398,690*	*(28,830,863)*	*5,490,703*	*(133,745)*	-		*29,924,785*
Non-current bank loans	*(26,666,667)*	-	(151,040,654)	-	-	*41,049,238*	*(136,658,083)*
Bonds issued	-	-	-	-	-	-	-
Other non-current payables	-	-	-	-	-	-	-
Non-current financial debt	26,732	(28,831)	(145,550)	(134)	-	41,049	(106,733)
Total Net Financial Position	**40,555**	**(38,436)**	**(123,588)**	**(5)**	**(204)**	**6,002**	**(115,676)**

17. Other non-current liabilities

The item includes the payables for the earn-out of two newly acquired companies.

Current liabilities

18. Bank overdrafts and loans

This item refers to short-term loans with various banks.

19. Other financial liabilities

This item includes the liabilities from the fair value measurement of derivative financial instruments as at 31 December 2018.

20. Trade payables

The following table shows the breakdown of trade payables as at 31 December 2018:

(Thousands of Euro)	31/12/2018	31/12/2017
Payables to Italian suppliers	38,729	34,310
Payables to EU suppliers	2,470	2,724
Payables to suppliers outside EU	2,803	1,187
Total trade payables	**44,002**	**38,221**

As at 31 December 2018, trade payables amounted to Euro 44,002 thousand, an increase of Euro 5,781 thousand compared to 31 December 2017.
Trade payables are non-interest bearing and are normally settled within 120 days. Terms and conditions referring to related parties are not different from those applied to third-party suppliers.

It should be noted that the carrying value of trade payables corresponds to their fair value.

21. Other current liabilities

The following table shows the breakdown of other current liabilities:

(Thousands of Euro)	31/12/2018	31/12/2017
Due to social security and welfare institutions	1,349	1,166
Due to employees	2,275	2,003
Payables for tax consolidation	-	-
Other current liabilities	676	759
Total other current liabilities	**4,300**	**3,928**

Due to social security and welfare institutions

Payables to social security agencies mainly refer to amounts payable to such agencies for social security charges pertaining to the year 2014 and paid at the beginning of 2015.

Due to employees

The amounts due to employees relate to holidays not taken, monthly payments and accrued bonuses. These payables are not significant and are generally paid within the following month, except for the payable for holidays accrued but not taken that is paid or used within the following year.

Other payables

Other payables mainly refer to advances received from customers and to directors’ fees that have not yet been paid. These payables are not significant and are generally paid within the next month.

Breakdown of the main items on the income statement 2018

22. Revenues

The following table shows the breakdown of revenue on the basis of geographical areas:

(Thousands of Euro)	**2018**	**2017**
Italy	30,278	28,599
France	21,342	20,536
Europe 15	23,670	20,134
Rest of Europe	30,298	27,609
Rest of the world	19,284	18,695
Total	**124,872**	**115,573**

23. Costs for the use of basic components, ancillary materials and consumables

The following table shows the use of basic components, ancillary materials and consumables:

(Thousands of Euro)	**2018**	**2017**
Purchase of basic components, semi-finished products and consumables:	*60,132*	*58,264*
Purchase of basic components	58,447	56,429
Other industrial purchases	1,031	763
Commercial purchases	654	1,072
Change in inventories of basic components	*1,679*	*1,893*
Change in inventories of semi-finished and finished products	*373*	*(1,321)*
Cost of basic components and consumables	**62,184**	**58,836**

The use of basic components, semi-finished products and consumables increased by Euro 3,348 thousand.

24. Costs for services

The following table provides details of the cost of services:

(Thousands of Euro)	**2018**	**2017**
Direct production services	10,658	10,825
Industrial services	3,545	3,692
Trade services	9,257	7,002
General services	8,572	5,053
Total costs for services	**32,032**	**26,572**

Costs for services increased by Euro 5,460 thousand.

Industrial services include costs relating to outsourced planning and design, certifications, expenses for trademarks and patents.

Trade services relate to transport costs on sales, commissions, trips, travels and other trade costs, as well as marketing and advertising costs.

General services include fees for directors and statutory auditors, legal, tax, notarial and financial consulting and other general and administrative costs.

25. Rental and lease costs

The following table shows the breakdown of rental and lease costs:

(Thousands of Euro)	**2018**	**2017**
Rental costs	3,112	2,834
Hire fees	871	695
Total rental and lease costs	**3,983**	**3,529**

Rental and lease costs are in line with the previous year. Rental costs mainly refer to the rentals of the properties of Nice S.p.A. owned by the affiliated company Nice Immobiliare S.r.l. The amount of lease fees with Nice Immobiliare was determined on the basis of an appraisal conducted by an independent consultant.
Hire fees refer to the fees for hiring cars.

26. Personnel costs

The following table details personnel costs:

(Thousands of Euro)	**2018**	**2017**
Wages and salaries	10,968	8,904
Social security contributions	3,584	2,993
Severance indemnities	504	965
Other costs	2,521	68
Total personnel costs	**17,577**	**12,930**

It is noted that the item “Termination benefits” also includes profit from the application of actuarial methods to determine the TFR provision as at 31 December 2018.

The table below shows the number of employees for the years in consideration:

Unit (at the end of the period)	**31/12/2018**	**31/12/2017**
Blue-collar workers	41	34
White-collar workers	229	206
Middle managers	25	21
Senior managers	9	10
Total staff	**304**	**271**

27. Other operating costs

Other operating costs mainly relate to the allocation made to the bad-debt provision of Euro 167 thousand and to other operating costs, such as general costs, bank commission, contingent liabilities, and various taxes and duties.

28. Depreciation and amortisation

The following table shows the breakdown of depreciation and amortisation:

(Thousands of Euro)	**2018**	**2017**
Intangible fixed assets	2,048	1,067
Tangible assets	4,813	4,261
Total depreciation and amortisation	**6,861**	**5,328**

Amortisation of intangible assets for the year ended 31 December 2018 amounted to Euro 2,048 thousand.
Depreciation of tangible assets amounted to Euro 4,813 thousand. This depreciation largely consists of depreciation on moulds, testing equipment, industrial equipment, furniture and furnishings, hardware.

29. Other income

Other income for the year ended 31 December 2018 amounted to Euro 6,189 thousand and mainly relates to chargebacks for transport costs, insurance compensation, other customer chargebacks and contingent assets.

30. Financial income

The following table shows the breakdown of financial income:

(Thousands of Euro)	**2018**	**2017**
Bank interest income	51	115
Exchange rate gains	3,707	1,524
Dividends	5,914	3,365
Interest on loans	759	937
Other income receivable	25	42
Total financial income	**10,456**	**5,983**

Financial income for the year ended 31 December 2018 amounted to Euro 10,456 thousand, compared to Euro 5,983 thousand in the previous year.
Exchange gains mainly relate to unrealised profits deriving from the translation, at the rate in force as at the reporting date, of assets and liabilities in currencies other than the Euro.

31. Financial expenses

The following table shows the breakdown of financial expenses:

(Thousands of Euro)	**2018**	**2017**
Cash discounts to customers	286	275
Bank interest expenses	413	237
Other financial expenses	294	4,447
Exchange rate losses	3,929	2,760
Total financial expenses	**4,922**	**7,719**

Financial income for the year ended 31 December 2018 amounted to Euro 4,922 thousand, compared to Euro 7,719 thousand in the previous year, with a decrease of Euro 2,797 thousand.

32. Income taxes

The following table shows the breakdown of income taxes:

(Thousands of Euro)	**2018**	**2017**
IRES	1,214	2,705
IRAP	387	552
Total current taxes	**1,601**	**3,257**
Deferred tax assets/liabilities	412	(1,771)
Substitute tax		
Total taxes	**2,013**	**1,486**

The table shows the income tax impact on pre-tax profit:

(Thousands of Euro)	**2018**	**2017**
EBT	12,971	8,964
Income taxes	2,013	1,486
Impact on pre-tax profit	**15.5%**	**16.6%**

Income taxes in 2018 amounted to Euro 2,013 thousand compared to Euro 1,486 thousand in the previous year, with a tax rate of 15.5% compared to 16.6% in the previous year.

Reconciliation between the theoretical and effective tax charge is presented only for IRES - whose structure has the typical features of a corporate income tax - and considers the tax rate applicable to the Company. For IRAP, in view of the different basis used to calculate this tax, the reconciliation between the theoretical and effective tax charge has not been prepared.

The summary was as follows:

Calculation of potential tax	**2018**		**2017**	
EBT	12,971		8,964	
Tax rate – 27.5%				
Theoretical taxes	3,113	24.0%	2,151	24.0%
Effective taxes	2,013	15.5%	1,486	16.6%
Difference	*(1,100)*	-8.5%	*(665)*	-7.4%
IRAP	387	3.0%	552	6.2%
Non-deductible costs and provisions	928	7.2%	2,386	26.6%
Deferred taxes	412	3.2%	(1,771)	-19.8%
Income and contingencies on taxes	60	0.5%	60	0.7%
Effect on dividends received	(1,348)	-10.4%	(767)	-8.6%
Use of provisions after taxes	(500)	-3.9%	(371)	-4.1%
Portion of deductible IRAP	(32)	-0.2%	(2)	0.0%
ACE	(231)	-1.8%	(276)	-3.1%
Other tax changes	(776)	-6.0%	(476)	-5.3%
Total differences	*(1,100)*		*(665)*	

It should be noted that the effective tax rate is 15.5% following the main factors below:

- The partial non-deductibility (for IRES purposes) of IRAP (current and deferred) increases the tax rate by 6.2%;
- The ACE impact reduces the tax rate by -3.1%;
- The tax impact on the dividends received reduces the tax rate by -8.6%.

Taxes have been measured with reference to the taxable income and in compliance with the legislation in force. The Company participated in the Italian tax consolidation envisaged by articles 117 et seq. of the TUIR (Italian Consolidated Law on Income Taxes) – Italian Presidential Decree no. 917 of 22 December 1986, with Nice Group S.p.A. as consolidator. Transactions arising from such Tax consolidation scheme are governed by specific regulations approved and signed by all members of the tax consolidation scheme. Pursuant to said regulations, the companies recognise, and subsequently transfer, current tax even in case of a tax loss, recording, as a compensation, a receivable due from Nice Group S.p.A. On the other hand, if there is a tax gain, current tax as well as a payable due to the parent company as a compensation shall be recognised. Transactions among the parties are governed by a contract that envisages full recognition of the amount calculated on tax gains or losses transferred at current IRES rates.

33. Segment information

Paragraph 4 of IFRS 8 envisages that, should the consolidated and the separate financial statements of the Company be published together, the segment information shall refer solely to the consolidated financial statements.
Consequently, no segment information is provided in these financial statements.

34. Earnings per share

As required by IAS 33, information on the data used to calculate basic and diluted earnings per share (EPS) is provided. Pursuant to IAS 33, paragraph 4, if, as in this case, an entity presents both the consolidated financial statements and the annual financial statements, the information concerning earnings per share must be provided only in relation to the consolidated data.

EPS is calculated by dividing the net consolidated profit or loss for the period attributable to the Company's shareholders by the weighted average number of shares outstanding during the reporting periods.

For the calculation of basic EPS the numerator used is the period's consolidated profit or loss less the portion attributable to non-controlling interests. There are no preference dividends, conversion of preference shares and other similar effects requiring adjustments to the income statement attributable to holders of ordinary equity instruments.

Diluted EPS is equal to basic EPS, since there are no ordinary shares that could have dilution effect, or shares or warrants that could have the same effect, and, based on the current plan, there is no likelihood of stock options accruing.

The following table shows the consolidated profit or loss and the number of ordinary shares used to calculate basic EPS, established according to the method envisaged by IAS 33.

Consolidated earnings per share	**2018**	**2017**
(Euro thousands)		
Average number of shares	110,664,000	110,664,000
Net profit/loss attributable to the Group	18,823	22,931
Data per share (Euro)		
Basic, net profit attributable to the ordinary shareholders of the parent company	0.17009	0.20721
Diluted, net profit attributable to the ordinary shareholders of the parent company	0.17009	0.20721

No other transactions involving ordinary shares occurred between the reporting date and the date of preparation of the financial statements.

35. Dividends paid and proposed

In consideration of the effects deriving from the recent extraordinary transactions involving the Group, the Board of Directors did not deem it appropriate to propose to the Shareholders' Meeting the distribution of a dividend.

36. Commitments and risks

The Company has entered into some lease contracts for industrial and commercial properties. These contracts have a duration of six years and can be automatically renewed upon expiration for a further six-year period; they are index-linked to the Istat consumer price index. The lease contracts mainly relate to properties leased by the associate Nice Immobiliare Srl.

The future lease fees in relation to these contracts are as follows:

Lease contract commitments	**31/12/2018**	**31/12/2017**
within 1 year	3,125	3,224
between 1 and 5 years	9,819	7,761
over 5 years	7,522	6,732
Total lease contract commitments	**20,467**	**17,717**

The Company has also issued some comfort letters in favour of subsidiaries, as shown in the table below:

Beneficiary	Currency	Amount (€/000)	Expiry
Nice Deutschland GmbH	EUR	500	--
Elero GmbH	EUR	12,500	15/06/2026

37. Research and development costs

The innovation and research work carried out during 2018 incurred costs on projects relating to new products or substantial changes to existing products, as well as to new production and organisational processes.
The costs in 2018 amounted to Euro 3,344 thousand, of which 2,401 related to personnel costs capitalised for Euro 1,666 thousand.

38. Related-party disclosures

The parent company of Nice S.p.A. is Nice Group S.p.A. with registered office in Oderzo (TV) – via Pezza Alta, 13 Z.I. Rustignè. The Company has relations with subsidiaries directly and indirectly, with the parent company and with third parties that are directly or indirectly linked by common interests with the majority shareholder. Transactions with these subjects are marked by utmost transparency and take place at arm’s length.
Transactions with related companies are the following:

- Nice Group S.p.A.: property lease and receivables from participation in the Italian tax consolidation scheme;
- Nice Immobiliare S.r.l.: property leases and renovation of a building;
- Fattoria Camporotondo S.agr.s.: supply of wine products. This company is indirectly managed by Lauro Buoro, who is also the Chairman of Nice S.p.A.;
- Modular Professional S.r.l.: supply of production material and purchase of other assets. This company is indirectly managed by Lauro Buoro, who is also the Chairman of Nice S.p.A.;
- Habitat S.r.l.: property lease to Nice S.p.A.

Sales and purchases among related parties take place at arm’s length. Balances outstanding as at the reporting date are unsecured, non-interest bearing and settled in cash. No guarantees have been given or received for receivables from or payables to related parties.

Pursuant to Consob resolution no. 15519 of 27 July 2006, the economic and financial reports of the year 2018 with affiliated companies and subsidiaries are summarized in the following table (amounts in Euro thousands):

Company	Sales revenues	Other revenues	Financial income	Purchase of finished products	Rental and lease costs	Costs for services	Capex	Other payables/ receivables	Trade receivables	Trade payables
Nice Group S.p.A.	-	61	-	-	-	5	177	1,400	112	221
Nice Immobiliare S.r.l.	-	58	-	-	2,855	16	-	-	95	27
Fattoria Camporotondo	3	9	-	-			-	-	18	1
Modular S.r.l.		12	-	-		3	1	-	27	1
Habitat			-	-	15	-		-	-	-
Total related parties	**3**	**140**	**-**	**-**	**2,870**	**24**	**178**	**1,400**	**252**	**250**
Nice France	21,000	2,042	-	175	-	379		2,350	3,176	333
Nice Polska	13,146	92	-	58	-	194	-	-	1,943	136
Nice Automatismos Espana	7,045	257	5	33	-	59	-	-	1,394	69
Nice Belgium	2,706	74	-	21	-	42	-	-	629	33
Nice U.K.	3,370	162	-	1	-	25	-	-	746	26
Nice Romania	2,237	25	-		-		-	-	1,829	1
Nice Deutschland	5,271	170	-	1,179	-	176	-	-	8,160	154
Nice Shanghai Automatic Control	1,327	41	-	1,853	-	3	-	-	1,970	1,771
R.D.P. Shanghai Trading	5	17	-	6,585	-	8	1	-	-	145
Nice Usa	1,771	1,181	363	119	-	49	-	3,379	2,070	52
Hy Security	410	90		64	-	2	-	-	499	66
Nice Istanbul	3,190	27		50	-	69	-	-	692	119
Nice Australia	1,033	78	70	27	-		-	1,919	1,141	27
Nice Portugal	1,622	5	-	9	-	10	-	-	553	18
Nice Home Automation JSC	4020	7	-	-	-	1	-	-	521	-
ET Nice	333	36	-	22	-	22	-	80	379	36
SAAC Srl	115	8		79	-	65	14	(500)	23	395
Fenice Immobiliare	0	-	-	-	-	-		5,451	2	-
King Gates S.r.l.	1,307	226	-	168	-	-		(500)	143	64
Elero GmbH	81	158	218	1,927	-	112	367	13,902	231	339
Elero Sweden	775	42	-	-	-	-	-	-	264	1
Elero India			-	-	-	-	-	-	2	
Elero Singapore	24	7	-	-	-	117	-	-	1	17
Nice Gulf	2,841	109	-	49	-	84	-	-	913	90
Peccinin	49	75	-	-	-	200	-	-	209	250
Genno	230	9	-	-	-	-	-		374	
Omega	-		-	-	-	-	-		1	
Building App	-	45	-	-	-	-	-		7	559
ACM International Srl	-	1	-	-	-	-	-	100	1	-
V2 S.p.A.	-	1	-	-	-	-	-	-	1	-
Fibar Group S.p.A.	-	-	-	-	-	2	-	-		-
Linear Equipamentos e Serviços Ltda	-	17	-	-	-	-	-	-	17	-
Abode Systems Inc.	-	-	103	-	-	-	-	2,606	-	-
Total subsidiaries	**73,908**	**5,002**	**759**	**12,419**	**-**	**1,619**	**382**	**28,787**	**27,891**	**4,701**
Total	**73,911**	**5,142**	**759**	**12,419**	**2,870**	**1,643**	**560**	**30,187**	**28,143**	**4,951**

The following are the fees due to Directors and Statutory Auditors for their offices held in Nice S.p.A. and in other subsidiaries of Nice S.p.A. This is in compliance with article 78 of the Issuers' Regulation no. 11971/99 as subsequently amended, and in accordance with the provisions of Attachment 3 C of the same Regulation (amounts in thousands of Euro):

Person	Office	Duration of office	Remuneration as a director	Remuneration as an employee	Fringe benefits	Total
Lauro Buoro	Chairman	2016-2018	400	-	11	411
Roberto Griffa	Chief Executive Officer	2016-2018	350	-	12	362
Denise Cimolai	Director	2016-2018	13	96	3	112
Lorenzo Galberti	Director	2016-2018	186	-	3	189
Giorgio Zanutto	Director	2016-2018	90	85	3	178
Chiara Mio	Director	2016-2018	24	-	-	24
Antonio Bortuzzo	Independent Director	2016-2018	22	-	-	22
Emanuela Paola Banfi	Independent Director	2016-2018	13	-	-	13
Giuliano Saccardi	Chair of the Board of Statutory Auditors	2018-2020	26	-	-	26
Monica Berna	Standing Auditor	2018-2020	14	-	-	14
Enzo Dalla Riva	Standing Auditor	2018-2020	14	-	-	14
Total fees			**1,152**	**181**	**32**	**1,364**

The amounts shown above include short-term and termination benefits accrued and paid to the directors and statutory auditors of Nice S.p.A.

39. Financial risk management policies and objectives

The Company's net financial position is a profit of Euro 40,555 thousand, especially deriving from operations. The Company holds other financial instruments, mainly trade receivables, which directly arise from operations.

Credit risk

Credit risk is the exposure to potential losses arising from the failure to meet commitments made by both trade and financial counterparties.

The Group tends to minimise the risk arising from customers' default by dealing only with known, reliable and solvent customers. The Group's policy is to subject customers requesting extended payment terms to procedures to check their credit rating. In addition, the balance of receivables is monitored during the year so that the amount of exposure to losses is not significant. Lastly, in case of new customers operating in some countries not belonging to the European Union, the Group usually requests and obtains letters of credit. There is no significant concentration of credit risk in the Group.

Credit risk relating to the Group's other financial assets, which include cash and cash equivalents, features a maximum risk equal to the carrying value of such assets in the event of insolvency of the counterparty.

Liquidity risk

Liquidity risk is related to the possibility of not having the necessary financial instruments to meet the obligations relating to financial and trade liabilities within the established deadlines.

It is believed that the liquidity risk is essentially null, given the cash flows that the Group has always generated and it expects to continue to generate.

Exchange rate risk

The Nice Group exports its products all over the world: at present, the turnover abroad exceeds 85% of the total. The characteristics of the business, distribution model and financial structure are factors that expose the Group to exchange rate risk.
The main objective of the Nice Group is to limit exposure in currency arising from the export of the finished product primarily through the compensation of collection and payment flows (natural hedging) settled in the same currency.
With regard to mismatch, it should be noted that the Board of Directors of 12 November 2015 approved a new Group Policy for the management of exchange rate risk, aimed at establishing financial management that allows the timely monitoring of Group currency exposure and safeguarding the margins of industrial activities.

Interest rate risk

Bank loans expose the Group to interest rate risk, particularly with reference to variable rate loans. The Group manages this risk by relying on Interest Rate Swaps (IRS).

40. Capital management

The Group has limited payables to financial intermediaries and has a positive net financial position, which guarantees payment of an adequate dividend to shareholders and the pursuit of a growth strategy that includes acquisitions.
In order to maintain or adjust the capital structure, the Company can adjust the dividends paid to shareholders, repay the share capital, or issue new shares.
No change was made to the objectives, policies or procedures during this year.

41. Financial instruments

Fair Value

Comparison of the carrying value and the fair value by class of all the Company's financial instruments recognised in the financial statements does not show any significant differences that should be mentioned, besides those highlighted.

As required by paragraphs 25 and 27 of IFRS 7, the table below presents the comparison of carrying value and fair value by class for all the Company's financial instruments recognised in the financial statements:

(Thousands of Euro)	Carrying value 31/12/2018	Fair value 31/12/2018
Financial assets at fair value through income statement	-	-
(i) designated as such at time of initial recognition	-	-
(ii) classified as held for trading	-	-
Financial liabilities at fair value through profit or loss	238	238
(i) designated as such at time of initial recognition	-	-
(ii) classified as held for trading	*238*	*238*
Financial assets measured at amortised cost	101,847	101,847
Loans to subsidiaries	*29,925*	*29,925*
Trade receivables	*39,580*	*39,580*
Other financial assets	*6,850*	*6,850*
Cash and cash equivalents	*25,492*	*25,492*
Financial liabilities measured at amortised cost	84,850	84,850
Bank overdrafts and loans	*40,848*	*40,848*
Trade payables	*44,002*	*44,002*
Financial assets at fair value through the comprehensive income	-	-

(Thousands of Euro)	Carrying value 31/12/2017	Fair value 31/12/2017
Financial assets at fair value through income statement	-	-
(i) designated as such at time of initial recognition	-	-
(ii) classified as held for trading	-	-
Financial liabilities at fair value through profit or loss	34	34
(i) designated as such at time of initial recognition	-	-
(ii) classified as held for trading	*34*	*34*
Financial assets measured at amortised cost	123,820	123,820
Loans to subsidiaries	*53,399*	*53,399*
Trade receivables	*34,602*	*34,602*
Other financial assets	*2,750*	*2,750*
Cash and cash equivalents	*33,069*	*33,069*
Financial liabilities measured at amortised cost	59,983	59,983
Bank overdrafts and loans	*21,762*	*21,762*
Trade payables	*38,221*	*38,221*
Financial assets at fair value through the comprehensive income	-	-

Fair value measurement and hierarchy

Regarding financial instruments recognised in the statement of financial position at fair value, IFRS 7 requires that their value would be classified according to a hierarchy of levels that reflects the significance of the inputs used in measuring fair value. The following levels are identified:

- Level 1 – quoted prices in an active market for the asset or liability being measured;
- Level 2 – inputs other than the quoted prices included within Level 1, that are observable in the market, either directly (prices) or indirectly (derived from prices);
- Level 3 – inputs not based on observable market data.

All assets and liabilities measured at fair value as at 31 December 2018 can be classified in Level 2 of the fair value hierarchy, with the exception of some short-term financial assets that can be classified in Level 1 of the hierarchy. In addition, during 2018 there were no transfers from Level 1 to Level 2 or Level 3 and vice versa.

With regard to derivative financial instruments, as at 31 December 2018 the Company only has IRS hedging contracts on the interest rate of a bank loan.

42. Events after the reporting period

At the beginning of January 2019, the Nice Group finalized the acquisition of 100% of the capital of Micanan, North American excellence in the offer of systems for the automation of garage doors, for commercial and industrial applications, for an amount of 8 million Canadian dollars. The purchase is being financed through own funds and credit facilities already available to Nice S.p.A.

With reference to the delisting process commented on in the report on operations in the chapter on Company Control, it is noted that from 27 December 2018 to 19 February 2019, Nice Group S.p.A. and B-Age Nice S.p.A. (controlled by Nice Group S.p.A.) purchased a total of 4,205,596 shares of Nice S.p.A. and that, following these purchases, Nice Group came to hold 99,955,411 shares and B-Age Nice 3,389,515 shares, equal in total to 93.69% of the share capital of Nice S.p.A. (also including treasury shares). The period from 4 March 2019 to 22 March 2019 is reserved for B-Age Nice to initiate, on behalf of Nice Group, the Purchase Obligation procedure, pursuant to art. 108, paragraph 2, of the TUF on a maximum of 7,319,074 ordinary shares of Nice S.p.A., equal to 6.31% of the share capital of the same, all for the purpose of obtaining the revocation of the listing of Nice shares probably starting from April 2019.

Also on the basis of specific opinions provided by the legal advisors of the Parent Company, in light of the aforementioned delisting process that will lead to the revocation of the listing of the ordinary shares of Nice S.p.A. and the choice to subsequently call the annual shareholders' meeting in May 2019, it is considered correct not to proceed on the occasion of such fulfilment with the publication of the report on corporate governance, on the ownership structure and on remuneration as the same is connected to the status of listed company.

These financial statements provide a true and fair view of the financial position, and of the profit or loss for 2018.

Oderzo, 13 March 2019.

For the Board of Directors

The Chair

Lauro Buoro

Annexes to the annual financial statements

Summary of the main financial statement data of subsidiaries at 31/12/2018

Company Name	Registered office	Currency	Share capital	Shareholders' equity in Euro	Profit/Loss for the year in Euro	% ownership Direct	Indirect	Total	Carrying value in Euro
Nice UK LTD	Nottinghamshire, United Kingdom	GBP	765,000	1,193,840	401,286	100.00%		100.00%	901,000
Nice Belgium S.A.	Hervelee, Belgium	EUR	212,000	649,642	(46,175)	99.70%		99.70%	116,000
Nice Polska S.p. Z.o.o.	Pruszkov, Poland	PLN	1,000,000	6,145,641	1,226,166	100.00%		100.00%	1,475,000
Nice Automatismos Espana S.A.	Mostoles, Madrid, Spain	EUR	150,253	3,193,251	1,063,512	60.00%		60.00%	877,000
Nice France S.a.s.	Aubagne, France	EUR	600,000	4,790,389	(700,746)	100.00%		100.00%	9,347,162
Building App S.r.l	Oderzo, Italy	EUR	110,000	627,234	18,297	100.00%		100.00%	795,500
ACM International S.r.l	Pomezia, Italy	EUR	100,000	1,994,648	314,333	100.00%		100.00%	11,900,000
S.C. Nice Romania S.A.	Bucharest, Romania	RON	383,160	1,017,003	28,885	99.00%		99.00%	103,000
Nice Deutschland GmbH	Billerbeck, Germany	EUR	50,000	15,239,494	(886,410)	100.00%		100.00%	28,637,000
Nice Shanghai Automatic Control Co. LTD	Shanghai, China	EUR	2,300,000	871,094	(197,238)	100.00%		100.00%	1,800,000
R.D.P. Shanghai Trading Co. LTD	Shanghai, China	EUR	200,000	2,295,491	458,204	100.00%		100.00%	200,000
Nice Istanbul Makine Ltd	Istanbul, Turkey	TRY	10,560,000	3,091,681	628,960	99.00%		99.00%	5,023,500
Nice Australia Home Automation PTY Ltd	Sydney, Australia	AUD	5,113,814	1,078,770	80,723	100.00%		100.00%	3,624,000
AutomatNice Portugal S.A.	Lisbon, Portugal	EUR	50,000	727,424	224,146	100.00%		100.00%	-
ET Nice	Johannesburg, South Africa	ZAR	22,000,000	14,019,421	1,752,770	100.00%		100.00%	17,839,495
Nice Group USA, Inc	San Antonio - Texas (USA)	USD	1	57,695,330	753,520	100.00%		100.00%	50,973,486
Nice Home Automation JSC	Moscow, Russia	RUB	20,000	1,097,711	722,945	100.00%		100.00%	7,610,000
SAAC S.r.l.	Treviso, Italy	EUR	25,000	1,393,302	7,534	100.00%		100.00%	3,636,464
Fenice Immobiliare S.p.A. (formerly FontanaArte S.p.A.)	Oderzo, Italy	EUR	2,670,000	2,946,664	(146,657)	100.00%		100.00%	3,016,919
Peccinin Portoes Automaticos Industrial Ltda	Limeira, Brazil	BRL	87,107,700	24,481,444	(31,762)	100.00%		100.00%	43,781,843
King Gates S.r.l.	Pordenone, Italy	EUR	100,000	4,658,587	111,507	100.00%		100.00%	5,300,000
Nice Gulf FZE	Dubai, United Arab Emirates	AED	1,008,000	2,291,607	134,851	100.00%		100.00%	2,610,000
Fibar Group S.A.	Poznan, Poland	PLN	1,182,100	11,861,715	(22,596)	100.00%		100.00%	68,737,841
V2 S.p.A.	Racconigi, Cuneo	EUR	8,378,500	10,561,742	91,090	100.00%		100.00%	21,738,276
Nice Canada Real Estate Holdings Inc.	Montreal, Quebec	CAD	-	-	-	100.00%		100.00%	-
Nice Group Canada Inc.	Montreal, Quebec	CAD	-	-	-	100.00%		100.00%	-

Information pursuant to article 149-duodecies of Consob Issuers' Regulations

The following table, which has been prepared pursuant to article 149-*duodecies* of Consob Issuers' Regulations, shows the 2018 fees for services provided to Nice Group by the independent auditors and by entities belonging to their network.

Type of services	Entity supplying the service	Recipient	Fees (in thousands of Euro)
Audit	BDO Italia S.p.A.	Parent Company	68
Audit	BDO Italia S.p.A.	Subsidiaries	9
Audit	BDO network	Subsidiaries	138
Other services	BDO Italia S.p.A.	Parent Company (1)	15
Total fees			**230**

(1) Non-accounting data verification services

Certification of the financial statements pursuant to art. 154 *bis* of Legislative Decree 58/98 (Consolidated Finance Act)

1. The undersigned Roberto Griffa, in his capacity as Chief Executive Officer, and Denise Cimolai, in her capacity as Financial Reporting Manager of Nice S.p.A., herewith certify, also taking into account the requirements of article 154 *bis*, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998:

- the appropriateness in relation to the enterprise's characteristics and
- the effective application of administration and accounting procedures for the preparation of the Financial Statements during the period from 01 January 2016 to 31 December 2016.

2. Analysis and assessment of the adequacy and effectiveness of Nice's administration-accounting internal control system has been performed through the set-up of uniform administration-accounting Internal Control System Model common to the entire Group, developed consistently with the most commonly applied international framework, i.e. the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (CoSO Report), and also through the use of international auditing standards and best practices.

3. It is further certified that:

3.1 the financial statements:

a) have been drawn up in accordance with the applicable International Accounting Standards adopted by the European Union in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and Council, dated 19 July 2002, as well as with the provisions issued in implementing article 9 of the Italian Legislative Decree no. 38/2005;

b) match the data of corporate books and accounting records;

c) are able to give a true and fair view of the issuer's financial position, results and cash flows;

3.2 the report on operations contains a reliable operating and financial review, as well as the situation of the issuer and of the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Oderzo, 14 March 2017

Roberto Griffa	Denise Cimolai
(CEO)	(Financial Reporting Manager)

Report of the Board of Statutory Auditors

NICE S.P.A.

REGISTERED OFFICE IN ODERZO - VIA CALLALTA 1, ODERZO

SHARE CAPITAL EURO 11,600,000.00 FULLY PAID-IN

REGISTER OF COMPANIES OF TREIVSO AND TAX ID CODE 02717060277

* * * *

REPORT OF THE BOARD OF STATUTORY AUDITORS

TO THE SHAREHOLDERS' MEETING

IN ACCORDANCE WITH ARTICLE 153 OF ITALIAN LEGISLATIVE DECREE NO. 58/1998 AND OF ARTICLE 2429, PAR. 2 OF THE ITALIAN CIVIL CODE

Dear Shareholders,

during the year ending at 31 December 2018, we performed the supervisory activity required by the law, in accordance with the standards of conduct for the Board of Statutory Auditors of listed companies recommended by the Italian Associations of Chartered Certified Accountants, bearing in mind the applicable CONSOB recommendations and the indications contained in the Corporate Governance Code of listed companies.

Supervisory activity on compliance with the law and with the Articles of Association

During the year, the Board of Statutory Auditors held regular meetings, attended the Shareholders' Meetings and all the meetings the Board of Directors held during the year, and obtained regular information from Directors about the work carried out and about the most important transactions undertaken by the Company or its subsidiaries.

In particular, the Board of Statutory Auditors:

- held 12 meetings, attended as a rule by all members in office;
- attended, as a rule with all members, 13 meetings of the Board of Directors;
- attended, as a rule through the presence of the Chairman and/or another Statutory Auditors, the 7 meetings held by the "Audit and Risk Committee";
- attended, as a rule through the presence of the Chairman and/or another Statutory Auditors, the 5 meetings held by the "Committee for the Performance of Transactions with Related Parties";
- attended with all members the ordinary Shareholders' Meeting held on 24 April 2018;
- met the head of the Internal Audit function;
- met the Supervisory Body;
- held meetings with the persons in charge of the independent auditor for the purpose of the timely exchange of data and of the relevant information for the performance of the respective duties;
- received the documents and the information deemed relevant by the executive directors and by the other corporate functions.

No claims pursuant to article 2408 of the Italian Civil Code were submitted during the year.

No petitions were submitted to the Board of Statutory Auditors during the year.

During 2018, the Board of Statutory Auditors expressed an opinion on the proposal to renew the authorisation for the purchase/sale of treasury shares.

Supervisory activity on compliance with correct administration principles and significant transactions

The most important transactions at an economic, financial and equity level undertaken by the Company and its subsidiaries were carried out in compliance with the law and with the Articles of Association. Based on the information acquired, the Board has been able to ascertain that they were not manifestly imprudent, hazardous, in conflict of interest or in any case such as to jeopardize the integrity of company assets.

The Board did not find any atypical and/or unusual transactions undertaken during the year with third parties, related parties or intra-group.

In their Report on Operations, and above all in the Explanatory Notes, the Directors indicate and describe the main transactions with third parties, related parties or intra-group, highlighting their characteristics and economic impact. As regards this, we recall the business combination transactions performed by the Group in 2018:

- Linear Equipamentos e Serviços Ltda: purchase of 100% for a price of 35 million Brazilian Real;
- Abode System Inc: purchase of 75% for a price of 18.8 million USD, with the possible exercise of put and call options for the remaining 25%;
- Fibar Group S.A.: purchase of 100% for a price of 63 million Euro;

- V2 S.p.A.: purchase of 100% with indirect acquisition of the subsidiaries for a price of 21.7 million Euro;
- ACM International S.r.l.: purchase of 100% for a price of 11.9 million Euro.

The Board has acknowledged that these transactions are in the Company's best interest and it also acknowledged the fairness of the prices agreed.

Furthermore, the Board ascertained that the ordinary operating procedures applied within the Group ensure that all commercial transactions with related parties are concluded at arm's length and in compliance with the procedure for the performance of the aforesaid transactions, approved by the Board of Directors. To this end, these transactions are described in detail by the Directors in their Report on Operations and in the Explanatory Notes.

The Board of Statutory Auditors deems the information provided to be adequate.

The Board of Statutory Auditors has no particular comments to make concerning compliance with the principles of proper management, which appear to have been constantly observed.

Supervisory activity on the adequacy of the organisation, of the internal control system and of the administrative and accounting system

The Board of Statutory Auditors supervised the existence of an adequate organisational structure in relation to the dimensions, to the structure of the entity and to the objectives pursued and to allow compliance with regulations, including specific sector regulations, applicable to the Company.

As regards the ways in which the Board of Statutory Auditors carried out its institutional activity, the Board declares that it:

- monitored the Group's organisational evolution;
- monitored the functioning of internal audit and administration-accounting systems to assess their appropriateness for operational needs, as well as their reliability in terms of representing operating events. In carrying out this activity, the Board was supported by the Internal Audit function and by the outcome of systematic audits carried out by the independent auditors on the regular maintenance of the Company's accounts, which were concluded without any faults being found;
- monitored concrete approaches to implement the corporate governance rules established by current regulations and by the Corporate Governance Code for Listed Companies promoted by Borsa Italiana S.p.A.

In particular, the Board of Statutory Auditors reports that during 2018, the Company's organisational structure was further improved so as to manage, direct, coordinate and control development of the various activities carried out by the Group's operating companies, through the systematic direction of decision-making processes. The Internal Audit function has been outsourced once again, for the years 2016-2018, to Vittorio Gennaro, the Chief Executive Officer of the consulting firm Operari Srl. The appointment took place by resolution of the Board of Directors on 11 March 2016, at the proposal of the Director in charge of the internal audit system, after obtaining the favourable opinion of the Audit and Risk Management Committee and after consulting the Board of Statutory Auditors. On 28 February 2017, the Company stipulated a new contract that replaced the previous one in full for the years 2017 and 2018. In compliance with said contract, the audit plan has been limited to just some consultancy appointments to assist the Financial Reporting Manager and some consultancy or assurance appointments in support of the Company's Supervisory Body. This year, the internal audit activity continued both through specific inspection activities and the check and assessment of the internal audit system implemented in the Group Companies, with suggestions put forth in order to rectify any deficiencies found and with support provided to the declarations made by the Financial Reporting Manager; the head of the Internal Audit function also supported the activity of the Audit and Risk Committee.

On 4 March 2019, the Board of Directors also approved the revision of the Organisational Model per Legislative Decree no. 231/2001.

In the Report on Operations, the Directors present a prudent perception of the risks stemming from the markets' macroeconomic trends and the more specific risks relating to the sector in which the Group operates. Lastly, based on the results of the supervisory activity performed by the Internal Audit function and on the indications emerging in the various meetings with Group representatives, the Board of Statutory Auditors duly acknowledges that the checks performed during the year did not discover any critical aspects in the overall internal audit system of an entity such as to require their mention in this report.

The Board of Statutory Auditors, as recommended by the Rules of Behaviour of the Boards of Statutory Auditors of listed Companies, carried out its own self-assessment on composition and operation and disclosed the results to the Board of Directors.

In the same way the Board carried out its own audit activity on the permanence of the requirement of independence of its own members.

The Board collected evidence on the adequacy of the composition, dimension and operation of the Board of Directors and of the Committees, with particular regard to the requirements prescribed for independent Directors.

The Board of Statutory Auditors was informed of the results of the Self-assessment activity carried out by the Board of Directors which did not uncover any elements which the Board of Statutory Auditors deems that it has to point out in this report.

In 2018, the Group's Administration Division continued to strengthen the corporate information systems of subsidiaries so as to maintain effective supervision over the management of the entire Group's data and information.

The Board acknowledges that it has verified compliance with legal requirements on the preparation of financial statements, consolidated financial statements and the relevant report on operations by means of direct checks, information acquired by the Financial Reporting Manager, as well as specific information acquired by the independent auditors;

The Board monitored the appropriateness of the instructions given by the Company to its subsidiaries pursuant to article 114, paragraph 2 of Italian Legislative Decree no. 58/1998, to ensure they provide the necessary information for compliance with the disclosure requirements pursuant to the law, and no exceptions were found.

The Board stresses that, as commented in the Report on Operations and in the Explanatory Notes, in December 2018 the Company initiated a process directed at de-listing the shares on the Electronic Stock Market (*Mercato Telematico Azionario*, MTA), STAR segment. This process, which continued in the early months of 2019 also through a Purchase Obligation procedure in accordance with article 108 Paragraph 2 of Legislative Decree no. 58/1998, should be completed in April 2019. The Explanatoy Notes of the separate financial statements and of the consolidated financial statements specify that, in light of the aforementioned delisting process and of the choice to call the annual Shareholders' Meeting after the delisting of ordinary share, also on the basis of specific opinions provided by the legal advisors of the Company, the Directors decided not to prepare the report on corporate governance and ownership structure in accordance with article 123-*bis* of Legislative Decree no. 58/1998.

Supervisory activity on the account audit activity

The company engaged to audit the accounts is BDO Italia S.p.A.

The appointment was made by the ordinary Shareholders' Meeting with its resolution of 30 November 2010 and will expire with the approval of the financial statements as at 31 December 2018.

The Company initiated the procedure for the selection of the new independent auditor to be appointed, taking into account the delisting operation currently taking place.

During 2018, Italian and foreign companies of the BDO Italia S.p.A. network provided services amounting to a total of 230 thousand Euro to the Companies of the Nice S.p.A. Group; in particular, 215 thousand Euro related to audit activities and 15 thousand Euro to other services.

As far as we know, no further assignments were awarded, either by Nice S.p.A. or by its subsidiaries, to parties linked by continual relations with the firms appointed to audit the accounts.

The Board points out that no critical issues emerged with regard to the independence of the audit firm.

During the systematic meetings between the Board of Statutory Auditors and the independent auditors, pursuant to article 150, paragraph 3, of Italian Legislative Decree no. 58/1998, no significant aspects to be reported emerged.

Non-financial statement

In compliance with Legislative Decree no. 254/2016, the Company prepared the 2018 Consolidated Non-Financial Statement.

The statement was prepared in accordance with articles 3 and 4 of Legislative Decree no. 254/2016 and with the "Global Reporting Initiative Sustainability Reporting Guidelines", published in 2016 by the Global Reporting Initiative.

The Consolidated Non-Financial Statement, contained in the Report on Operations, was subjected to compliance assessment by the independent auditor which expressed, with a dedicated report, a certification attesting that no information was received that suggest that this has not been prepared, in all its significant aspects, in compliance with the requirements of articles 3 and 4 of Italian Legislative Decree no. 254 and the selected GRI Standards.

Observations concerning the financial statements, approval and matters under the competence of the Board of Statutory Auditors

The financial statements of Nice S.p.A. for the year ended 31 December 2018 and the consolidated financial statements at the same date were prepared according to IAS/IFRS international accounting standards issued by the International Accounting Standard Board (IASB).

The Board of Statutory Auditors familiarised itself with the criteria adopted in the formation of the aforesaid financial statements, with particular reference to the content and structure, to the scope of consolidation and to the uniformity of application of the accounting standards, to the existence of adequate disclosure on corporate performance and on the assessments carried out to test assets for impairment and on the permanence of the going concern requirement.

With particular reference to the assessment of equity investments in the separate financial statements and of goodwill in the consolidated financial statements, deemed to be key aspects also by the independent auditors, in consideration of their significance, of their amount and of the important acquisitions that took place in 2018, and of the significance of the assessment processes, the Board points out that the Board of Directors approved the Impairment Test procedure, defined with the support of an independent expert. The related cash flows derived from the previously approved 2019-2021 business plan.

Since the Board is not responsible for checking the content of the financial statements line by line, we oversaw the general set-up of the financial statements, general compliance with the law with regard to their formation and structure, for which we have no particular observations to report.

As far as the Board is aware, the Directors, in preparing the financial statements, complied with the provisions of the Law in accordance with article 2423, Paragraph 4, of the Italian Civil Code.

The Board of Statutory Auditors verified whether the financial statements and the report on operations matched the facts and information of which it has knowledge as a result of the performance of our duty and we have no observations in this regard.

In its own audit Reports, issued on 27 March 2019, on the separate financial statements at 31 December 2018 and on the consolidated financial statements at 31 December 2018, the independent auditor BDO Italia S.p.A.:

- issued an opinion stating that the separate and consolidated financial statements of Nice S.p.A. provide a truthful and fair representation of the financial position of Nice S.p.A and of the Group at 31 December 2018, of the income and of the cash flows for the year ended on that date in accordance with the IFRS adopted by the European Union, and with the measures promulgated to implement article 9 of Legislative Decree no. 38/05;

- issued an opinion of consistence of the Report on Operations with the separate financial statements and with the consolidated financial statements as at 31 December 2018 and its compliance with laws and regulations;

- declared that it has nothing to report, with regard to any significant errors, in the Report on Operations, based on the knowledge and on the understanding of the entity and of the related context acquired in the course of the audit activity;
- declared that it has not issued the opinion per article 123-*bis*, Paragraph 4 of Italian Legislative Decree no. 58/1998, because as pointed out, in emphasis of matter paragraphs, as a result of the ongoing Delisting procedure, the Directors decided not to proceed with the preparation of the report on corporate governance and ownership structure, per article 123-*bis* of Legislative Decree no. 58/1998.

The Chief Executive Officer and the Financial Reporting Manager issued the certification pursuant to article 154-*bis* of Italian Legislative Decree no. 58/1998.

The Board also expressed its consent to the recognition of development costs among assets in the financial statements for 2018.

We herewith declare that the supervisory activity of the Board did not reveal omissions, faults or irregularities such as to require reporting or mention to Shareholders.

The Board of Statutory Auditors, on the basis of the activity carried out during the year, did not observe any reasons barring approval of the financial statements as at 31 December 2018 and of the related proposed resolutions formulated by the Board of Directors.

Oderzo, 28 March 2019

for THE BOARD OF STATUTORY

AUDITORS

The Chair

Giuliano Saccardi

This report has been translated into English from the original, which was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.

Report of the Independent Auditors

Nice S.p.A.

Independent auditor's report pursuant to article 14 of Legislative Decree No. 39, dated January 27, 2010 and article 10 of EU Regulation No. 537/2014

Financial statements at December 31, 2018

This report has been translated into English from the original, which was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.

BDO

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Via Leone Pancaldo, 68
37138 Verona

Independent auditor's Report

pursuant to article 14 of Legislative Decree No. 39, dated January 27, 2010 and article 10 of EU Regulation No. 537/2014

To the Shareholders of
Nice S.p.A.

Report on the financial statements

Opinion

We have audited the financial statements of Nice S.p.A. (the "Company"), which comprise the statement of financial position as at December 31, 2018, the statement of comprehensive income, the income statement, the statement of changes in shareholders' equity, the statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement article 9 of Legislative Decree No. 38/'05.

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 financial statements* section of our report. We are independent of the Company in accordance with the ethical and independence requirements applicable in Italy to the audit of financial statements.

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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Bari, Bergamo, Bologna, Brescia, Cagliari, Firenze, Genova, Milano, Napoli, Padova, Palermo, Pescara, Potenza, Roma, Torino, Treviso, Trieste, Verona, Vicenza

BDO Italia S.p.A. - Sede Legale: Viale Abruzzi, 94 - 20131 Milano - Capitale Sociale Euro 1.000.000 i.v.
Codice Fiscale, Partita IVA e Registro Imprese di Milano n. 07722780967 - R.E.A. Milano 1977842
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Key audit matter	Audit response
Valuation of equity investments *Note 3 "equity investments"* The Company includes in the financial statements at December 31, 2018 investments for a total of Euro 290 million, representing 62.7% of total assets. Equity investments in subsidiaries are recorded at purchase or underwriting cost, including price and put/call option adjustments, if any, on non-controlling interests of subsidiaries, from which potential capital repayments are deducted and, if necessary, adjusted for impairment, which is determined in the same way as indicated above for tangible assets and subsequent re-determinations of the put/call options themselves. The original amount is restored in subsequent years if the grounds for the impairment no longer exist. These adjustments are charged to the income statement. Differences, if any, in the book value of some equity investments and the shareholders' equity of the relevant subsidiaries are justified by the recoverable amount of the cash generating unit (Cash Generating Unit- CGU) which the subsidiaries belong to and valued as part of the impairment test prepared by an independent expert. We focused on this item due to the significance of its amount, considering also the important acquisitions made during 2018, as well as the complexity of its valuation process and the determination of impairment related and the unpredictability for the achievement of events included in the plan used as assumptions for the impairment test.	Our main audit procedures performed, also with the support of our internal specialists, included the following: ▪ Analysis of the movement of the item during the year and the examination of the most significant acquisition, sales or business combinations transactions; ▪ We verified the correct classification and accounting policy; ▪ we obtained, for all subsidiaries, the reporting package for the period closed at December 31, 2018, used for the preparation of the consolidated financial statements of Nice S.p.A.; we obtained, for significant components, the auditor's report; ▪ we identified investments characterized by financial statement values that may be higher than the corresponding fractions of equity at December 31, 2018, using the results of the review procedures described in the following points; ▪ we verified the adequacy of the *impairment* model; ▪ we assessed the key underlying assumptions for the impairment model, in particular the ones related to cash flow projections, CGU configuration, discount rates, future growth rates; ▪ we verified the clerical accuracy of the impairment model; ▪ we checked the sensitivity analysis of impairment when key assumptions change; ▪ we verified the disclosures provided in the notes to the financial statements.

Responsibilities of the Directors and of the Board of Statutory Auditors for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement article 9 of Legislative Decree No. 38/'05 and, within the terms prescribed by the law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Board of Statutory Auditors is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 financial statements.

As part of an audit in accordance with ISA Italia, we exercised professional judgment and maintain professional skepticism throughout the audit. We also have:

- identified and assessed the risks of material misstatement of the 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;
- 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 Company's internal control;
- evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

We have communicated with those charged with governance, as properly identified in accordance with ISA Italia, 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 also provided Those charged with governance with a statement that we have complied with relevant ethical and independence requirements applicable in Italy and communicated with them all relationships and other 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 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 described those matters in our auditor's report.

Other information communicated pursuant to article 10 of Regulation (EU) 537/2014

We were initially engaged by the Shareholders meeting of Nice S.p.A. on November 30, 2010 to perform the audits of the Company's and the consolidated financial statements of each fiscal year starting from December 31, 2010 to December 31, 2018.

We declare that we did not provide prohibited non-audit services, referred to article 5, paragraph 1, of Regulation (EU) 537/2014, and that we remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements of Nice S.p.A. included in this audit report is consistent with the content of the additional report prepared in accordance with article 11 of the EU Regulation n.537/2014, submitted to Those charged with governance.

Emphasis of matter - subsequent events

As disclosed in the report on operations and the notes to the financial statements, the Company started in December 2018 a process oriented toward the delisting of ordinary shares from the Electronic Stock Market (MTA) STAR segment. This process, that continued in the first months of 2019 also by means of the Purchase Obligation procedure pursuant to art. 108, paragraph 2, of the TUF should be closed, with good chance, during April 2019.

In the notes to the financial statements it's pointed out that, due to the described delisting process and the choice to subsequently call the annual Shareholders' meeting in May 2019, based also on specific opinions provided by the legal advisors of the Company, it is considered correct not to proceed on the occasion of such fulfilment with the publication of the report on corporate governance, on the ownership structure and on remuneration pursuant to article 123 bis of Legislative Decree No. 58, 1998.

Report on other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, letter e), of Legislative Decree n. 39/'10

The Directors of Nice S.p.A. are responsible for the preparation of the report on operations of Nice S.p.A. as at December 31, 2018, including its consistency with the financial statements and its 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 with the financial statements of Nice Group as at December 31, 2018 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the report on operations is consistent with the financial statements of Nice S.p.A. as at December 31, 2018 and is compliant with applicable laws and regulations.

With reference to the assessment pursuant to article 14, paragraph. 2, letter e), of Legislative Decree No. 39/'10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Other matters

In the absence of the Corporate Governance and Ownership Structure Report as described in the *Emphasis of matter -subsequent events* paragraph of this report, this report does not contain our opinion pursuant to article 123-bis, comma 4, of Legislative Decree No. 58/'98.

Verona, March 27, 2019

BDO Italia S.p.A.

Signed by:
Carlo Boyancé
Partner

This report has been translated into English from the original, which was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.