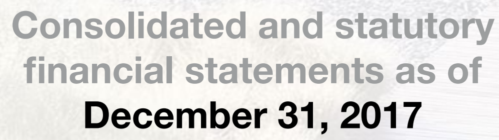

Consolidated and statutory financial statements as of
December 31, 2017

Nice S.p.A.

TheNiceGroup

Nice S.p.A.

Annual Financial Report

at

31 December 2017

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General Information

Corporate bodies and information

Board of Directors

Lauro Buoro (*)	Chairman 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 attributions, within the limits of the law and of the Articles of Association and without prejudice to the powers of the Shareholders' Meeting and the Board of Directors, in accordance with the resolution of the Board of Directors of 22 April 2016.

(**) Functional powers, within the limits of the law and the Articles of Association and without prejudice to the powers of the Shareholders' Meeting and the Board of Directors, in accordance with the resolution of the Board of Directors of 13 May 2016.

Board of Statutory Auditors

Giuliano Saccardi	Chairman of the Board of Statutory Auditors
Monica Berna	Standing Statutory Auditor
Enzo Dalla Riva	Standing Statutory Auditor
David Moro	Alternate Statutory Auditor
Manuela Salvestrin	Alternate Statutory Auditor

Audit and Risk Committee (*)

Antonio Bortuzzo
Emanuela Paola Banfi

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

Remuneration Committee

Antonio Bortuzzo
Emanuela Paola Banfi

Supervisory Board

Antonio Bortuzzo	President
Alberta Figari	Member
Vittorio Gennaro	Member

Independent Auditors

BDO Italia S.p.A.

Registered office and corporate details

Nice S.p.A.
Via Pezza Alta, 13 Z.I. Rustignè
I-31046 Oderzo TV Italy
Tel: +39 0422 853838
Fax: +39 0422 853585
Share capital Euro 11,600,000.00 fully paid in
Tax ID 02717060277
VAT No. 03099360269
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Investor Relations

Nicola Biondo
e-mail: ir@niceforyou.com
tel: +39 0422 505468

Economic and financial highlights of the Nice Group

Financial data (Euro thousands)	2017	%	2016	%	Δ %
Revenues	324,957	100.0%	309,062	100.0%	5.1%
Gross profit	172,896	53.2%	164,197	53.1%	5.3%
EBITDA	50,487	15.5%	44,541	14.4%	13.3%
Gross operating margin (EBITDA) adjusted (1)	**52,396**	**16.1%**	**45,677**	**14.8%**	**14.7%**
Operating result	40,220	12.4%	28,333	9.2%	42.0%
Operating profit (EBIT) adjusted (2)	**42,129**	**13.0%**	**36,558**	**11.8%**	**15.2%**
Net result	23,422	7.2%	13,382	4.3%	75.0%
Net profit/loss adjusted (3)	**24,784**	**7.6%**	**19,280**	**6.2%**	**28.5%**
Group net profit/loss	22,931	7.1%	13,141	4.3%	74.5%
Group net profit/loss adjusted (3)	***24,293***	***7.5%***	***19,039***	***6.2%***	***27.6%***

[1] The 2017 results have been redefined considering 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. At 31 December 2016, the adjustment referred to the exclusion of expenses incurred for the redefinition of the US operating structures and costs related to the M&A transactions for a total of Euro 1.1 million.

[2] Adjusted for the elements indicated in note (1) and, at 31 December 2016, to exclude the impairment losses recognised on the FontanaArte trademark and the building that houses the operations of FontanaArte, amounting respectively to Euro 5.1 million and Euro 2.0 million, following their measurement at fair value.

[3] Adjusted for the elements indicated in note (2) and the related total tax effect totalling Euro 0.5 million at 31 December 2017 compared to Euro 2.3 million at 31 December 2016.

Balance sheet figures (Euro thousands)	**31/12/2017**	**31/12/2016**
Net working capital	54,904	62,211
Other current liabilities	-	(8,608)
Fixed assets and other non-current assets	180,549	178,246
Non-current liabilities	(17,701)	(19,537)
Net invested capital	**217,752**	**212,311**
Net financial position (cash)	(1,443)	(5,932)
- of which cash and cash equivalents	*(55,722)*	*(70,552)*
- of which financial assets	*(2,778)*	*(4,781)*
- of which financial liabilities	*57,057*	*69,402*
Shareholders' equity	219,194	218,244
Total financing sources	**217,752**	**212,311**

Cash flow data (Euro thousands)	**2017**	**2016**
Cash flow from operating activities	41,032	41,459
Cash flow used in investing activities	(20,719)	(22,844)
Operating free cash flow	20,314	18,615
Acquisitions	(12,737)	(9,706)
Free cash flow	*7,577*	*8,909*
Cash flow used in financing activities	(23,590)	(2,629)
Effect of exchange-rate changes on cash and cash equivalents	1,183	(817)
Cash flow of the period	*(14,831)*	*5,462*
Cash and cash equivalents at the beginning of the year	**70,552**	**65,090**
Cash and cash equivalents at the end of the year	**55,722**	**70,552**

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 & amortisation, 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 related to ordinary operations.
- "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).
- The 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 2017, 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 2017 is shown below.

At 31 December 2017, Nice stock registered a per-share price of Euro 3.48 and the corresponding market capitalization was Euro 403,680,000.

The following table summarises the main share and stock market data for 2017 (source: Bloomberg): Bloomberg):

Share and stock market data	2017
Price as at 31/12/2017	Euro 3.48
Maximum price in 2017 (25/05/2017)	Euro 4.00
Minimum price in 2017 (24/01/2017)	Euro 2.35
Market capitalization as at 31/12/2017	403,680,000
Average no. of outstanding shares	110,664,000
No. of common shares	116,000,000

Control of the Company

At 31 December 2017, Nice Group S.p.A. directly controlled 70.33% of 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.
The financial statements of Nice Group S.p.A. are available at the registered office in Via Pezza Alta no. 13 - 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 2017, directors and statutory auditors directly or indirectly held a total of 88,077,780 Nice S.p.A. shares, broken down as follows:

Full name	No. of shares held as at 01/01/2017	No. of shares bought in 2017	No. of shares held as at 31/12/2017	Nature of possession
Lauro Buoro - through Nice Group S.p.A.	81,193,095	392,285	81,585,380	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	**87,685,495**	**392,285**	**88,077,780**	

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.;
- Dorado Srl: a company managed by Giuseppe Mallarino, who is also the CEO of Silentron S.p.A.; property lease to Silentron S.p.A.;
- Companies of the minority shareholders of Nice Home Automation JSC: trade relations with Nice Home Automation JSC and Nice S.p.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 current market prices. For the year ended 31 December 2017, 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.
The economic and financial transactions that took place with related parties during 2017 are described in the explanatory notes.

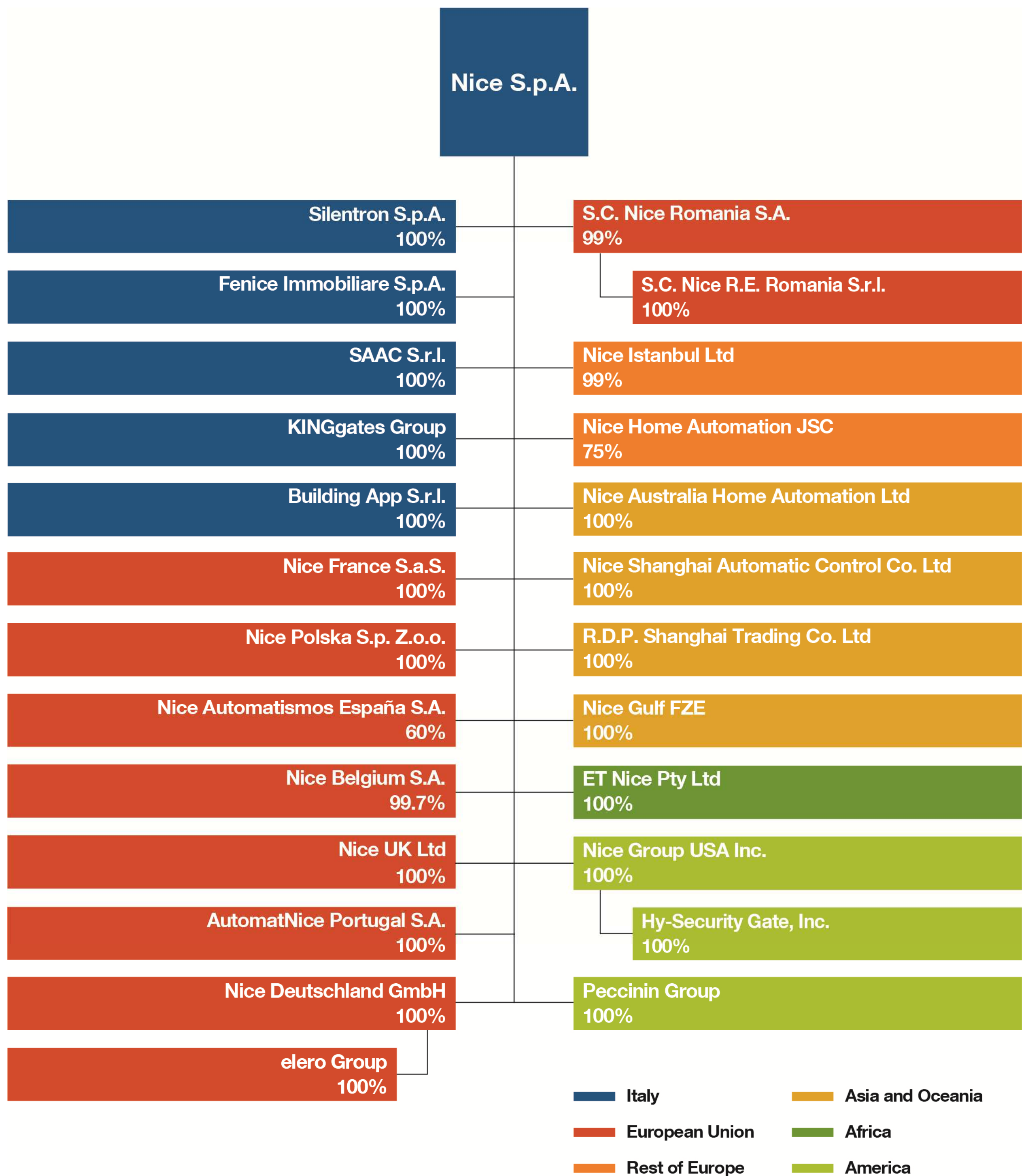
Group business description

Nice's business is the design, production and marketing of Home and Building Automation 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 following chart presents Nice Group's structure as at 31 December 2017. The Group operates via 32 companies, detailed in the attachments, located as follows:

- *Italy*: Nice S.p.A., Silentron S.p.A., Saac S.r.l., King Gates S.r.l., Fenice Immobiliare S.p.A., Building App 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., S.C. Nice R.E. Romania SRL, AutomatNice Portugal S.A., elero GmbH, elero AB, King Gates France SAS;
- *Rest of Europe*: Nice Istanbul 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;
- *Americas:* Nice Group USA Inc., Hy-Security Gate, Inc., Peccinin Portoes Automaticos Industrial Ltda, Genno Tecnologia LTDA, Omegaport Equipamentos de Seguranca LTDA;
- *Africa:* ET Nice (PTY) LTD.


Nice S.p.A.
Silentron S.p.A.
100%
Fenice Immobiliare S.p.A.
100%
SAAC S.r.l.
100%
KINGgates Group
100%
Building App 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%
S.C. Nice R.E. Romania S.r.l.
100%
Nice Istanbul Ltd
99%
Nice Home Automation JSC
75%
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%
Peccinin Group
100%
Italy
European Union
Rest of Europe
Asia and Oceania
Africa
America

Comments on economic and financial results

Operating performance – Group economic results

The consolidated income statement for 2017, classified in the operational format used by the Nice Group, is presented below on a comparative basis:

(Euro thousands)	2017	%	2016 (4)	%	Δ %
Revenues	**324,957**	**100.0%**	**309,062**	**100.0%**	**5.1%**
Cost of goods sold	(152,061)	-46.8%	(144,865)	-46.9%	
Gross Profit	**172,896**	**53.2%**	**164,197**	**53.1%**	**5.3%**
Industrial costs	(9,605)	-3.0%	(9,731)	-3.1%	
Marketing costs	(10,807)	-3.3%	(9,521)	-3.1%	
Trade costs	(14,438)	-4.4%	(15,101)	-4.9%	
General costs	(23,045)	-7.1%	(23,785)	-7.7%	
Personnel costs	(64,515)	-19.9%	(61,517)	-19.9%	
Total Operating Costs	**(122,409)**	**-37.7%**	**(119,656)**	**-38.7%**	
EBITDA	**50,487**	**15.5%**	**44,541**	**14.4%**	
EBITDA adjusted (1)	***52,396***	***16.1%***	***45,677***	***14.8%***	***14.7%***
Depreciation, amortisation and impairment	(10,267)	-3.2%	(16,208)	-5.2%	
EBIT	**40,220**	**12.4%**	**28,333**	**9.2%**	
EBIT adjusted (2)	***42,129***	***13.0%***	***36,558***	***11.8%***	***15.2%***
Financial management and other costs	(4,522)	-1.4%	(2,710)	-0.9%	
Pre-tax result	**35,697**	**11.0%**	**25,623**	**8.3%**	
Taxes	(12,275)	-3.8%	(12,241)	-4.0%	
Net result	**23,422**	**7.2%**	**13,382**	**4.3%**	
Net profit/loss adjusted (3)	***24,784***	***7.6%***	***19,280***	***6.2%***	***28.5%***
Profit/Loss attributable to non-controlling interests	491	0.2%	241	0.1%	
Group net profit/loss	**22,931**	**7.1%**	**13,141**	**4.3%**	
Group net profit/loss adjusted (3)	***24,293***	***7.5%***	***19,039***	***6.2%***	***27.6%***
Tax rate	*34.4%*		*47.8%*		

(1) The 2017 results have been redefined considering 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. At 31 December 2016, the adjustment referred to the exclusion of expenses incurred for the redefinition of the US operating structures and costs related to the M&A transactions for a total of Euro 1.1 million.

(2) Adjusted for the elements indicated in note (1) and, at 31 December 2016, to exclude the impairment losses recognised on the FontanaArte trademark and the building that houses the operations of FontanaArte, amounting respectively to Euro 5.1 million and Euro 2.0 million, following their measurement at fair value.

(3) Adjusted for the elements indicated in note (2) and the related total tax effect totalling Euro 0.5 million at 31 December 2017 compared to Euro 2.3 million at 31 December 2016.

(4) Some items of the Income Statement at 31 December 2016 were reclassified for comparability with figures at 31 December 2017.

Pursuant to Consob Communication no. DEM/6064293 of 28 July 2006, it is pointed out that alternative performance indicators have been defined in the paragraph “Economic and financial highlights of the Nice Group” of this report.

Non-recurring expenses

(Euro thousands)	2017 EBITDA	2017 EBIT	2017 Net result	2017 Group net profit/loss	2016 EBITDA	2016 EBIT	2016 Net result	2016 Group net profit/loss
Income Statement indicators	***50,487***	***40,220***	***23,422***	***22,931***	***44,541***	***28,333***	***13,382***	***13,141***
Impairment of trademarks	-	-	-	-	-	5,089	5,089	5,089
Impairment of fixed assets	-	-	-	-	-	2,000	2,000	2,000
Expenses for corporate acquisitions and reorganisation	1,909	1,909	1,909	1,909	1,136	1,136	1,136	1,136
Fiscal impact on non-recurring expenses	0	0	(547)	(547)	0	0	(2,327)	(2,327)
Income Statement Indicators before non-recurring expenses	***52,396***	***42,129***	***24,784***	***24,293***	***45,677***	***36,558***	***19,280***	***19,039***

"Non-recurring expenses" are defined as expenses not related to day-to-day operations. In 2017, the Group incurred non-recurring expenses for a total of Euro 1,362 thousand compared to Euro 5,898 thousand at 31 December 2016.

EBITDA for the year ended 31 December 2017 was Euro 50,487 thousand, while adjusted EBITDA was Euro 52,396 thousand. The adjustment refers 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. At 31 December 2016, the adjustment referred to the exclusion of expenses incurred for the redefinition of the US operating structures and costs related to the M&A transactions for a total of Euro 1.1 million.

EBIT for the year ended 31 December 2017 amounted to Euro 40,220 thousand, while adjusted EBIT was Euro 42,129 thousand. At 31 December 2016, EBIT amounted to Euro 28,333 thousand, while adjusted EBIT was Euro 36,558 thousand. In addition to the above, the adjustment also excluded the impairment loss of Euro 5,089 thousand recognised on the FontanaArte trademark and the write-down of the building that houses the operations of FontanaArte by Euro 2,000 thousand. This building is now measured at fair value, rather than its value in use, following its reclassification as an investment property that is no longer used operationally by the Group.

The Group net profit for the year ended 31 December 2017, Euro 22,931 thousand, includes the tax effect of the above non-recurring expenses, Euro 547 thousand. Group net profit before non-recurring expenses was Euro 24,293 thousand compared to Euro 19,039 at 31 December 2016.

Consolidated revenues

In 2017, revenues achieved by the Nice Group, in the Home and Building Automation business, increased by 8.5% at current exchange rates and by 8.0% at constant exchange rates compared to the previous year. Sales for the year amounted to Euro 324,957 thousand compared to Euro 299,528 thousand in 2016, highlighting a significant increase in emerging markets and in some historical markets.

Geographical Sales Breakdown – Home and Building Automation Business[1]

The following is an analysis of revenues in the Home and Building Automation Business in 2017 compared to the previous year.

[1] 2016 results were pro-formed excluding sales in the operating unit FontanaArte.

(Euro thousands)	2017	%	2016	%	Δ %	Δ % (2)
France	43,133	13.3%	40,304	13.5%	7.0%	7.0%
Italy	32,161	9.9%	32,484	10.8%	-1.0%	-1.0%
Europe 15 (1)	87,313	26.9%	83,959	28.0%	4.0%	4.5%
Rest of Europe	58,053	17.9%	54,487	18.2%	6.5%	6.9%
Rest of the world	104,298	32.1%	88,294	29.5%	18.1%	15.7%
Total Revenues	**324,957**	**100.0%**	**299,528**	**100.0%**	**8.5%**	**8.0%**

(1) Excludes France and Italy
(2) At constant exchange rates

Sales in France in the 2017 financial year amounted to Euro 43,133 thousand, up 7.0% compared to 2016.

With reference to Italy, the turnover achieved in 2017 was Euro 32,161 thousand, down by 1.0% compared to 2016.

Revenues in Europe-15 in 2017 amounted to Euro 87,313 thousand, up 4.0% at current exchange rates and 4.5% at constant exchange rates compared to the prior-year period.

In 2017, sales in the Rest of Europe amounted to Euro 58,053 thousand, up 6.5% at current exchange rates and 6.9% at constant exchange rates, compared to the previous year.

Turnover achieved in the Rest of the world in 2017 with a share of 32.1% of the Group's turnover, is up 18.1% at current exchange rates and 15.7% at constant exchange rates compared to 2016, with a turnover of Euro 104,298 thousand.

Geographical Sales Breakdown

For completeness of information, below is the breakdown of revenues by geographical area in 2017 compared to the overall revenues of the Nice Group in 2016.

In 2017, the Nice Group achieved revenues of Euro 324,957 thousand, up 5.1% at current exchange rates and 4.6% at constant exchange rates compared to 2016.

(Euro thousands)	2017	%	2016	%	Δ %	Δ % (2)
France	43,133	13.3%	41,556	13.4%	3.8%	3.8%
Italy	32,161	9.9%	36,268	11.7%	-11.3%	-11.3%
Europe 15 (1)	87,313	26.9%	86,051	27.8%	1.5%	2.0%
Rest of Europe	58,053	17.9%	55,003	17.8%	5.5%	5.9%
Rest of the world	104,298	32.1%	90,184	29.2%	15.7%	13.2%
Total Revenues	**324,957**	**100.0%**	**309,062**	**100.0%**	**5.1%**	**4.6%**

(1) Excludes France and Italy
(2) At constant exchange rates

Profitability Indicators

In 2017, gross profit (difference between revenues and cost of sales) totalled Euro 172,896 thousand, up 5.3% from Euro 164,197 thousand in 2016. The margin on sales was 53.2%, compared to 53.1% in the previous year.

At 31 December 2017, EBITDA adjusted [2]amounted to Euro 52,396 thousand (Euro 50,487 thousand reported), a 16.1% increase on sales compared to Euro 45,677 thousand in 2016, with a 14.8% incidence on sales.

Group net profit adjusted [3]was Euro 24,293 thousand (Euro 22,931 thousand reported) compared to Euro 19,039 thousand in 2016 (Euro 13,140 thousand reported).

Operating performance – Financial position

Net working capital at 31 December 2017 amounted to Euro 54,904 thousand, compared to Euro 62,211 thousand at 31 December 2016. This figure is positively influenced by an effective management of receivables, inventories and payables, as well as by the focus on the Home and Building Automation business.

The table below sets forth some data related to the Group cash flows:

(Euro thousands)	**2017**	**2016**
Net result	23,422	13,382
Amortisation, depreciation and other non-monetary changes	13,730	15,997
Change in Net working capital	3,881	12,079
Cash flow from operating activities	**41,032**	**41,457**
Investments	(20,719)	(22,844)
Operating free cash flow	**20,314**	**18,612**
Acquisitions	(12,737)	(9,706)
Free cash flow	**7,557**	**8,906**
Net Financial Position of the acquired companies	-	(299)
Dividend paid out	(11,066)	(7,780)
Other changes	(1,000)	4,563
Subtotal	**(12,066)**	**(3,516)**
Changes in the net financial position	**(4,490)**	**5,390**
Initial net financial position	**5,932**	**541**
Final net financial position	**1,443**	**5,932**

The free operating cash flow for the year was Euro 20,314 thousand compared to Euro 18,612 thousand in 2016.

Following is the Group's net financial position as at 31 December 2017 and as at 31 December 2016:

[2] The 2017 results have been redefined considering 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.
[3] The adjustment refers to the exclusion of the information in note (2) with the related tax effect of a total of Euro 0.5 million.

(Euro thousands)	31/12/2017	31/12/2016
A. Cash	7	33
B. Other cash equivalents	55,715	70,519
C. Securities held for trading	-	-
D. Liquidity (A) + (B) + (C)	**55,722**	**70,552**
E. Current financial receivables	2.765	1,268
F. Current bank loans	(51)	(3,839)
G. Current portion of non-current debt	(21,762)	(10,342)
H. Other current financial payables	(34)	(142)
I. Current financial debt (F) + (G) + (H)	**(21,846)**	**(14,323)**
J. Net current financial debt (I) + (E) + (D)	**36,640**	**57,497**
Non-current financial receivables (*)	13	3,513
K. Non-current bank loans	(35,209)	(55,058)
L. Bonds issued	-	-
M. Other non-current payables	(2)	(21)
N. Non-current financial debt (K) + (L) + (M) (**)	**(35,198)**	**(51,565)**
O. Net financial debt (J) + (N)	**1,443**	**5,932**

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

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

The Group’s net financial position is a profit of Euro 1,443 thousand compared to Euro 5,932 thousand as at 31 December 2016. This amount is influenced by the outlay of the earn-out for the acquisition of Hy-Security Gate Inc. for Euro 8,133 thousand. In addition, the Group invested Euro 20,719 thousand in property, plant and equipment during 2017, compared with Euro 22,844 thousand in 2016.

The shareholders’ equity and net profit of Nice S.p.A. are reconciled below with the corresponding consolidated amounts as at 31 December 2017 and 2016:

(Euro thousands)	Shareholders’ equity 31/12/2017	Net Profit/(Loss) 2017	Shareholders’ equity 31/12/2016	Net Profit/(Loss) 2016
Shareholders’ equity and profit/loss for the year as reported in the financial statements of the parent company	**226,160**	**7,478**	**229,755**	**12,355**
Derecognition of the carrying value of consolidated equity investments:				
- difference between carrying value and equity	(69,467)	-	(81,517)	-
- earnings	-	16,126	-	7,359
- goodwill	68,265	-	73,650	-
- other intangible fixed assets	725	-	885	-
Derecognition of the effects of transactions among consolidated companies:				
- intra-group profits included in the value of closing inventories	(3,538)	622	(4,160)	537
- intra-group dividends	-	(7,438)	-	(1,810)
Other transactions	(2,950)	6,634	(369)	(5,059)
Shareholders’ equity and profit/loss for the year as reported in the consolidated financial statements	**219,194**	**23,422**	**218,244**	**13,382**

Other information

Research & 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 2017 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 8,075 thousand in 2017, of which Euro 5,876 thousand related to payroll costs. Of the latter, during the year, a portion was capitalized, for a total amount of Euro 2,443 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 2017, the Group held 5,336,000 treasury shares. The total investment was Euro 20,771 thousand.
No treasury shares were bought or sold during 2017.

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 Callalta, Oderzo:	- building used for the storage of raw materials and finished products;
	- building used as the Company's administrative and management offices.
Via Anagnina, Rome:	- secondary office
Via Boccioni, Monza:	- secondary office

Information on the ownership structure and compliance with codes of conduct

The information required by article 123-bis of Legislative Decree 24 February 2008 and subsequent amendments and additions (Consolidated Law on Finance) is provided in the "Report on Corporate Governance and the ownership structure as at 31.12.2017", filed together with this report at the Company's registered offices, transmitted to the official storage mechanism, eMarket Storage (www.emarketstorage.com) and published in the Company's website (www.niceforyou.com) in the section on Investor Relations, Corporate Governance, Reports on Corporate Governance.

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 deals only with well-known, reliable customers. Group policy is to check the credit worthiness of customers that request extended payment terms. 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 specified in article 15 of Consob Regulation 20249/2017 (Market Regulation), effective from 3 January 2018, are in place (previously article 36 of Consob Regulation 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 2017 pursuant to article 36, 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.

Subsequent events

At the beginning of January 2018, the Nice Group completed the acquisition of 100% of the capital of Linear Equipamentos and Serviços Ltda for an amount equal to 35 million Brazilian Real. Moreover, an earn-out option is envisaged linked to the turnover that the acquired company will produce in 2018.

Business outlook

The results achieved in 2017, the financial soundness of the Group and the positive feedback received from our stakeholders are the basis for a 2018 that we expect to see grow sharply and for significant investments for the Nice Group.

Proposed resolutions

Shareholders,

In concluding our report, we hereby propose:

- approval of the financial statements as at 31 December 2017;
- payment to the shareholders of a gross dividend of Euro 0.1 for each of the 110,664,000 shares outstanding (excluding the treasury shares held by Nice as at 31 December 2017), for a total of Euro 11,066,400.00 using the following items:
    1. net profit of Nice S.p.A. of Euro 7,478,393.98;
    2. Extraordinary reserves for the residual amount of Euro 3,588,006.02;
- to allocate the current amount of the exchange rate gains reserve equal to Euro 1,227,067 to the Extraordinary reserve as the reasons for maintaining this reserve no longer exist.

Oderzo, 14 March 2018.

For the Board of Directors

Chairman

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 at 31 December 2017 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 2017 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 of the Nice Group's website.

The document, approved by the Board of Directors of Nice S.p.A. on 14/03/2018, has been subjected to revision by an external company, according to the criteria indicated by the principle "International Standard on Assurance Engagement 3000 ("ISAE 3000"), that at the end of the work, has released the report annexed to this Report.

Perimeter of the non-financial statement

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.

From an environmental point of view, the data refers to the major production companies of the Group (by turnover and number of employees): Nice Spa, Elero GmbH Group (Germany) and Peccinin Portoes Automaticos Industrial Ltda (Brazil). For this first year of non-financial reporting, environmental data relating to minor companies was not yet available: Nice undertakes to report this information for the future.

From an environmental point of view, in any case, the Companies do not fall within the scope of reporting: S.C Nice Romania S.A., Nice Istanbul Makine Ltd, Fenice Immobiliare S.p.A., SAAC S.r.l., Nice Belgium S.A., Nice UK Ltd, AutomatNice Portugal S.A., Nice Shanghai Automatic Control Co.Ltd, R.D.P. Shanghai Trading Co. Ltd, Nice Gulf FZE, elero AB, elero Motors & Controls Pvt. Ltd, elero Singapore Pte. Ltd and King Gates France SAS.
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.

Materiality Analysis

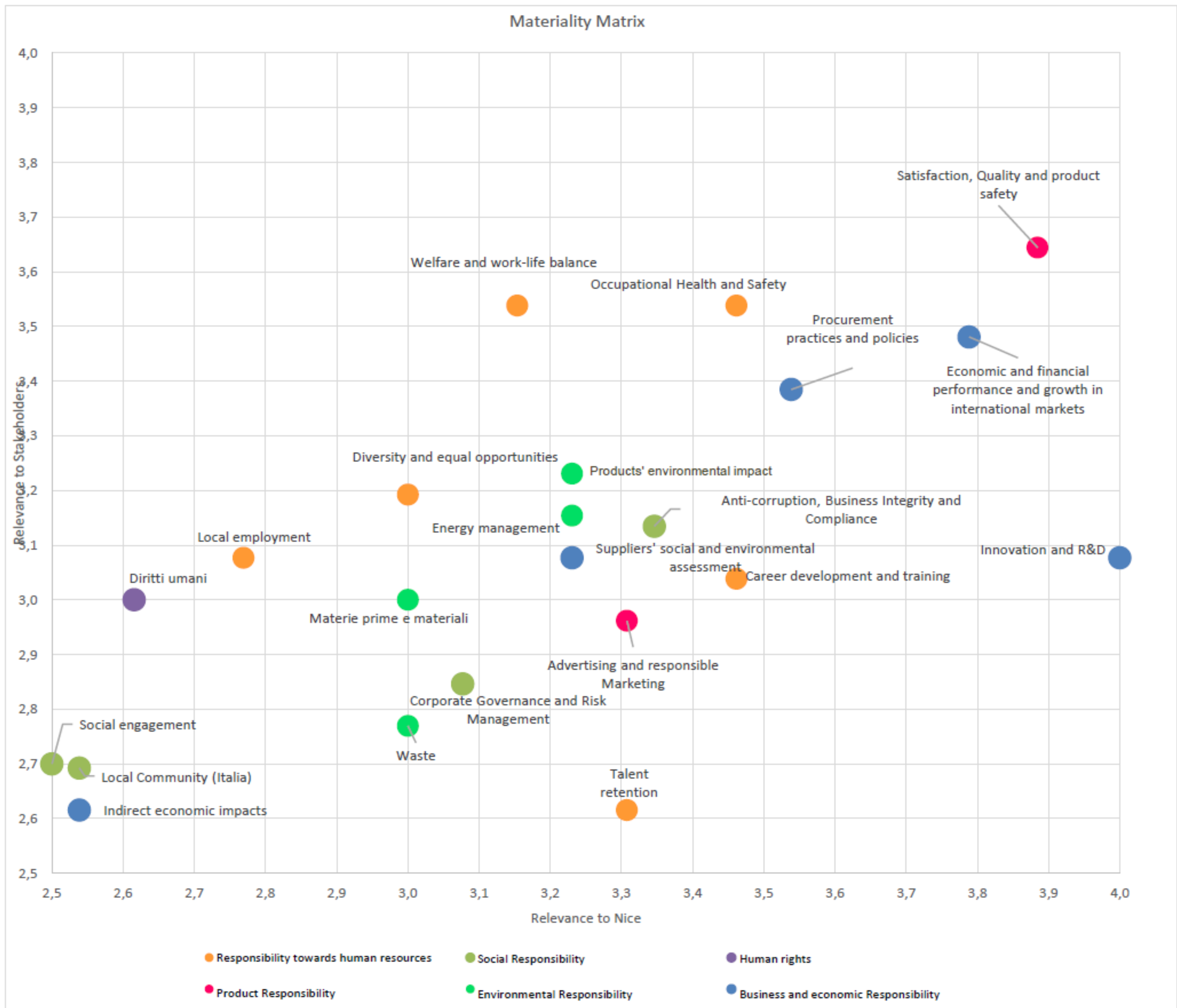
The information presented in this Statement, in accordance with the provisions of Decree 254, was selected on the basis of the "materiality" principle that identifies the information through which the understanding can be ensured of the Nice Group's activity, its performance, results and impact on non-financial issues indicated in Decree 254.

The process for the determination of the material issues was carried out following the method indicated by the principles of the GRI Standard, through the following phases:

- determination of the issues relevant to the Nice Group through the provision of a questionnaire to the members 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 Standards of reference	Scope of impacts	
			Impacts within the Group	Impacts outside the group
Human Recources	Welfare and work-life balance	Employment (GRI 401)	Entire Group	
Human Recources	Health and safety at work	Occupational health and safety (GRI 403)	Entire Group	
Human Recources	Growth and training	Training and education (GRI 404)	Entire Group	
Human Recources + 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.

Integrity and sustainability in the value chain

Business integrity policy (Fight against active and passive corruption)

The Nice Group informs its activities in compliance with the values and principles contained in the Code of Ethics and Conduct, in the belief that the conduct of business cannot be separated from ethics. In this regard, Countering corruption, rejecting it in any context and in any form, constitutes a concrete commitment for the Group. For this reason, a process has been undertaken to identify and prevent any corruption phenomenon by adopting an Anti-Corruption Policy applicable to employees and to all those who work in the name and on behalf of the Group Companies.
In no case may the pursuit of the interest or the advantage of the Company and of the Group justify unlawful conduct and/or contrary to ethics.

This primary objective translates into the following actions already undertaken and to be undertaken by the Nice Group:

- identification of the risks of corruption and implementation and maintenance of policies and practices that combat corruption and extortion;
- integration of a regulatory compliance program, which the Nice Group intends to develop and maintain over time at Group level with specific provisions and mechanisms for reporting, monitoring and controlling the issue of anti-corruption;
- adoption and update after the introduction of new predicate offenses of the Organisation and Management Model pursuant to Legislative Decree 231/01, in turn supplemented by the adoption of the Code of Ethics;
- supervision at Group level through a series of information and monitoring flows and for Nice S.p.A. through the

Supervisory Board (ODV) appointed by the Board of Directors (which must be composed of an internal member, in the person of the independent Board member, and by two members external to the Company with organizational and/or legal and/or administrative-accounting responsibilities, and adequate knowledge of the current legislation regarding the administrative liability of entities pursuant to Legislative Decree no. 231/2001), which are entrusted with the following specific attributions: monitor the effectiveness of the Model and the need for updating it; promote initiatives for the dissemination of the Model; activate the control procedures and carry out periodic checks within the areas of activities at risk; receive any reports concerning the commission of offenses provided for by the Decree and carry out the appropriate checks; prepare periodic reports on the implementation of the Model.

The Nice Group intends to raise awareness among its employees, representatives, contractors and suppliers on corruption and how to counter it and encourages their responsible involvement in order to strengthen the effectiveness and ethical reputation of the Nice Group

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 2017, there were no incidents related to corruption.

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 Group are as follows:

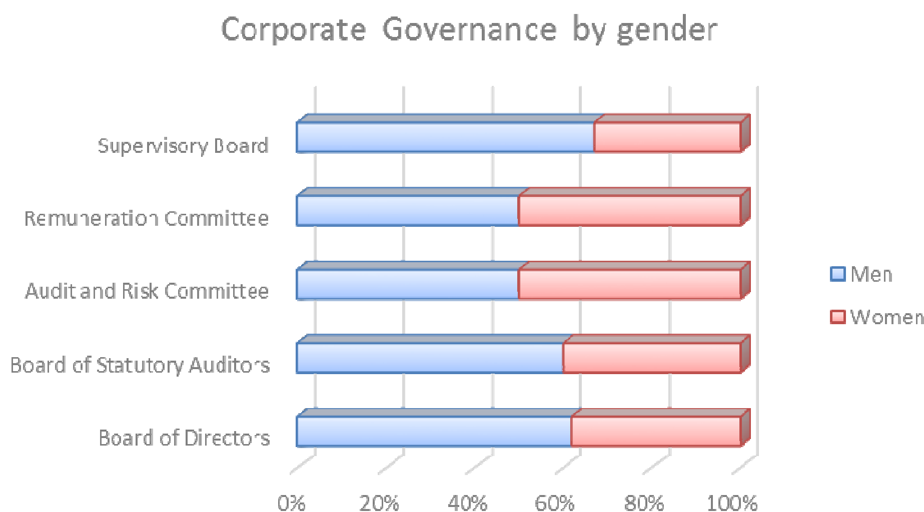
- the Board of Directors;
- the Board of Statutory Auditors;
- Internal Committees;
- the Shareholders' Meeting.

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.

Currently, the Board of Directors is made up of 8 members, of which one-third is represented by women. As required by the Corporate Governance Code of Borsa Italiana, the annual report on Corporate Governance declares the requirements of the condition of independent non-executive director of Nice S.p.A. while the remuneration paid to the directors of Nice S.p.A. is shown in the remuneration 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 22 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, appointed on 22 April 2016 for a period of two years, will be renewed during the Shareholders' Meeting to approve the financial statements for the year ended 31 December 2017.
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 the members of the Board of Directors is a woman). The Board of Directors consists mainly of members over the age of 30 (49% between 30 and 50 and 49% over 50).



In order to avoid potential situations of conflict within the Group, the Board of Directors of the Nice Group, 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 Nice Group's Code of Ethics (available at www.ir.niceforyou.com) 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 of 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 characterized by a main activity that has a stronger impact on intangible capital: the product design and innovation component plays a very important role, as does the relationship with customers and final users.

The inputs of its activity consist mainly of components and semi-finished products that need to be machined and assembled. The internal production process of the Nice Group does not provide for the direct processing of raw materials.

For the part upstream of the value chain, the role played by the Operations department assumes great importance which, in the selection of the contractors assigned the creation of the products, guarantees the following are respected:

- the required standards regarding the raw materials used;
- the specific characteristics defined by the R&D department in the production phase of the product;
- the secrecy of the projects;
- the 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 to make the machines work in the in-house phases of the activity[4] and make the headquarters work.

The department that deals with logistics has the task of ensuring the optimal management of products awaiting distribution. 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;
- the concentration of the shipments, so as to avoid trips that are not full as much as possible;
- make sure that the previous points are respected without penalizing the punctuality of delivery and the conditions established by contract.
- The outputs are intended for different categories of customers:
- wholesalers or retailers of electrical equipment;
- installers of 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.

For this reason, 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.

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

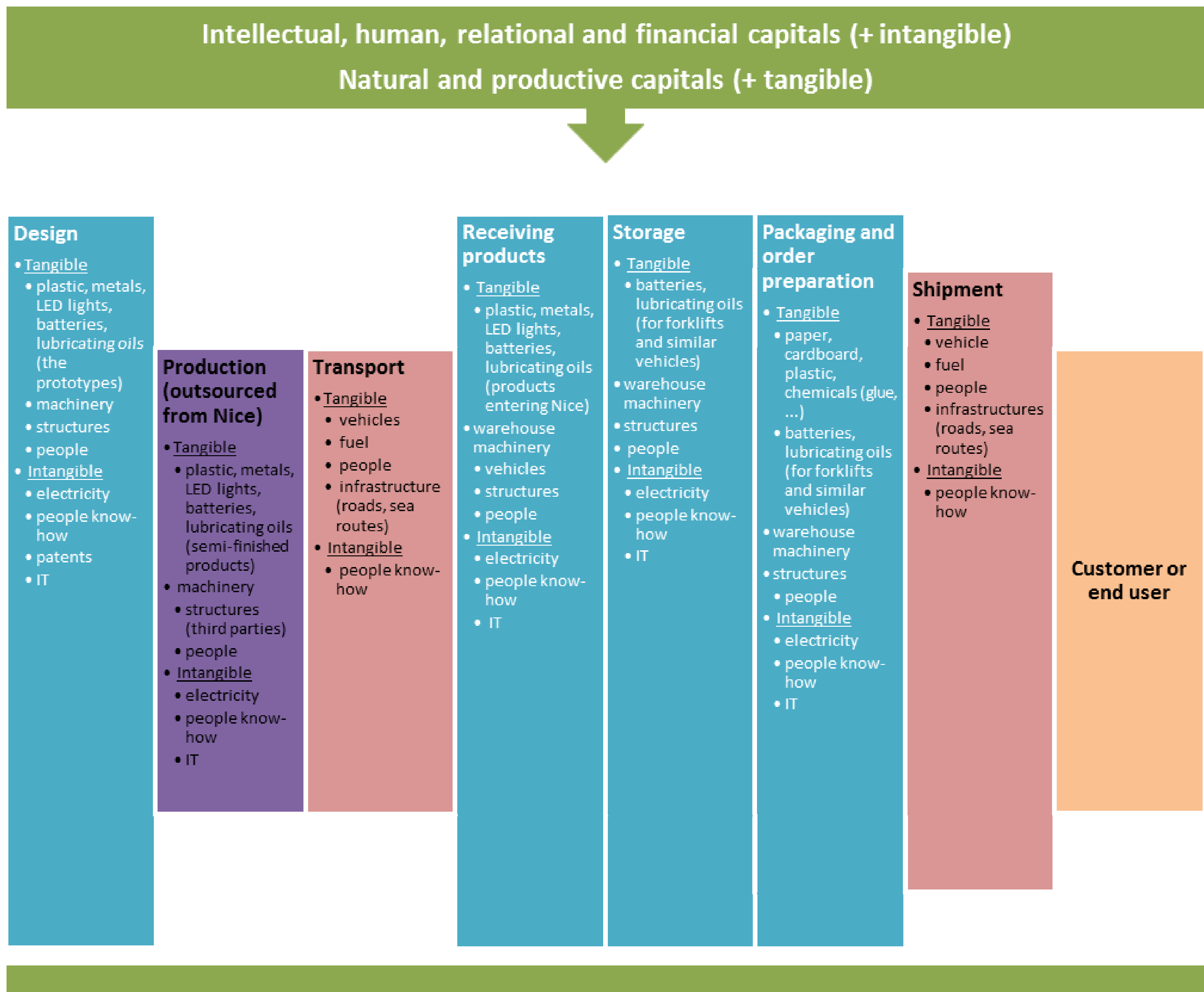
The products of the Nice Group are also used by people who have not necessarily purchased them. Anyone who uses spaces with infrastructures on which automation systems are installed can benefit from the simplification the products offer. An example are those who use:

- offices, public or private;
- structures used for hotels and catering;

[4] The phases are receiving goods, storage, distribution to subcontractors, packing and shipping. A more detailed description will be provided in the part dedicated to the environment.

- outdoor spaces;
- buildings dedicated to culture;
- private residences.

In order to provide a complete picture, it was decided to understand which parts of the Nice Group's activity are composed of the capital involved; an approach similar to that of the Life Cycle Assessment (LCA) was adopted5 with particular focus on the inventory phase.



This analysis showed that the capital involved in the activity of the Nice Group is both tangible and intangible and each one has its own relevance while presenting different impacts on the environment.

Tangible capital includes the basic materials that make up the products, such as metals, plastics, LED lights, batteries, lubricating oils,paper and cardboard.

To this list other productive factors are added, 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).

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

The energy used is derived from the fuel of the means of transport or directly supplied in the form of electricity through the national supply network.

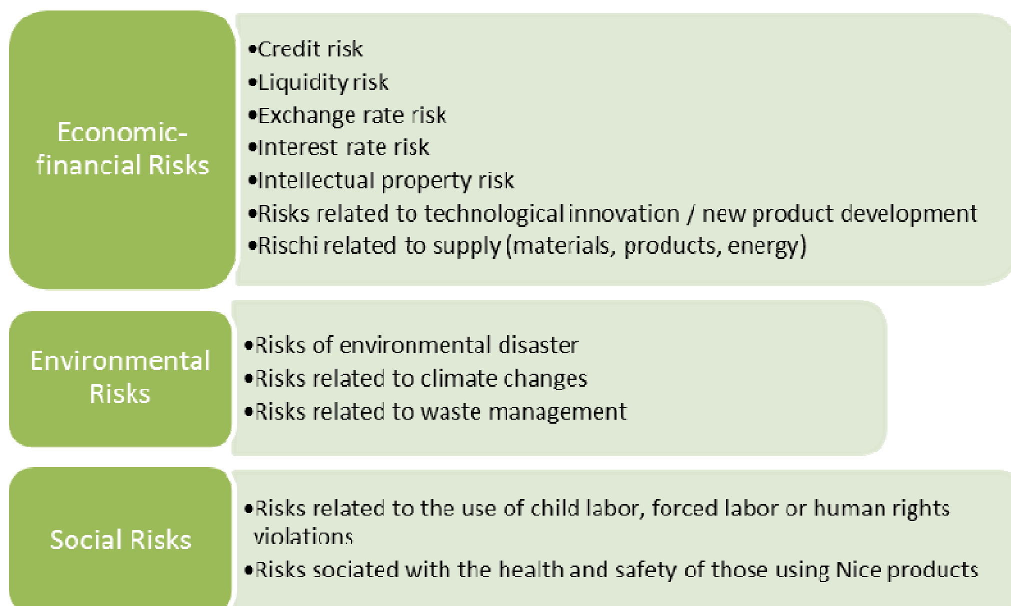
Among the non-tangible elements, one of the most important is certainly the knowledge acquired over time - the so-called know-how, which is embodied in patents, trademarks and other rights related to the exploitation of ideas. Its relevance derives from the high content of design and innovation of Nice products, a feature that, over time, has also allowed the company to reach the position currently occupied on the reference market.

Also the activities carried out to correctly manage procurement and logistics, the relationship with the installer customers and with the users of the products, as well as other minor intangible elements, play a fundamental role for the achievement of the company objectives. In this sense, we can say 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 does not have an in-house transformation activity, of greater importance to understand the environmental impact 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.

Analysis and management of risks and opportunities



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

- **Risks related to climate change**

The output of the Nice Group's production does not directly affect climate change if it is considered as a consequence of the anthropic activity of excessive exploitation of planetary resources. The products do not emit greenhouse gases

directly, since they use electricity from the national supply network or from batteries and accumulators, and do not use natural resources directly[6].
The factors that can contribute to climate change are the use of the raw materials necessary for production, the indirect emissions deriving from the production of electricity, which will then be used by the products, and those originating from production and distribution (energy plus the transport of goods and people) of the whole value chain.
In order to limit the incidence of the risks associated with climate change as much as possible, it is very important that the products are designed in such a way that they require less and less energy and that the supply, production and distribution activities also have less and less impact on the consumption of resources and on the production of atmospheric emissions.

- **Risk of environmental disaster**

The activity of the Nice Group is not of natural capital-intensive type: for example, the company does not directly extract raw materials or the usual fossil fuels used for the production of heat or energy. Consequently, the risk of environmental disaster is not considered of those whose probability of manifestation is high and it is not considered necessary to manage it strategically to protect the reference environment or for survival of the company's business.
The activity of the Nice Group nevertheless uses metal, plastic and chemical materials, paper and cardboard, batteries and lubricating oils. For this reason, the various business areas appropriately oversee rational management of all resources with a view to both environmental and financial sustainability.

- **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.
Waste that requires a special disposal process may be batteries and accumulators, for which a specific management system is established in accordance with national legislation[7].

- **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. Consequently, this risk is not considered to require strategic supervision.
To avoid as much as possible that isolated cases can adversely affect these principles, the Code of Ethics has been introduced, with the relative mechanism of consolidation of the culture and the penalty system deriving from it.

[6] The only exception is the Solemyo product (described later in the text), which uses solar energy to operate. The energy produced is renewable and no emissions are produced.
[7] It will be described in the appropriate section on the environment.

Financial Capital

Product and distributed added value

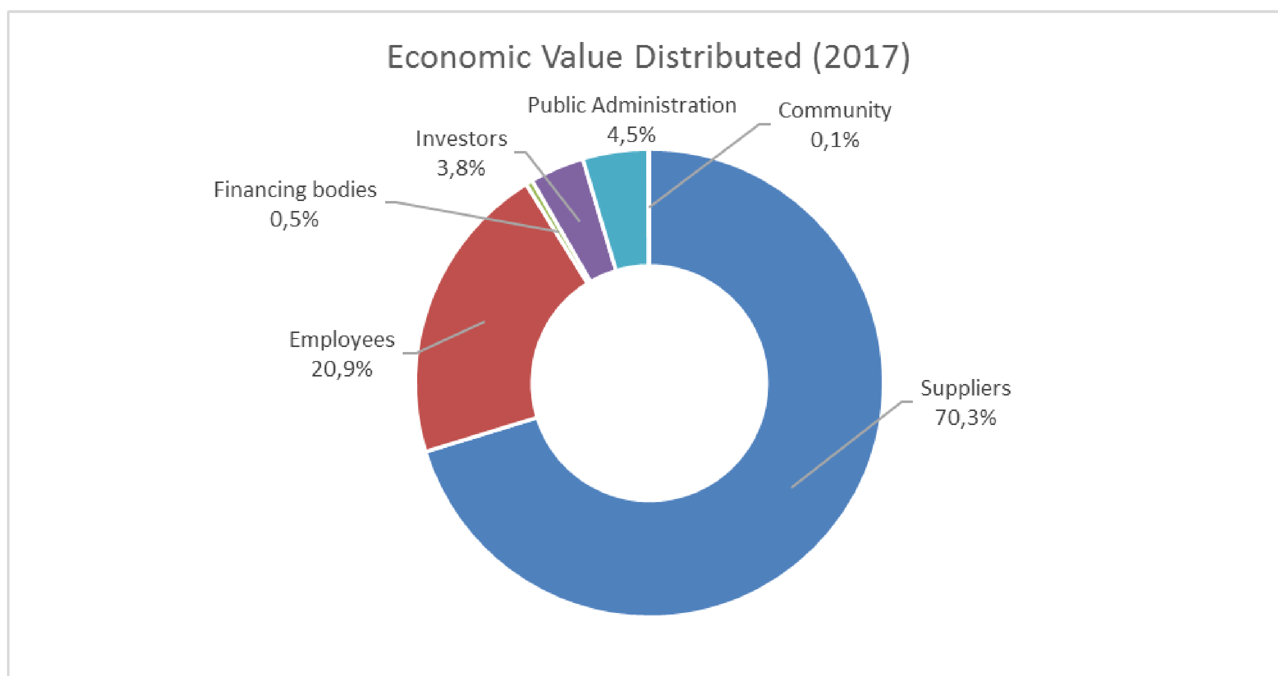
The Nice Group, with the aim of reporting the economic value generated and distributed by its activities, highlights in the following tables its ability to generate wealth in the period of reference for the benefit of the various stakeholders, in compliance with the management and economic expectations of the interlocutors themselves.
In 2017, the Nice Group generated an economic value of Euro 330.0 million. The economic value distributed by the Group was Euro 303.8 million (up 3% compared to 2016). 92% of the economic value produced by the Group was distributed to stakeholders, both internal and external. 3.7% was retained within the Company.

Economic value generated and distributed (eur/1000)	2017	2016
Economic value generated by the Group		
Revenues	324,957	309,062
Other income	4,571	3,807
Financial income	520	691
Total economic value generated by the Group	**330,048**	**313,560**
Operating costs	(213,608)	(206,911)
Remuneration of personnel	(64,515)	(61,517)
Remuneration of lenders	(901)	(1,387)
Remuneration of shareholders and investors	(11,066)	(11,066)
Remuneration of public administration*	(13,447)	(13,2439
External donations	(229)	(2559
Total economic value distributed by the Group	**(303,766)**	**(294,379)**
Bad debts and losses on receivables	(909)	(1,466)
Unrealised exchange rate differences	(522)	865
Value adjustments of tangible and intangible assets	-	(7,089)
Depreciation/Amortisation	(10,267)	(9,119)
Allocations	(2,230)	(63)
Economic value held by the Group	**12,356**	**2,309**

*remuneration of the public administration also includes deferred taxes and various 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 share of Economic Value distributed to **suppliers (operating costs)** is the most relevant: over 64% in 2017 (up 3% compared to 2016). This value is consistent with the group business model, which sees in the partnership relationship with its supply chain a fundamental driver of its value proposition.

Personnel is distributed 19.5% of the economic value (up 5% compared to 2016). This portion consists of costs incurred for salaries and wages, social security contributions, benefits and other costs.

The **remuneration of risk capital (investors)**, equal to 3.4%, corresponds to dividends paid to shareholders.

The **portion distributed to the Public Administration** amounted to 4.1%, as the sum of taxes and fees for the period (up 1,5% compared to 2016).

Banks and other lenders are destined resources for 0.3% of the total value distributed as a result of interest paid and interest expenses, down 35% compared to 2016.

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

Policy for the responsible management of products

All the operations and actions we perform in a day have an impact. Hence the need, outlined in the strategy of the Nice Group, to arrive at defining concrete actions that can reduce the negative impact that derives from the production systems, favouring the dissemination of sustainable products. The product that distinguishes the Nice Group is created considering the present and future needs of the customer and, as such, improves the lives of the people who use it, guaranteeing their reliability, safety and simplicity. The Nice Group develops its products with the ability and the commitment to propose to the market and to the customers solutions related to company values, to:

- Satisfy the end customer through the real perception of quality, understood as simplicity, safety and reliability over time.
- Constantly innovate through the design of technologically advanced solutions with maximum usability, also allowing, through the differentiation of the product range, complete accessibility to the product and buildings on the basis of customer needs.
- Present the products in a transparent and responsible way, through messages and marketing tools that allow the customer to find their distinctive characteristics over time.
- Through the product, convey the commitment of the entire Nice Group towards sustainability and corporate responsibility, in line with the values and principles expressed.

The product is the final expression of a corporate strategy aimed at sustainability, in which all the Group's resources are involved through participation in company processes.

Brands and quality of the production process

Nice is an international player level in the home and building automation sector, that offers a value proposition based on: the simplest integration, wider range, the most advanced electronics, the most sophisticated design, the most comprehensive automation system. With its 12 brands[8], the Nice Group is able to provide solutions to the different types of needs of the single market, targets and distribution channels:

- **elero**, founded in 1964 in Beuren 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.
- **Peccinin**, founded in 1985 in the state of São Paulo, Brazil, offers a complete range of automation systems for gates, garage doors, road barriers and command electronics with the Peccinin and **Omegasat** brands, and alarm systems with the **Genno** brand. Thanks to the technological excellence and the great attention to the quality and safety of the products, Peccinin is a point of reference for Brazil and South America.
- With over 30 years experience, **Silentron** is among the Italian companies of reference in the production of wireless alarm systems. Over the years, the Silentron brand has become synonymous with safe, professional and reliable alarm systems.

[8] For further information, please refer to the "*Brands*" section of the Nice Group website http://www.thenicegroup.com/it

- **KINGgates** offers automation systems for gates, garage doors, shutters and road barriers: made in Italy solutions, reliable, safe and practical with a fast service.
- **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.
- **Hy-Security**, founded in 1964 based near Seattle, is a reference company for the US market in the offer of automation systems for industrial and commercial 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. Since the beginning, it has been recognized for the application of reliable technology, quality, excellent performance and attentive service**.**
- **Mhouse**, since 2000 the line of specific products for the do-it-yourself market and for non-specialized installers , with a complete range of practical solutions in kits for automating gates, garages, awnings and shutters, in an easy and fast way. Also available with solar power supply. Since 2017, the company has launched on the markets the complete restyling of the range with the transition to the Nice brand.
- **Moovo**, the most essential line of products for the do-it-yourself market: kit automation systems, complete and ready for use, for gates and garage doors. Practical solutions, with an essential and functional design.
- **TTGO**, automation systems for rolling shutters and technical awnings, designed and manufactured in Italy, characterized by ease of use and quality/price ratio.

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 recognized system organization standards, such as ISO 9001 and ISO 17025, and in particular in the "*Designing a Nice World*" corporate mission, which defines the main values of the Group, as a whole:

- 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 that, based on respect, fairness and collaboration, allows the involvement and empowerment 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

From the point of view of the relationship with suppliers and business partners, the Nice Group manages all purchases of goods and services necessary for the proper functioning of the Group;
According to as reiterated in its Code of Ethics, the Nice Group is committed, in its relationships with suppliers, to 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 at the plants at the headquarters and at the network of external sub-contractors. These subcontractors are divided into two macro areas: PCBA assembly and testing - electromechanical assembly and testing.

The Nice Group outsources the majority of production-related activities, constantly monitored as any internal process by defining specific operating instructions.
These activities are further controlled through direct checks at the contractors.
Nice contractors deal with machining of components and raw materials, assembly of boards, and production and testing of electronic and mechanical finished products.
Types of contractors:

- For external machining: all suppliers that perform machining on components. 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: contractors who receive the boards from the assembly contractors 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 semi-finished products and are responsible for assembling, testing and packaging products.

All shipments converge in the central warehouse of Oderzo, scheduled according to production needs, mainly by sea and ground, in an emergency even by air. Nice privileges the construction of partnerships with contractors, with the aim of having a streamlined and efficient supply chain, and at the same time establishing integrated logistics applications such as stock consignment, for example, to increase flexibility and responsiveness to changing market needs. In all supply chain processes there is a dedicated software that integrates ERP, from demand planning to procurement. In particular, suppliers can interact directly with Nice S.p.A. to increase the efficiency and accuracy of data through a dedicated portal. Starting from the customer order portfolio plus 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 preparation of the materials for the production lines is managed by Nice planning and logistics at the Oderzo plant, and once the assembly is finished, the finished product is part of the central warehouse for distribution.

90% of the volume purchased by Nice comes from local suppliers. The remaining portion comes from trading with a group trading company that manages the Far East components.

Suppliers by product category	2016		2017	
	No. of suppliers	turnover (€)	No. of suppliers	turnover (€)
ELECTRONICS	116	12,506	118	14,086
ASSEMBLY	28	8,293	25	8,559
CASTING & EXTRUSION	30	6,194	28	7,268
MECHANICAL MACHINING & STAMPING	37	5,573	37	6,468
PLASTIC INJECTION	42	5,435	39	6,046
MOTORS	16	5,038	13	5,291
PACKAGING	38	2,055	34	2,239
FASTENERS	89	1,601	83	1,815
MISCELLANEOUS	53	1,257	55	1,361
MARKETING	14	419	29	64
IT	1	5	1	5
STATIONERY	1	0	1	1
EQUIPMENT	1	1	1	1

In choosing the suppliers and subcontractors to procure from, the Nice Group considers the assessment to be relevant based on criteria relating to the company profile, product and process, production, warehouse, sales, quality and safety and the environment.

Through a self-assessment questionnaire and an Audit Checklist, suppliers and subcontractors are classified with respect to their compliance with the aforementioned criteria. This results in a more or less frequent audit plan depending 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: 22% of suppliers and 6% of contractors belong to this category.
- Class B, the supplier will be assessed again after two years from the verification: 61% of suppliers and 59% of contractors have obtained this assessment.
- Class C, suppliers and contractors will be audited within 12 months of the first audit: 17% of suppliers and 35% of contractors belong to this class.

The Nice Group's supply chain, assessed over the last 3 years, is equal to 17 contractors and 41 suppliers, of which respectively 6 and 16 audit subjects in 2017. Some suppliers and contractors 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

Policy for the responsible management of people

“We are convinced that only with everyone’s contribution can we achieve company objectives. We believe in the diversity of ideas that generate innovation. We believe that people make the real difference and we encourage them to do so”

Making products and offering excellent services with commitment and passion, through our people: ambitious goals that require professionalism and tenacity, collaboration and responsibility. For the Nice Group, people represent a real capital: to conserve and improve its characteristics, people are continually stimulated and are led to a path of personal and professional growth that is aligned with the company’s culture and its role as company that produces economic and social value.

The diversity of people is one of the fundamental characteristics, because it is believed that it is the engine that drives towards innovative ideas. For this reason, the Nice Group 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.

The Nice Group wants to guarantee its human capital a comfortable but also safe workplace and has therefore set up an appropriate Occupational Health and Safety Management System. Training is not limited to the human resources of the Nice Group but also extends to subjects external to the company. For example, customers and young students from the local community.

The Nice Group encourages the participation and responsible involvement of its people, also through social dialogue, to improve their inclusion and to fully understand its values and its culture.

The Nice Group operates taking into account the needs of the community in which it carries out its activities contributing to the promotion of quality of life, economic, social, cultural and civil development, also by encouraging meeting and exchange, sharing and generation of knowledge.

Composition and Characteristics

People

as at 31.12.2017

“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, 21% less than 30 years old

People development:

- over 8,000 hours of training, providing an average of 5,2 hours of training for each employee
- On-going career acceleration programmes

In 2017, the Nice Group had 1,581 employees - an increase compared to 2016 - with a percentage of women equal to about 31%.
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	at 31 December 2017			At 31 December 2016		
	Men	Women	Total	Men	Women	Total
Permanent	1,046	459	1,505	1,068	471	1,538
Fixed term	46	30	76	21	16	37
Total	**1,092**	**489**	**1,581**	**1,089**	**487**	**1,576**

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

Employees by region	at 31 December 2017			At 31 December 2016		
	Permanent	Fixed term	Total	Permanent	Fixed term	Total
Italy	300	18	318	311	10	**321**
Europe	644	47	691	691	27	**657**
Africa-Middle East	126	11	137	137	-	**138**
Americas	391	-	391	391	-	**421**
Asia Oceania	44	-	44	44	-	**38**
Total	**1,505**	**76**	**1,581**	**1,538**	**37**	**1,575**

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

Full-time / Part-time	At 31 December 2017			At 31 December 2016		
	Men	Women	Total	Men	Women	Total
Full-time	1,071	435	1,506	1,082	449	1,531
Part-time	21	54	75	7	37	44
Total	**1,092**	**489**	**1,581**	**1,089**	**486**	**1,575**

Average number of employees broken down by category, by gender

Category	2017			2016		
	Men	Women	Total	Men	Women	Total
Executives	29	2	31	29	2	31
Manager	109	19	128	104	11	115
White collars	554	262	816	551	267	818
Blue collars	400	206	606	405	206	611
Total	**1,092**	**489**	**1,581**	**1,089**	**486**	**1,575**

Average number of collaborators broken down by category, by gender						
Category	**2017**			**2016**		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Project contracts	1	-	1	4	1	5
Collaborators hired through external agencies	60	35	95	37	26	63
Interns	3	1	4	32	11	43
Other	2	1	3	1	2	3
Total	**66**	**37**	**103**	**74**	**40**	**114**

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 (21% under 30 and 21% 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 and category								
Number of people	**2017**				**2016**			
	<30	**30-50**	**>50**	**Total**	**<30**	**30-50**	**>50**	**Total**
Executives	-	21	10	31	-	20	11	31
Manager	3	85	40	128	2	82	31	115
White collars	142	565	109	816	149	563	106	818
Blue collars	186	249	171	606	180	252	179	611
Total	**331**	**920**	**330**	**1.581**	**331**	**917**	**327**	**1.575**

The prevalence of Nice Group managers belongs to the local communities in which it operates.

In 2017, there was an increase in the rate of recruitment, from 15% in 2016 to 17% in 2017. Most new hires are in the intermediate age range, between 30 and 50.

Total number and rate of recruitment and termination in 2017, by age, gender and region									
2017	**Men**	**Women**	**Total**	**< 30**	**30 – 50**	**> 50**	**Italy**	**UE**	**Non-UE**
Total number of hires	180	82	262	83	147	32	39	96	127
Hire rate	69%	31%	17%	32%	56%	12%	15%	37%	48%
Total number of terminations	166	73	239	63	142	34	35	74	130
Turnover rate	69%	31%	15%	26%	60%	14%	15%	31%	54%

Total number and rate of recruitment and termination in 2016, by age, gender and region									
2016	**Men**	**Women**	**Total**	**< 30**	**30 – 50**	**> 50**	**Italy**	**UE**	**Non-UE**
Total number of hires	163	69	232	100	112	20	38	89	105
Hire rate	70%	30%	15%	43%	48%	9%	17%	38%	45%
Total number of terminations	130	62	192	68	93	31	20	89	83
Turnover rate	68%	32%	12%	35%	49%	16%	11%	46%	43%

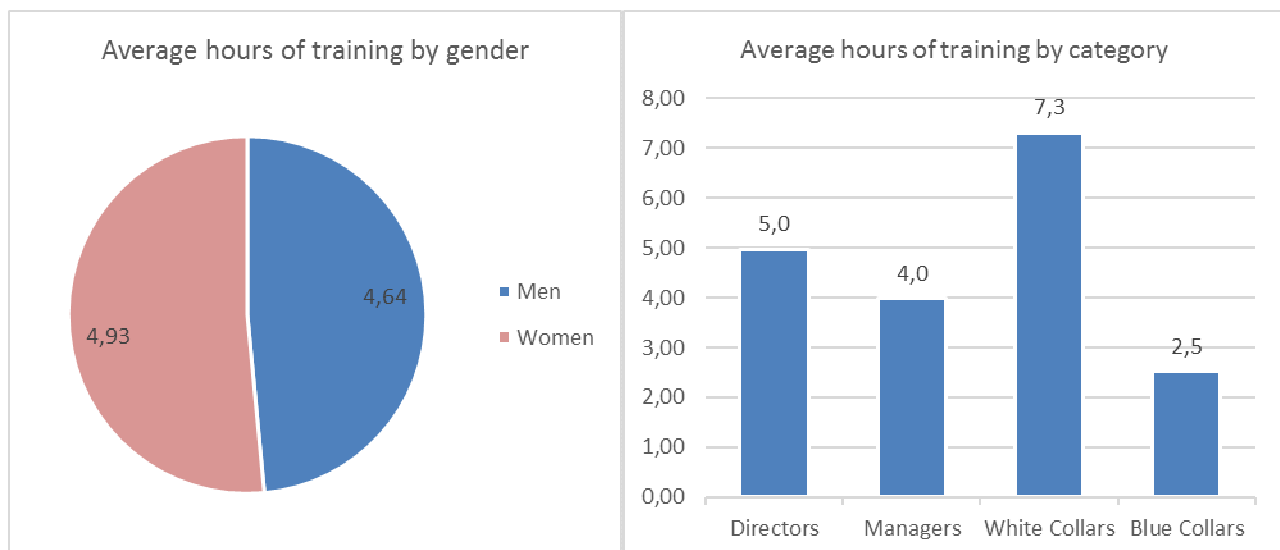
The Nice Group fully respects local contractual agreements and national labour law. In particular, each subsidiary is regulated by national regulations, with the result that all personnel are covered by a collective agreement.

Each company has a specific collective labour agreement (CCNL), in particular the headquarters in Italy is covered by the CCNL Confapi and there is no second level agreement. Each employee of the Group is covered by a legally binding agreement. The Nice Group complies with the mandatory disclosure of organizational changes. The Group has implemented a *safety management system* based on the UNI-INAIL and ISPESL guidelines.

Valorization of human capital: communication and training

The Nice Group is very active in the development and training programs dedicated to its employees: in addition to being included in 2009 as "*Great place to work* " among the top 100 Italian companies to work for, thanks to the partnership with ISTUD and MIB of Trieste the company has developed training programs aimed at the company population.
For new hires, an *induction* course is provided and for all managerial levels, training courses on transversal skills are provided, such as the *sales knowledge network* (specific program for sales representatives) and technical training specific to the technical area and R&D. The basic training program includes 12 events a year, which are developed in line with the indications emerging from the performance assessment. The courses are provided on a monthly basis and anyone can take part, subject to confirmation by the manager, who verifies that the event is consistent with the training needs of the person.
Over time, the "*Nice Corporate Academy* " (Nice Group's training program) has evolved within the initiative under which all the training and educational activities of the group converge: the *ThePlace in #knowledge*" project.
The general principles of this new 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 2017, over 8,000 hours of training were provided for all employees:



The decisions related to the strategy - including those concerning aspects of sustainability - are disseminated to all the first managerial lines of the headquarters and to the general managers through annual meetings - so-called Leadership Meetings - which represent the main moment of sharing values and strategies. The continuity of the dissemination of the strategy is thus through the company Intranet THE BOX. On both occasions, the role played by the Nice Group in its operating environment, its social role and its approach to environmental sustainability is conveyed to management.

Equal opportunities

National labour law guarantees the employment of vulnerable employees in fixed percentages. The Nice Group is committed to respecting the percentages imposed by law and guaranteeing adequate work for vulnerable employees. To date, about 2% is belonging to protected categories.

No cases of discrimination of any kind were registered in 2017.

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, such as health insurance plans, childcare agreements and car insurance.

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. As for the headquarters in Italy, the average salary for workers and employees is Euro 32k per year. As for executives, the annual average is Euro 94k.

Policy for the responsible management of health and safety

The risks and costs associated with a scarcely responsible approach to health and safety in the workplace are today a corporate and social burden that are no longer sustainable. For the Nice Group, accident prevention, with all the means and resources available, is not only a regulatory obligation, but a moral duty to protect individuals. Workers must feel safe and protected where they work and interact every day; this primary objective translates into the commitment that Management intends to pursue in daily activity through the following actions:

- Identify and assess the risks to which workers and stakeholders may be subjected, identifying suitable prevention actions;
- Spread the culture of safety at all levels of the organization, through dialogue, continuous awareness and specific training;
- Provide workers and interested parties with all personal and collective protection devices that can guarantee safety in the workplace;
- Allocate all the necessary resources to preventive maintenance programs of the plants and infrastructures;
- Constantly monitor dangerous situations (*near misses*) and activate appropriate emergency management procedures.

The Nice Group encourages all initiatives aimed at improving the perception of health and safety in the workplace, also by listening to the expectations of internal *stakeholders,* which represent a valuable resource to be protected. All collaborators and new employees are informed of the contents of this policy through dedicated events.

Occupational safety management system

In 2017, there were no injuries for internal collaborators at the Nice S.p.A. offices. Two injuries occurred in Brazil, while 3 injuries were recorded at the registered office in Germany, of which 1 while commuting.

In the various Nice S.p.A. buildings, maintenance interventions are periodically carried out, such as: periodic maintenance of heating and air-conditioning systems; forklift maintenance (reported on a single computer register); maintenance of all fire protection devices (extinguishing systems, emergency lighting systems, fire detection systems, fire doors and emergency exits); periodic check, and restoration where damaged, of shelving by specialized company M.BT Engineering S.r.l..

In 2017, in the Nice 3 warehouse, the "A-safe" barriers were installed to protect the pedestrian paths and areas used for breaks and acceptance of the material.

In 2016, 3 defibrillators were purchased, to which 7 employees were trained and enabled. External workers working at the Nice Group headquarters are required to obtain the necessary documentation required by law such as company registration, the document proving the regularity of contribution (DURC) and the declaration of possession of the professional technical requirements. If required by law, Nice S.p.A. prepares an Interference Risk Assessment (DUVRI) document.

The main risks for the workers that have been identified are listed below:

- risks of exposure to mechanical and physical agents for the use of forklifts or other equipment (e.g. lifting platforms) for warehouse workers;
- risks of mechanical and physical agents for the use of drills or similar equipment for workshop workers;
- electrical risk, in particular for designers and research and development laboratories;
- risk of falling from a height during maintenance work;
- risks of exposure to mechanical and physical agents in the outsourcing of production plants;
- risks due to the handling of goods (loading/unloading and presence of trucks);
- risk of fire and other emergency situations
- mechanical and electrical risks for the assembly workers of the new internalized productions.

Furthermore, 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.

As regards safety at work, if new workers are hired, general and specific training courses for new hires are organized internally and, for those who use equipment such as a forklift truck, 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.

the firefighting and first aid internal personnel are properly trained and meet regularly to coordinate in case of emergency situations. In, 2017 three new firefighting person and two new rescuers were appointed. First aid refresher courses are provided at three-year intervals, as required by current legislation. Evacuation tests were carried out pursuant to the Interministerial Decree of 10 March 1998 in all the plants.

They were also organized in 2017:

- updating courses for 48 employees using equipment such as pallet trucks / order pickers;

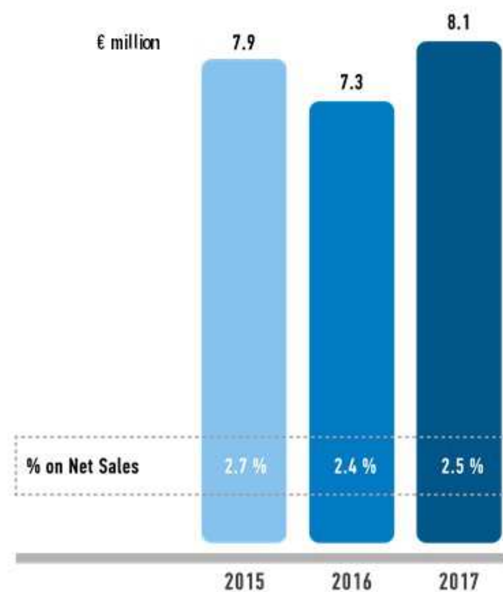
- BLSD refresher courses for the 7 people employed in the semiautomatic defibrillator;
- courses to carry out work at a height with the use of third-class individual protection devices for 25 employees;
- specific training for 7 employees on the rescue of disabled persons in case of emergency;
- refresher courses for the Workers' Safety Representatives (RLS) and for the Prevention and Protection Service Manager (RSPP).

Intellectual Capital

Centres for Technology

R&D Expenses:

- Careful protection policy for Intellectual Property
- Focus on product launches: high-tech content, continuous improvement overtime



The Nice Group cares about sustainability: the automation systems designed guarantee intelligent management of light and temperature in buildings, reducing the use of artificial light, avoiding heat loss and protecting from direct sunlight.

The design of the Nice Group's products in recent years pursues the principle of sustainability by engaging in the development of 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;
- Increasingly simple and efficient automated control of awnings and rolling shutters, which helps to reduce energy consumption in buildings to a greater extent: thanks to the awnings that better protect the interior from the heat of the sun's rays and automations that help manage energy resources more consciously, the use of heating and air conditioning is also limited (even in 2017 the purchase and installation of solar shading is among the energy efficiency measures);
- Search for eco-compatible materials for the components of the products (e.g. research and testing on recyclable and biodegradable plastic materials);
- Progressive replacement of non-recyclable packaging materials with completely recyclable materials such as paper and cardboard;

- Development of solar energy instruments and automation (example: Solemyo, which is powered by solar energy through integrated photovoltaic cells and is 100% wireless: from the solar automation kit to sensitive edges, photocells, courtesy light and flashing signalling, everything can be installed anywhere without making connections and excavation works, even in places that are very distant or difficult to reach from the electricity network);
- Development of solar energy instruments and automations also in the “Screen” business line;
- Preference for led lamps for flashing signal lights;
- Use of electronic transformers with standby electricity consumption close to zero for all products of the “Screen” Business Line;
- Use of low-consumption electronics in the “Garage Door” Business Line (e.g.: SPY product);
- Redevelopment of a large part of the electronics of the products with low consumption electronic power supply;
- 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;
- Evaluations related to the ease of disassembling products in view of waste disposal: new generation products will be increasingly modular to improve the feasibility of maintenance and disposal.

In pursuing the principle of sustainability, in 2017 the Nice research and development department developed the following solutions:

- Elimination of incandescent and halogen lamps and adoption of LED technology in almost all products (completed in 2018);
- Elimination of the quality of the polystyrene packaging replaced by cardboard (mostly recycled);
- Use of very low consumption control panels in standby mode on all products of the “Screen” Business Line;
- Use of more energy efficient motors and low consumption electronic components in the “high level” products of the other Business Lines (Gate & Door).

Specifically, recently built products that can boast low energy consumption are:

- Products of the ERA INN family for the Screen line;
- Products such as the MC200 and MC800 of the Gate line (thanks to 220 V control units);
- Products of the SPY family regarding the Door line.

It should be noted that in the course of 2017, the Nice Group had the support of the Engineering Faculty of the University of Padua for the construction of an even more efficient motor from the energy point of view. This development will be applied in the “*Screen*” line in 2018.

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

Relational Capital

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

Simplification is not the only principle that accompanies the design of the Group's products; the health and safety aspects of the user are also very important.
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 (both in 2015 and 2016 no reports or complaints regarding product health and safety issues were received).

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 *ThePlace* also to consumers, preparing training courses on products, sales techniques and much more.

In 2017, no cases of non-compliance were reported regarding product information and labeling and marketing communications.

Relations with the Community

Nice has always supported initiatives in line with the values of the group, helping to promote a message of freedom, innovation, reliability and sustainability.
ThePlace is the setting and the heart of the activities that, since the end of 2015, Nice has developed with the aim of involving people and communities in a continuous process, to stimulate the internal and external cultural growth of the company and enhance the knowledge and skills of everyone.
ThePlace is the building adjacent to the Headquarters: built on 3,000 square meters, today it is the interactive functional space available to the Group with the aim of brand awareness and training towards customers and stakeholders: meeting through which **Nice conveys not only knowledge about its products but also a network of dissemination of the culture and corporate values that distinguishes it, not least an enhancement of 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, even in 2017, has seen great commitments on several fronts, always in line with the Group's values, addressing important social levers and with programs to support and develop culture, art, sport, prevention, the environment and social life.

In continuity with the **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 for those who have special

needs, Nice has chosen to dedicate part of this attention to voluntary associations and non-profit organizations that deal with prevention, **medical awareness** and assistance to people in need (e.g. Italian League for the Fight against Cancer, Amiche per la Pelle Association, AUSLL 2 Marca Trevigiana, Doctors Without Borders). Also during the year the company decided to support a third project aimed at activating and financing projects in a continuous way of **social inclusion** for children and teenagers with autism and disability through fundraising (I Bambini delle Fate - The Children of Fairies).

ThePlace is a challenge that represents for Nice a way to **restore wealth to the territory and its inhabitants.**

Even **sport** is an issue that has always been dear to the company because it is considered capable of conveying important social messages, in line with Group values, such as: knowing how to join forces to achieve a common goal with determination, fun, dexterity, loyalty, seriousness and solidarity. The company is involved in sports support projects such as the enhancement in 2017 of sports such as archery and rugby at national and local level.

With commitment, the company seeks the application of this responsibility also in the activities of the various departments: a virtuous example can be the study and realization of the Group's fair and exhibition stands with materials that can then be reused for the creation of simple and useful items such as shopping bags for everyday, without using new raw material.
These types of activities are grouped under the **Nice Love Earth** project and represent a company commitment in seeking an up-cycling philosophy.

Internal training and the various activities of dissemination through dedicated events are also recognized as facilitators of professional growth for the community closest to the company (employees), with more than 3,000 hours of training provided, and **cultural enrichment** for those who instead follow the company as a visitor or stakeholder (e.g. the *I percorsi della Grande Guerra* - *Routes of the Great War: a* project for historical awareness and dissemination of 100 years after the conflict that devastated Europe).

Another issue for the company that is no less important is that linked to activities with **schools and universities**. The importance of young people has always been in the spirit of the company: support has been provided to company visits of schools from different addresses from high schools to universities for the purposes of orientation and cultural enrichment that involved more than 500 students in the 2017 (eg Bootcamp Liceo Brocchi of Bassano with Innovation Future School).

10,050 total ThePlace visitors.

Natural Capital

Policy for the responsible management of the environment

Contributing to delivering a better environment to future generations is, for the Nice Group, a responsibility that goes beyond the economic result, but represents a priority and an investment. The widespread awareness at global level of the threats related to climate change, the depletion of limited resources and the loss of biodiversity, leads the company management to recognize the importance of protecting and safeguarding the environment within the strategic decisions of the business. Consequently, essential commitments of the Group include:

- The rational consumption of energy resources throughout the product life cycle, favouring the supply from 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;
- The reduction of water consumption, the conservation of limited natural resources and the use of raw materials and products preferable from an environmental point of view, encouraging recycling or reuse.
- The prevention of pollution generated by polluting emissions into the atmosphere, which contribute to the increase in the greenhouse effect;
- Careful management of scrap and waste generated by production activities.
- The search for compatibility with the natural environment hosting the Group companies.

For these commitments to be translated into everyday business, the Nice Group promotes dialogue with all its stakeholders and disseminates the aforementioned principles at all levels of the organization through its own communication channels.

Climate change produces effects that are now evident also on everyday life. Both the scientific and the economic community have recognized their main cause in human activity. 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. 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.

During 2017, no cases of non-compliance with environmental laws or regulations were identified.

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 in 2017 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.

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.

The quantity of hazardous waste amounted to just over 1% of the total waste generated by the activities of the Nice Group in 2017.

No wastewater is produced from the activity (with the exception of those in the restrooms). Only the R&D department produces scrap from the prototyping activity consisting of the water used to wash the pieces coming out of the workshop. In order to minimize the environmental impact, in 2016 a new washing machine was introduced with a system for collecting waste water, which is fed into a special tank and then taken, transported and disposed of as waste (instead of as industrial waste water) by an authorized company. Thus the discharge on surface water bodies or on the ground is avoided.

Waste that undergoes special treatment according to the national legislation of reference are damaged or defective batteries of electronic devices: The Nice Group annually sends a declaration to the national register called “Battery and Accumulator Register” in which, precisely because it is widely used by its products, it summarizes the quantity placed on the market of such devices (972,116 pieces in 2017 including batteries and accumulators). This way, there is greater certainty about the quantity of such material in circulation and, consequently, also about the entity to be disposed of in the future.

A similar procedure is envisaged for WEEE (Waste Electrical and Electronic Equipment): a Communication is sent annually to the national WEEE registry.

Nice S.p.A. adheres to "ecoR 'it", a multi-sector Collective System for the correct management of professional and domestic Electrical and Electronic Waste Equipment (WEEE), batteries and accumulators.

Awareness of employees and suppliers

In 2016 and 2017, internal training courses were held for the operational staff aimed at disseminating procedures and improving the separation of waste. Even suppliers, verified according to the ISO 9001 procedure, are made aware of the correct management of the waste they produce and in 2016, it was further requested to pay attention to aspects concerning this issue.

Rational use of energy

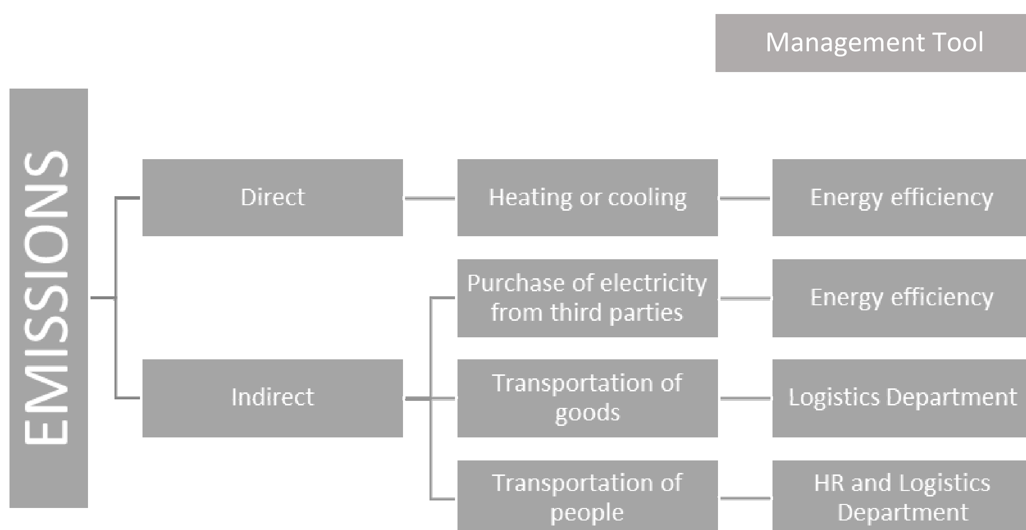
The Nice Group is committed to increasing the energy efficiency of its products and plants: it controls energy consumption and limits the impact of emissions deriving from it, both through structural instruments, which produce their effects in a medium/long-term period and with others that are instead 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.

Energy Consumption 2017	Italy		Brazil		Germany	
Type	**Total**	**Total GJ**	**Total**	**Total GJ**	**Total**	**Total GJ**
Natural Gas *(for heating)*	206,246 smc	8,046	-	-	16,700 smc	657.98
Diesel *for non-production use (ex.: heating)*	-	-	-	-	161,000 Lt	5.788
Electricity purchased	1,843,295 kWh	6,636	540,210 kWh	1,944.75	2,440 kWh	8.78



Scope 1 Emissions						
	Italy			Abroad		
	Total GJ	Emission Factor	Emissions (tCO2eq)	Total GJ	Emission Factor	Emissions (tCO2eq)
Natural Gas *(for heating)*	8,046	1.962	15.79	658	1.962	1.29
Diesel *for non-production use (ex.: heating)*	-	-	-	5.788	3.186	15,675

Scope 1 Emissions						
	Italy			Estero		
	Totale GJ	Fattore di emissione	Emissioni (tCO2eq)	Totale GJ	Fattore di emissione	Emissioni (tCO2eq)
Electricity purchased	6,636	434.59	2.88	1,954	434.59	0.85

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.

Installation of cutting-edge equipment

Over the years, the Nice Group has made choices towards reduced environmental impact for the maintenance or upgrading of its plants. In 2015, an expert assessment was carried out by expert consultants, 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 no. 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.
At the time of the construction of the headquarters, it was decided to install systems and plants designed for better management of energy consumption, 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 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.

Nice changes lift truck charging technology

In 2016, the Nice Group completed the replacement of rectifier battery chargers with those with AF inverters because they allow an optimal battery charge and a higher overall efficiency (battery charger efficiency plus charge efficiency). This means a reduction in electricity consumption for the warehouse of around 22MWh/year, equivalent to the energy needed for 550,000 40W light bulbs to run for one hour

Table of GRI Indicators

GRI Standard Title	GRI disclosure number	GRI Disclosure Title	Page	Omissions
GRI 102: General Disclosures 2016 - Organisational Profile	102-8	Information on employees and workers	35	
	102-9	Supply Chain	33	
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	50	
	102-56	External attestation	52	
GRI 102: General Disclosures 2016 - Strategy	102-15	Key impacts, risks, and opportunities	27	
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.	22, 29, 31, 35, 41, 43, 45	
GRI 201: Anti-corruption 2016	201-1	Incidents of corruption detected and corrective activities implemented	23	
GRI 204: Economic Performance 2016	204-1	Economic value generated and distributed	29	
GRI 204: Purchase Practices 2016	205-3	Percentage of expenditure concentrated on local suppliers	34	
GRI 301: Materials 2016	301-1	Materials used divided by weight and volume	46	*For this first year of reporting, the information reported is related only to some materials. 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	47	
GRI 305: Emissions 2016	305-1	Direct greenhouse gas emissions (Scope 1)	48	
	305-2	Greenhouse gas emissions for energy production (scope 2)	48	
GRI 414: Environmental assessment of suppliers 2016	308-1	New suppliers evaluated on the basis of environmental criteria		*For this first year of reporting, some information required 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	37	
GRI 403: Occupational Health and safety 2016	403-3	Workers with high risk of injury or occupational illness	40	
GRI 404: Training and education 2016	404-1	Average hours of training per year and per worker	38	
GRI 405: Diversity and equal opportunities 2016	405-1	Diversity and of the governing bodies and workers	24, 37	
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions implemented	39	
GRI 412: Assessment of human rights 2016	412-1	Training of employees on human rights policies and procedures		*For this first year of reporting, some information required 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		*For this first year of reporting, some information*

				required 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 Labeling 2016	417-2	Cases of non-compliance regarding products information and labeling	44	
	417-3	Cases of non-compliance regarding marketing communications	44	

Report of the Independent Auditors on the Consolidated 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

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 ("the Decree") and to article 5 of the CONSOB Regulation n. 20267, 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, 2017 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 14, 2018 (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 "Global Reporting Initiative Sustainability Reporting Standards" established by GRI - Global Reporting Initiative ("GRI Standards"), with reference to the selection of GRI Standards.

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.

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for identifying and managing 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

Our independence is based on the principles of ethics and independence expressed within the Code of Ethics for Professional Accountants (the "Code"), which has been released by the International Ethics Standards Board for Accountants. The Code is based on the principles of integrity, objectivity competency, confidentiality and professional behaviour. Our auditing firm applies the International Standard on Quality Control 1 (ISQC Italia 1) and it maintains a system of quality control that includes directives and procedures concerning the compliance to ethics and professional principles and regulations of the applicable laws.

Bari, Bergamo, Bologna, Brescia, Cagliari, Firenze, Genova, Milano, Napoli, Padova, Palermo, Pescara, Potenza, Roma, Torino, Treviso, Trieste, Verona, Vicenza

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Codice Fiscale, Partita IVA e Registro Imprese di Milano n. 07722780967 - R.E.A. Milano 1977842
Iscritta al Registro dei Revisori Legali al n. 167911 con D.M. del 15/03/2013 G.U. n. 26 del 02/04/2013
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Auditors' responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI Standards. We conducted 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. The standard requires the compliance with ethical principles, including independence requirements, and that we plan and perform the engagement to obtain limited assurance whether the report is free from material misstatement. The procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with *ISAE 3000 Revised*, and, therefore, do 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 NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of 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 art. 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. comparison of data and financial economic information included in the NFS with data and information included in the 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 specified by article 3 of the Decree;
   - policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
   - main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.

   With reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5, letter a) of this report;
5. understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.
   In particular, we carried out interviews and discussions with the Management of Nice S.p.A. and we therefore carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

In addition, for material information, taking into consideration the Group's activities 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 management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;

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

c) we carried out site visits, during which we have met company's Management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Nice Group as of December 31, 2017 is not prepared, in all material respects, in accordance with article 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" established by GRI - Global Reporting Initiative ("GRI Standards").

Other matters

The comparative information included in the Consolidated Non-Financial Statement for the year ended December 31, 2016, was not examined by auditors.

Verona, March 30, 2018

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 at 31 December 2017

Consolidated Statement of Financial Position at 31 December 2017 and 31 December 2016 *

(Euro thousands)	31/12/2017	31/12/2016	NOTES
ASSETS			
Non-current assets			
Intangible assets	114,645	113,979	(1)
Tangible assets	47,892	42,721	(2)
Property investments	8,195	8,525	(2)
Other non-current assets	1,068	5,609	(3)
Deferred tax assets	8,763	10,926	(4)
Total non-current assets	**180,562**	**181,759**	
Current assets			
Inventories	62,619	62,598	(5)
Trade receivables	54,131	56,726	(6)
Other current assets	3,113	3,584	(7)
Tax receivables	11,324	8,139	(8)
Other current financial assets	2.765	1,268	(9)
Cash and cash equivalents	55,722	70,552	(10)
Total current assets	**189,673**	**202,866**	
Total assets	**370,235**	**384,626**	
LIABILITIES AND EQUITY			
Shareholders' equity			
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)	
Retained earnings and reserves	197,744	196,210	
Foreign currency translation adjustments	(25,982)	(15,265)	
Profit for the year	22,931	13,140	
Group equity	**220,021**	**219,412**	
Equity attributable to non-controlling interests	(826)	(1,169)	
Total Equity	**219,194**	**218,244**	(11)
Non-current liabilities			
Provisions for risks and charges	3,321	1,997	(12)
Termination indemnities	2,894	3,735	(13)
Medium-/long-term loans	35,209	55,058	(14)
Other non-current liabilities	8,954	11,249	(15)
Tax payables (over 12 months)	1,068	469	
Deferred tax provision	1,465	2,108	(16)
Total non-current liabilities	**52,912**	**74,616**	
Current liabilities			
Bank overdrafts and loans	21,812	14,181	(17)
Other financial liabilities	34	142	(18)
Trade payables	54,777	49,862	(19)
Other current liabilities	11,372	18,829	(20)
Tax payables (within 12 months)	10,134	8,753	(21)
Total current liabilities	**98,129**	**91,767**	
Total liabilities	**151,041**	**166,383**	
Total liabilities and shareholders' equity	**370,235**	**384,626**	

* 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 for the years ended 31 December 2017 and 2016*

(Euro thousands)	2017	2016**	NOTES
Revenues	**324,957**	**309,062**	(33)
Operating costs:			
Costs for basic components, ancillary materials and consumables	(143,511)	(132,996)	(22)
Costs for services	(56,749)	(60,191)	(23)
Costs for rents and leases	(8,365)	(8,804)	(24)
Labour costs	(64,515)	(61,517)	(25)
Other operating costs	(5,902)	(4,821)	(26)
Depreciation/amortization	(10,267)	(9,119)	(27)
Impairment of assets	-	(7,089)	(28)
Other income	4,571	3,807	(29)
Operating result	**40,220**	**28,333**	
Financial income	2,806	3,904	(30)
Financial expenses	(7,329)	(6,614)	(31)
Pre-tax result	**35,697**	**25,623**	
Income taxes	(12,275)	(12,241)	(32)
Net result	**23,422**	**13,382**	
Profit/Loss attributable to non-controlling interests	491	241	
Group net profit/loss	**22,931**	**13,141**	

* Pursuant to Consob resolution no. 15519 of 27 July 2006, the effects of transactions with related parties are described in note 37.
** Some items of the Income Statement at 31 December 2016 were reclassified for comparability with figures at 31 December 2017.

Consolidated earnings per share	**2017**	**2016**
(Euro thousands)		
Average number of shares	110,664,000	110,664,000
Group net profit/loss	22,931	13,141
Data per share (Euro)		
Basic, for net profit attributable to ordinary shareholders of the parent company	0.20721	0.11874
Diluted, for net profit attributable to ordinary shareholders of the parent company	0.20721	0.11874

Consolidated statement of comprehensive income as at 31 December 2017 and 2016

(Euro thousands)	2017	2016
Net result	**23,422**	**13,382**
Other income items net of taxes, without reversal to the income statement	14	(68)
- Actuarial loss on termination benefits	14	(68)
Other items of comprehensive income after taxes reclassified to income statement	(10,865)	10,008
- Exchange differences on translation of foreign financial statements	*(10,865)*	*10,008*
Total comprehensive income/loss after taxes	**12,571**	**23,322**
Attributable to:		
Non-controlling shareholders	342	874
Shareholders of the parent	12,229	22,448

Consolidated statement of cash flow as at 31 December 2017 and 2016

(Euro thousands)	2017	2016 *
CASH FLOW FROM OPERATING ACTIVITIES:		
Group net profit/loss	**22,931**	**13,141**
Net profit/loss attributable to non-controlling interests	491	241
Income taxes	12,275	12,241
Depreciation, amortisation and impairment	10,267	16,208
Accrual/(use) of bad-debt provision	909	(411)
Accrual/(use) of inventory write-down provision	213	(594)
Accrual/(use) of provision for risks	1,836	(335)
Accrual/(use) of employee benefit obligations	(840)	439
Fair value measurement of financial instruments	(108)	1
Accrual/(use) of deferred/prepaid tax provision	1,454	689
Changes in current assets and liabilities:		
Decrease/increase in Receivables due from customers	(1,222)	1,573
Other current assets	261	1,279
Inventories	(1,402)	5,606
Payables to suppliers	6,332	4,889
Other current liabilities	1,454	(2,142)
Income taxes paid in the period	(13,817)	(11,366)
Total adjustments and changes	**18,101**	**28,319**
Cash flow from operating activities	**41,032**	**41,459**
CASH FLOW FROM INVESTING ACTIVITIES:		
Investments in intangible fixed assets	(7,741)	(2,979)
Investments in tangible assets	(12,978)	(19,866)
Investments in shareholdings	(12,737)	(9,706)
Cash flow used in investing activities	**(33,456)**	**(32,550)**
CASH FLOW FROM FINANCING ACTIVITIES:		
Dividend distribution	(11,066)	(7,780)
New loans	64,544	(18.956)
Repayment of loans	(74,017)	18,644
Net change in other financial liabilities	(123)	(1,300)
Net change in medium-/long-term tax payables	614	113
Net change in other non-current assets	2,021	2,398
Net change in other financial assets	1,553	2,246
Interest income collected	336	655
Interest expense paid	(885)	(3,611)
Translation differences and other changes in equity	(6,675)	4,339
Cash flow used in financing activities	**(24,035)**	**(2,629)**
Effect of exchange rate differences on cash and cash equivalents	1,183	(817)
Increase/Decrease of cash and cash equivalents	**(14,831)**	**5,462**
Cash and cash equivalents at the beginning of the period	70,552	65,090
Cash and cash equivalents at the end of the period	**55,722**	**70,552**

* Some items of the Consolidated statement of cash flow as at 31 December 2016 were reclassified for comparability with figures as at 31 December 2017

Consolidated statement of changes in shareholders’ equity as at 31 December 2017 and 2016

(Euro thousands)	Share capital	Legal reserve	Share premium reserve	Treasury shares	Retained earnings and reserves	Translation reserve	Group Shareholders' Equity	Profit (loss) of non-controlling interests	Non-controlling interests in capital and reserves	Total Shareholders' Equity
Balance as at 31 December 2015	**11,600**	**2,320**	**32,179**	**(20,771)**	**203,951**	**(24,641)**	**204,638**	**348**	**(2,391)**	**202,595**
Profit/loss for the period	-	-	-	-	13,141	-	13,141	241	-	13,382
TFR actuarial loss	-	-	-	-	(68)	-	(68)	-	-	(68)
Translation difference	-	-	-	-	-	9,375	9,375	-	633	10,008
Comprehensive income	**-**	**-**	**-**	**-**	**13,073**	**9,375**	**22,448**	**241**	**633**	**23,322**
Dividend distribution	-	-	-	-	(7,780)	-	(7,780)	-	-	(7,780)
Other changes	-	-	-	-	106	-	106	-	-	106
Balance at 31 December 2016	**11,600**	**2,320**	**32,179**	**(20,771)**	**209,350**	**(15,266)**	**219,412**	**241**	**(1,410)**	**218,244**
Profit/loss for the period	-	-	-	-	22,931	-	22,931	491	-	23,422
TFR actuarial loss	-	-	-	-	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)
Other changes	-	-	-	-	(554)	-	(554)	-	-	(554)
Balance at 31 December 2017	**11,600**	**2,320**	**32,179**	**(20,771)**	**220,675**	**(25,982)**	**220,021**	**491**	**(1,317)**	**219,194**

Notes to the Consolidated Financial Statements at 31 December 2017

Company information

Nice S.p.A. is an Italian joint-stock company established and located in Oderzo (TV) – via Pezza Alta, 13 Z.I. Rustignè. 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 2017 was approved by the Board of Directors on 14 March 2018.

Contents and format of consolidated financial statements

The consolidated financial statements as at 31 December 2017 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 2016, 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 2017.

New accounting standards, amendments and interpretations applicable to accounting periods commencing on or after 1 January 2017

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

Amendment to IAS 12 – Income taxes

The amendments provide clarification about the recognition of deferred tax assets on debt instruments measured at fair value which result in the creation of a temporary deductible difference when the instrument is held to maturity.

Amendment to IAS 7 – Statement of cash flows

The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes (exchange differences, changes in fair value, etc.). The Cash Flow Statement was adjusted to the amount requested and the reconciliation of the opening and closing balances of liabilities deriving from financing activities was provided.

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

IFRS 9 – Financial Instruments

This standard was issued in 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 profit and loss; and (iii) subsequently measured at their fair value or at the amortized 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 January 1, 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 will not use any of the practical expedients referred to in Appendix C of IFRS 15. As permitted by IFRS 15, the Group will adopt 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 will not use any of the practical expedients referred to in Appendix C of IFRS 15. As permitted by IFRS 15, the Group will adopt the principle retroactively, noting the cumulative effect of the initial application as adjustment of the opening balance of profits carried over into the financial year that includes the initial application date ("modified retrospective approach"), ie January 1, 2018. The Group has assessed the impact, in terms of economic performance and equity, on the consolidated financial statements of the Group at the time of the initial adoption of the standard and amendments.

IFRS 16 – Leases

On 13 January 2016, the IASB published the standard IFRS 16 – Leases, which is intended to replace the standard IAS 17 – Leases, as well as the interpretations 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 model of recognition and evaluation of lease agreements for the lessee, which involves registration of the leased asset to also operational in assets with financial debt counter-entry, while also providing the opportunity to not recognize as leases contracts concerning "low-value assets" and leases with a contract term equal to or less than 12 months. By contrast, the Standard does not include significant changes for lessors.
The standard is applicable as of 1 January 2019. However, earlier application is permitted only for Companies that proceeded with early application of IFRS 15 - Revenue from Contracts with Customers. The Group is examining the aforementioned standard and assessing if its adoption is expected to have a significant impact on the consolidated financial statements.

Amendments to IAS 40 - Transfers of Investment Property

The amendments, published on 8 December 2016, clarify transfers of a property to or from property investment. In particular, an entity must only reclassify a property to or from the investment property category if there is evidence of a change of use of that 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. The amendments take effect from 1 January 2018, with earlier adoption allowed.

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 take effect from 1 January 2018, with earlier adoption allowed.

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.

Accounting standards, amendments and interpretations not yet endorsed by the European Union

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 main amendments regard: (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.

IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

The purpose of the interpretation, published on 08 December 2016, is to provide guidelines for foreign currency transactions where non-monetary advances or prepayments are recognised in the financial statements prior to the recognition of the related asset, cost or revenue. This document provides indications on how an entity must determine the date of a transaction and, consequently, the spot rate to be used for foreign currency transactions in which payment is made or received in advance. IFRIC 22 is applicable starting from 1 January 2018. However, earlier application is permitted.

Amendments to IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture

The document was published on 11 September 2014 in order to resolve the current conflict between IAS 28 and IFRS 10. The amendments introduced require that for a sale/transfer of an asset or a subsidiary to a joint venture or associate, the measure of the gain or loss to be recognized in the financial statements of the seller/transferor depends on whether the asset or subsidiary sold/transferred constitute a business, under the meaning of IFRS 3. If the assets or the subsidiary sold/transferred represent a business, the entity shall recognize the gain or loss on the entire investment held; otherwise, the portion of the gain or loss related to the share still held by the entity shall be eliminated. At present, the IASB ha suspended application of this amendment.

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.

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. 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 amortized 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.

Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions

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

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 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 101,480 thousand as at 31 December 2017 (2016: Euro 105,976 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.

At 31 December 2017 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;

- S.C. Nice R.E. Romania SRL, a company that carries out real estate business in the Romanian territory;
- Nice Istanbul Ltd, a company that markets the Group's products in Turkey;
- Nice Australia Home Automation Pty Ltd, subsidiary that markets the Group's products in Australia and 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;
- Silentron S.p.A., a company that designs, produces and markets alarm systems;
- 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 Srl, innovative start-up that develops systems for intelligent and automatic access management in and around homes and offices;
- **Nice Group USA Inc.**, a company that markets the Group's products and designs, produces and markets automation systems in the USA, which holds:
- Hy Security Gate Inc., a company that designs, produces and markets gate automation systems for industrial and commercial use, characterized by extremely high standards of security;
- **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;
- **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, subsidiary that markets automation systems for gates and garage doors in the French market;
- **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 Asia;
- elero Singapore Pte. Ltd., a company that markets elero products in Asia;
- elero AB, a company that markets the Group's products in Sweden.

Please note that, as in the past years, Nice Middle East has not been consolidated as at 31 December 2017 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 recognized 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 Ufficio Italiano dei Cambi (Italian Foreign Exchange Office):

Currency	Average 2017	Final as of 31/12/2017	Average 2016	Final as of 31/12/2016
Polish Zloty - PLN	4.2563	4.1770	4.3686	4.4103
Chinese Renminbi - CNY	7.6264	7.8044	6.9131	7.3202
Turkish Lira - TRY	4.1214	4.5464	3.2588	3.7072
Australian Dollar - AUD	1.4729	1.5346	1.5221	1.4596
US Dollar - USD	1.1293	1.1993	1.1155	1.0541
British Pound - GBP	0.8762	0.8872	0.7763	0.8562
Rumanian Leu - RON	4.5687	4.6585	4.4956	4.5390
South Africa Rand - ZAR	15.0434	14.8054	17.2036	14.4570
Russian Ruble - RUB	65.8877	69.3920	78.4283	64.3000
Singapore Dollar - SGD	1.5582	1.6024	1.5402	1.5234
Indian Rupee - INR	73.4980	76.6055	74.9753	71.5935
Swedish Krona - SEK	9.6369	9.8438	9.3015	9.5525
Brazilian Real - BRL	3.6041	3.9729	4.1349	3.4305
United Arab Emirates Dirham - AED	4.1461	4.4044	4.1185	3.8696

Summary of principal accounting policies

The accounting policies and measurement criteria adopted for preparing the consolidated financial statements at 31 December 2017 are described below.

Intangible 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 acquisition 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). Each unit or group of units to which goodwill is allocated represents the lowest level within the company in which goodwill is monitored for internal management purposes and is no broader than the business segments identified on the basis of the Group's segment information, determined pursuant to IFRS 8 'Operating Segments'.

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

Tangible assets are initially posted at their historical cost, including related costs directly chargeable and necessary to put the asset into operation for the use for which it was acquired.
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.
Tangible assets are presented net of the relevant accumulated depreciation and impairment, if any, determined according to the methods 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 depreciation rates used, which are based on technical and economic considerations, are as follows:

Category	Depreciation rates
Buildings	3%
General and specific plants	10%-15.5%
Equipment (moulds)	10%-12.5%
Miscellaneous and minor equipment	20%-25%
Office furniture and equipment	12%-20%
Electronic office equipment	20%-25%
Motor cars – Motor vehicles	20%-25%
Leasehold improvements	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 realizable value of an item of tangible assets is the higher of the net sale price of the assets and its value in use.

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. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment losses are recognized in the income statement under depreciation, amortization and impairment charges. Impairment losses are reversed if the reasons for recognizing the original impairment loss no longer apply.

An asset should be removed from the balance sheet upon disposal or when no future economic benefits are expected from its use. The gain or loss on disposal (calculated as the difference between proceeds and carrying value) is recognized in the income statement in the year the asset is derecognized.

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 book value of an asset exceeds its recoverable amount, the asset is considered impaired and is 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

IAS 39 envisages the following types of financial instruments: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Initially, all financial assets are measured at fair value, increased in the case of assets other than those at fair value with changes in the income statement of ancillary charges. The Group determines the classification of its financial assets after initial recognition and, where appropriate and allowed, reviews this classification on each reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. After initial recognition, these assets are measured at amortised cost using the effective discount rate method and stated net of any provision for impairment.
Amortised cost is calculated considering each discount or purchase premium and includes commissions that are an integral part of the effective interest rate and transaction costs. Profits and losses are recognised in the income statement when the loans and receivables are derecognised or in case of impairment, as well as by means of the amortisation process.

At 31 December 2017, the Group does not hold any financial assets that could be classified as “Held-to-maturity investments” or “Available-for-sale financial assets”.

Impairment of financial assets

On each reporting date, the Group assesses whether a financial asset or group of financial assets has been impaired.

Assets measured at amortised cost

If there is objective evidence that a loan or receivable recorded at amortised cost has been impaired, the loss is calculated as the difference between the carrying amount of the asset and the present value of the forecast cash flows (excluding collection losses not yet incurred), discounted using the original effective interest rate of the financial asset (that calculated on the date of initial recognition). The carrying amount of the asset is reduced by a provision and the loss is recognised in the income statement.
If the amount of the impairment decreases in a subsequent period, and this reduction can be objectively traced to an event that took place after recognition of the impairment, the previously reduced amount can be reinstated. Any subsequent reversals of impairment are recognized in the Income Statement, to the extent that the carrying amount of the asset does not exceed the amortized cost at the date of the reversal.
With reference to trade receivables, a provision for impairment is made when there is objective evidence (such as the probable insolvency or significant financial difficulties of the debtor) that the Group will be unable to recover all the amounts due under the original invoice terms. The book value of the receivable is reduced through the use of a specific provision. Receivables subject to impairment are written off when it is confirmed that they cannot be recovered.

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. The write-down is derecognized in subsequent years if the reasons thereof no longer 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

Trade payables

Trade payables arranged on normal commercial terms are not discounted to present value and are recorded at cost (identified by their nominal value), which represents their fair value at the reporting date.

Loans

Loans are initially recognised at the fair value of the amount received, net of the related loan acquisition costs. After initial recognition, loans are measured at amortized cost, using the effective interest rate method. Any gain or loss is recognized in the income statement when the liability is extinguished, as well as through the amortization process.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include held for trading financial liabilities and financial liabilities designated at fair value through profit or loss upon initial recognition.

Held for trading financial liabilities comprise all those acquired for resale in the short term. This category includes derivative financial instruments arranged by the Company that are not designated as hedging instruments in accordance with IAS 39. Separated embedded derivatives are classified as financial instruments held for trading unless they have been designated as effective hedging instruments.

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 rights to receive cash flows from the asset no longer apply;
- the Group retains the right to receive the future cash flows of the assets but has assumed a contractual obligation to pass them on to a third party internally without material delay;
- the Group has transferred the right to receive the cash flows from the asset and (i) has transferred substantially all of the risks and rewards of ownership of the financial asset, or (ii) it has neither transferred nor retained substantially all of the risks and rewards of the asset but has transferred control of the asset.

In the cases in which the Group has transferred the rights to receive financial flows from an asset and has neither transferred nor retained substantially all of the risks and rewards or has not lost control of the asset, it continues to recognize the asset in the financial statements of the Group to the extent of its continuing 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 derecognized from the financial statements when the underlying obligation is either discharged or cancelled or when it expires.

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 are recognized based on the best estimate of the expenditure required to settle the obligation or to transfer it to a third party at the end of the period. 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 provisions are discounted, increases resulting from the passage of time are recognized as borrowing costs.

Leasing

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:

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

a) 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;

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

c) 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

Revenues are recognised to the extent it is likely that the Group will obtain the related economic benefits and the amount concerned can be determined reliably. Revenues are measured at the fair value of the consideration received, net of discounts, allowances, rebates and sales taxes.
Revenues and costs are recorded on an accruals basis.
Revenues from the sale of products are recognised when ownership passes, which generally occurs when the goods are shipped and entails the transfer of all risks and rewards connected with the products sold.

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 recognised in the income statement as incurred.

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 2017.

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

Deferred tax assets

Deferred taxes are accounted for using the liability method on temporary differences between the tax base of an asset or liability and its carrying amount in the statement of financial position.

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 at 31 December 2017

Non-current assets

1. Intangible assets

The following table shows the changes in intangible fixed assets in 2017:

(Thousands of Euro)	Goodwill	Software, licences and concessions	Trademarks	Customer relations	Technological know-how	Development costs	Other intangible assets	Total
Cost:								
At 01/01/2016	**66,831**	**9,868**	**20,050**	**2,879**	**2,649**	**105**	**5,005**	**107,388**
Increases for acquisitions	32,813	-	-	-	-	-	-	32,813
Increases	-	1,507	-	-	-	1,711	405	3,623
Disposals	(62)	-	(9,166)	-	-	-	(68)	(9,296)
Reclassifications	-	(515)	-	-	-	-	-	(515)
Translation differences	7,081	105	-	101	-	-	81	7,367
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)
At 31/12/2017	**102,167**	**12,624**	**10,929**	**3,307**	**2,812**	**5,078**	**5,451**	**144,821**
Amortisation and impairment:								
At 01/01/2016	**(687)**	**(6,429)**	**(5,730)**	**(2,653)**	**(2,342)**	**(104)**	**(2,548)**	**(20,493)**
Increases for acquisitions	-	-	-	-	-	-	-	-
Impairment	-	-	(5,089)	-	-	-	-	(5,089)
Depreciation/ amortization	-	(1,272)	(33)	(321)	(262)	(78)	(338)	(2,303)
Disposals	-	-	-	-	-	-	132	132
Reclassifications	-	515	-	-	-	-	-	515
Translation differences	-	(51)	-	(63)			(49)	(163)
At 31/12/2016	**(687)**	**(7,238)**	**(10,852)**	**(3,036)**	**(2,604)**	**(182)**	**(2,803)**	**(27,401)**
Increases for acquisitions	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Amortisation	-	(1,367)	(10)	(271)	(46)	(420)	(556)	(2,670)
Disposals	-	-	-	-	-	-	2	2
Reclassifications	-	-	-	-	-	-	-	-
Translation differences	-	(42)	-	-	-	-	(65)	(107)
At 31/12/2017	**(687)**	**(8,646)**	**(10,863)**	**(3,307)**	**(2,649)**	**(602)**	**(3,422)**	**(30,176)**
Net carrying value:								
At 31/12/2017	**101,480**	**3,978**	**67**	**-**	**162**	**4,475**	**4,483**	**114,645**
At 31/12/2016	**105,976**	**3,728**	**33**	**(56)**	**45**	**1,634**	**2,621**	**113,979**

At 31 December 2017, intangible fixed assets amounted to Euro 114,645 thousand compared to Euro 113,979 thousand as at 31 December 2016.
The change is mainly attributable to the increase in development costs and other intangible assets, as well as to the decrease in the item due to exchange differences on the opening balances expressed in foreign currencies ("Goodwill" in particular).
The increase in the item "Goodwill" refers to the goodwill acquired in relation to the acquisition of a business unit of a local operator by the subsidiary Nice Australia Home Automation PTY Ltd and the change in goodwill related to the acquisition of HySecurity Inc.

The amortisation and impairment of intangible assets are charged to the "Depreciation and amortisation" caption of the income statement, as discussed in point 27 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 CGUs are the same as those identified in the 2016 financial statements. During the year, there were no changes in the scope of the Group such as to significantly change the configuration of the CGUs.
The goodwill was allocated to the various CGUs, either directly if the market is specified, or in proportion to sales in the case of goodwill relating to several markets.
For the CGUs identified, the impairment test did not indicate any need for a write down.
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 2018-2020 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 5.1% to 9.1%.
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. The management has assessed that, even according to the results obtained from the sensitivity analysis, there are currently no risks or need to write down the goodwill allocated to the various CGUs.

Goodwill is analysed below:

(Euro thousands)	31/12/2017	31/12/2016
France	4,011	4,131
Italy	4,192	4,124
Europe-15	18,006	16,994
Rest of Europe	8,389	8,913
Rest of the World	27,906	29,783
USA and Canada	38,977	42,030
Total goodwill	**101,480**	**105,975**

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

During the course of 2017, development costs of Euro 3,132 thousand were capitalized, Euro 2,443 thousand referring to personnel costs.

Other intangible assets

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

2. *Tangible assets*

The following table shows changes in tangible fixed assets during 2017:

(Thousands of Euro)	Land and buildings	Property investments	Plants and machinery	Industrial and commercial equipment	Other tangible fixed assets	Improvements on third-party assets	Assets in progress and advances	Total
Cost:								
At 01/01/2016	**19,819**	**-**	**16,312**	**32,950**	**15,388**	**8,878**	**4,076**	**97,423**
Increases for acquisitions	-	-	26	19	-	-		45
Increases	5,521	-	1,023	2,746	1,318	1,287	6,756	18,652
Disposals	-	-	(849)	(16)	(524)	-	-	(1,389)
Reclassifications	(13,975)	15,306	184	94	129	-	(1,738)	-
Translation differences	(10)	-	472	421	198	19	-	1,099
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)	161
Translation differences	(101)	-	(454)	(361)	(243)	-	(91)	(1,250)
At 31/12/2017	**20,891**	**15,306**	**18,557**	**38,224**	**20,255**	**12,377**	**2,009**	**127,619**
Amortisation and impairment:								
At 01/01/2016	**(4,207)**	**-**	**(10,154)**	**(25,395)**	**(13,419)**	**(2,444)**	**-**	**(55,619)**
Increases for acquisitions	-	-	-	-	-	-	-	-
Impairment	-	(2,000)	-	-	-	-	-	(2,000)
Amortisation	(523)	(104)	(1,328)	(2,301)	(1,337)	(1,222)	-	(6,815)
Disposals	-	-	263	16	179	-	-	458
Reclassifications	4,529	(4,677)	8	-	144	(3)	-	-
Translation differences	17	-	(268)	(269)	(86)	(2)	-	(608)
At 31/12/2016	**(184)**	**(6,782)**	**(11,480)**	**(27,949)**	**(14,519)**	**(3,671)**	**-**	**(64,584)**
Increases for acquisitions	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Amortisation	(365)	(330)	(1,473)	(2,371)	(1,457)	(1,602)	-	(7,597)
Disposals	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
Translation differences	24	-	294	228	150	-	-	(648)
At 31/12/2017	**(573)**	**(7,112)**	**(12,659)**	**(30,092)**	**(15,825)**	**(5,272)**	**-**	**(71,532)**
Net carrying value:								
At 31/12/2017	**20,318**	**8,195**	**5,898**	**8,132**	**4,430**	**7,105**	**2,009**	**56,087**
At 31/12/2016	**11,171**	**8,525**	**5,687**	**8,265**	**1,992**	**6,513**	**9,094**	**51,246**

At 31 December 2017, tangible fixed assets amounted to Euro 56,087 thousand, net of the depreciation for the period of Euro 7,597 thousand and net investments of Euro 12,978 thousand.

Land and buildings

The item includes the value of buildings owned by the Group, mainly in Germany and Brazil. In particular, the increase refers to the creation of the new focused factory in elero GmbH.

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., a company sold in the previous year.

Plants 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 relates to moulds that are loaned free of charge to sub-suppliers; investment during the year related to equipment for the manufacture of new products launched on the market.

Other assets

This item mainly includes furniture and furnishings, IT equipment and electronic laboratory instruments. Investment during 2017 included new IT equipment (computers and printers), as well as electronic equipment for the technical offices.

Assets in progress and advances

The item includes the advances paid in the period for the construction of some plants and improvements on third party assets.

3. Other non-current assets

This item mainly included a loan granted to an important customer of the Group, aimed at further consolidating the already existing industrial partnership. The repayment of this loan is expected in 2018, therefore the relative amount has been reclassified to the item "Other current financial assets".

4. Deferred tax assets

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

	31/12/2017			31/12/2016		
(Euro thousands)	**Total of timing differences**	**Tax effect (rate %)**	**Tax effect**	**Total of timing differences**	**Tax effect (rate %)**	**Tax effect**
Unrealized profits on inventories	4,618	24.0%	1,106	5,453	23.70%	1,290
Deferred tax assets on tax losses of foreign subsidiary companies	16,506	30.0%	4,950	23,889	30.40%	7,258
Other deferred tax assets			2,706			2,379
Total deferred tax assets			**8,763**			**10,926**

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

5. Inventories

The following table shows the breakdown of inventories as at 31 December 2017 and 31 December 2016:

(Euro thousands)	31/12/2017	31/12/2016
Basic components, ancillary materials and consumables	29,191	27,647
Products in progress and semi-finished goods	9,689	11,532
Finished products	27,141	26,708
Provision for write-down of inventory	(3,402)	(3,289)
Total inventories	**62,619**	**62,598**

Inventories at the end of the year increased by Euro 21 thousand compared to the previous 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:

(Euro thousands)	31/12/2017	31/12/2016
Allowance at start of period	**3,287**	**3,911**
Provisions	2,431	2,396
Acquisitions	0	(301)
Uses	(2,317)	(2,719)
Allowance at end of period	**3,402**	**3,287**

6. Trade receivables

The following table sets forth the breakdown of receivables due from customers and the relevant adjustment provisions as at 31 December 2017 and 31 December 2016:

(Euro thousands)	31/12/2017	31/12/2016
Trade receivables - Italy	9,895	13,181
Trade receivables - EU	26,019	19,453
Trade receivables - outside EU	24,929	30,544
Receivables from customers	**60,843**	**63,177**
Allowance for doubtful debts	(6,712)	(6,452)
Total trade receivables	**54,131**	**56,726**

Receivables from customers decreased compared to the previous year.
Trade receivables are non-interest bearing and collected in accordance with the typical commercial conditions of the countries of destination.

At 31 December 2017, trade receivables overdue but not written down were:

			Overdue but not written down		
(Euro thousands)	Total	Not overdue	0-30 days	30-60 days	over 60
Receivables as at 31/12/2017	54,131	30,527	11,803	4,477	7,323
Receivables as at 31/12/2016	56,726	32,220	9,283	4,302	10,921

At 31 December 2017, trade receivables amounted to Euro 54,131 thousand, net of the bad-debt provision of Euro 6,712 thousand. The changes in the bad-debt provision for the periods under consideration were as follows:

(Euro thousands)	31/12/2017	31/12/2016
Allowance at start of period	**6,452**	**6,936**
Provisions	721	1,536
Acquisitions	-	(211)
Uses	(461)	(1,810)
Allowance at end of period	**6,712**	**6,452**

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

7. Other current assets

Other current assets comprise other receivables, in particular, it includes advance payments for hardware and software maintenance fees and the net receivable from the parent company Nice Group S.p.A. of Group companies that have joined the Italian tax group. For further information on this receivable, please see note 32. Taxes for the year

8. 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 12. Provisions for risks and charges

9. Other current financial assets

This item mainly includes a loan granted to an important customer of the Group, aimed at further consolidating the already existing industrial partnership. The repayment of this loan is expected in 2018, therefore the relative amount has been reclassified to the item "Other current financial assets"

10. Cash and cash equivalents

The following table shows the breakdown of cash and cash equivalents as at 31 December 2017 and 31 December 2016:

(Euro thousands)	31/12/2017	31/12/2016
Bank and post office deposits	55,715	70,519
Cash and equivalents on hand	7	33
Cash and cash equivalents	**55,722**	**70,552**

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.

11. Shareholders' equity

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

(Euro thousands)	**31/12/2017**	**31/12/2016**
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	197,744	196,210
Foreign currency translation adjustments	(25,982)	(15,265)
Profit for the year	22,931	13,140
Group Shareholders' Equity	**220,021**	**219,412**
Non-controlling interests in capital and reserves	(1,317)	(1,410)
Income/loss pertaining to non-controlling interests	491	241
Minorities' shareholders' equity	**(826)**	**(1,169)**
Total Shareholders' Equity	**219,194**	**218,244**

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 2017 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 or loss for the period of subsidiaries not wholly owned.

Non-current liabilities

12. Provisions for risks and charges

The following table shows the breakdown of the provisions for risks and charges as at 31 December 2017 and 31 December 2016:

(Euro thousands)	31/12/2017	31/12/2016
Provision for product warranty	1,063	934
Provision for miscellaneous risks	2,191	997
Provision of Customers’ additional indemnity	68	67
Total provisions for risk and charges	**3,321**	**1,997**

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 2017 mainly refers to a probable liability arising from a supply contract completed during the year and certain allocations deriving from ongoing organizational restructuring.
In addition, having regard for the opinions of lawyers and tax advisors, Euro 500 thousand has been provided on a prudent basis in relation to the tax inspection that was completed in 2013. 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 2017 and in prior years.

13. Employee Benefits

The breakdown is as follows:

(Euro thousands)	31/12/2017	31/12/2016
Provision for employee severance indemnity (TFR)	1,881	1,730
Other defined benefit plans	1,013	2,005
Total provisions for risk and charges	**2,894**	**3,735**

The changes in the provision for employee severance indemnities at 31 December 2017 and 31 December 2016 are as follows:

(Euro thousands)	31/12/2017	31/12/2016
TFR at the beginning of the period pursuant to IAS 19	**1,648**	**1,668**
Increases for acquisitions	(9)	-
Use of TFR	(155)	(224)
Service cost	378	113
Interest cost	16	23
Actuarial Gain/Losses	(14)	68
TFR at the end of the period pursuant to IAS 19	**1,881**	**1,648**
Plan assets	-	82
Provision at the end of the period	**1,881**	**1,730**

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 5%, 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 1.31% 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 item includes a long-term incentive plan for directors, executives with strategic responsibilities and other key employees and collaborators of the Group, approved by the Board of Directors in 2016 and defined benefit plans provided by some foreign Group companies in favour of their employees.

The plan envisages the recognition of incentives linked to certain Group profitability parameters to be met during 2018 and, as required by IAS 19 Employee Benefits, a provision has been recorded for that part of the cost attributable to 2016.
The valuation of liabilities was subject to the calculation of independent actuary and was made according to the methodology of “accrued benefits” through the criterion “Projected Unit Credit” (PUC) as provided in paragraphs 67-69 of IAS 19. This method is based on valuations that express the current average value of obligations accrued on the basis of the service of the worker until the time when the valuation itself is carried out.
In brief, measurement involves the following steps:

- calculating the deferred incentive for each plan participant and projecting forward the individual status of each person, with assessment each year of the achievement of personal objectives, continued employment and likely survival;
- discounting any amount to be paid back to the measurement date;
- allocating the discounted amount in proportion to the life of the plan at the measurement date with respect to its total expected duration, commencing from when the services were first provided.

The cost of the plan as it relates to the directors is discussed in Note 39. Related-party disclosures

The change mainly refers to the disbursement of a portion of the aforementioned benefit to a Group’s foreign company.

14. Medium- and long-term loans

The item includes the amount related to the mortgage loan contracted by the subsidiary elero GmbH for Euro 8,500 thousand and the loans with BNL and Unicredit, respectively equal to Euro 10,000 thousand and Euro 16,666 thousand, taken out to meet the strategic needs of the Group. The expected maturity of such loans is set between 2019 and 2020 and the interest rate is variable with a spread between 0.58% and 0.65%.
The maintenance of loans is subject to compliance with certain financial parameters determined at the contractual level (covenants), which are complied with at the end of the financial year.

The composition of the Group's net financial position at December 31, 2017 and 2016 is presented below, determined in accordance with the Consob Communication of July 28, 2006 and in compliance with the Recommendations ESMA/2013/319:

(Euro thousands)	2017	2016
Net result	23,422	13,382
Amortisation, depreciation and other non-monetary changes	13,730	15,997
Change in Net working capital	3,881	12,079
Cash flow from operating activities	**41,032**	**41,457**
Investments	(20,719)	(22,844)
Operating free cash flow	**20,314**	**18,612**
Acquisitions	(12,737)	(9,706)
Free cash flow	**7,557**	**8,906**
Net Financial Position of the acquired companies	-	(299)
Dividend paid out	(11,066)	(7,780)
Other changes	(1,000)	4,563
Subtotal	**(12,066)**	**(3,516)**
Changes in the net financial position	**(4,490)**	**5,390**
Initial net financial position	**5,932**	**541**
Final net financial position	**1,443**	**5,932**

The following table shows the reconciliation between the net financial position at December 31, 2016 and December 31, 2017:

		Monetary items		**Non-monetary items**			
(Euro thousands)	**31/12/2016**	**Cash Flows**	**New/ Repayment ol loans**	**Exchange rate differences**	**fair value changes**	**Other changes**	**31/12/2017**
Cash and cash equivalents	70,552	(16,014)	-	1,183	-	-	55,722
Current financial assets	1,268	(1,553)	-	300	-	2,750	2,765
Current financial liabilities	(14,323)	3,727	10,342	61	108	(21,762)	(21,846)
Non-current financial liabilities	(51,565)	(731)	(5,349)	3,436	-	19,012	(35,198)
Total net financial position	**5,932**	**(14,571)**	**4,993**	**4,980**	**108**	**-**	**1,443**

15. Other non-current liabilities

This item comprises the non-current portion of payables for the acquisitions carried out in 2015 and 2016 totalling Euro 8,954 thousand.

16. Deferred tax provision

The following table shows the differences that originated deferred tax liabilities as at 31 December 2017 and as at 31 December 2016:

(Euro thousands)	31/12/2017 Total of timing differences	31/12/2017 Tax effect (rate %)	31/12/2017 Tax effect	31/12/2016 Total of timing differences	31/12/2016 Tax effect (rate %)	31/12/2016 Tax effect
Reversal of goodwill amortisation	3,459	24.00%	830	3,301	24.00%	792
Silentron technological know-how	-	0.00%	-	220	27.90%	61
Customer relationship - Apollo	-	0.00%	-	254	35.00%	89
Conversion of foreign currency items	613	24.00%	147	1,227	24.00%	295
Other differences			488			871
Total deferred tax liabilities			1,465			2,108

Following the purchase price allocation relating to the acquisitions made in previous years, tax liabilities have been allocated relating to the intangible fixed assets identified as they are not relevant for tax purposes, but were not recognised in the income statement.

Current liabilities

17. Bank overdrafts and loans

This item mainly refers to bank advances and to the current portion of bank loans.

18. Other current financial liabilities

The other current financial liabilities at 31 December 2017 include the fair value measurement of financial instruments.

19. Trade payables

The following table shows the breakdown of trade payables at 31 December 2017 and as at 31 December 2016:

(Euro thousands)	31/12/2017	31/12/2016
Payables to Italian suppliers	37,318	35,154
Payables to EU suppliers	12,203	8,351
Payables to suppliers outside EU	5,256	6,357
Total trade payables	**54,777**	**49,862**

At 31 December 2017, trade payables amounted to Euro 54,777 thousand, a decrease of Euro 4.915 thousand compared to 31 December 2016.

Trade payables are non-interest bearing and are normally settled within 90-120 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.

20. Other current liabilities

The following table shows the breakdown of other current liabilities:

(Euro thousands)	31/12/2017	31/12/2016
Due to employees	6,491	5,725
Due to social security and welfare institutions	2,414	2,332
Other payables	2,466	10,772
Total other current liabilities	**11,372**	**18,829**

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 previous year and paid at the beginning of the current 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 2016 mainly relates to the first tranche of earn-out paid following the acquisition of Hy-Security Gate, Inc.

21. 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.

Breakdown of the main items of the consolidated income statement at 31 December 2017

22. Costs for the use of basic components and consumables

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

(Euro thousands)	2017	2016
Purchase of basic components, semi-finished products and consumables:	*145,239*	*129,610*
Purchase of basic components	139,853	124,278
Other industrial purchases	2,870	2,988
Commercial purchases	2,516	2,345
Change in inventories	*(1,728)*	*3,386*
Cost of basic components and consumables	**143,511**	**132,996**

The use of basic components, semi-finished products and consumables increased by Euro 10,514 thousand in absolute terms.

23. Costs for services

The following table provides details of the cost of services:

(Euro thousands)	2017	2016
Direct production services	14,287	17,596
Industrial services	6,384	6,350
Commercial services	22,729	22,277
General services	13,349	13,968
Total costs for services	**56,749**	**60,191**

Costs for services increased by Euro 3,442 thousand in absolute terms. The change is mainly due to the reclassification of the amount relating to the remuneration of general managers within the item cost of personnel, equal to Euro 1,615 thousand.

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.

24. Costs for rents and leases

The following table shows the breakdown of costs for rents and leases:

(Euro thousands)	2017	2016
Rental expenses	6,175	6,706
Rentals	2,192	2,098
Total costs for rents and leases	**8,365**	**8,804**

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.

25. Labour costs

The following table details personnel costs:

(Euro thousands)	2017	2016
Wages and salaries	50,010	47,717
Social security contributions	10,760	10,745
Employee Benefits	952	1,091
Other expenses	2,793	1,964
Total personnel costs	**64,515**	**61,517**

Group employees as at 31 December 2017 were 1,603 compared to 1,528 in 2016.
For the purposes of comparability with data as at 31 December 2017, the personnel cost for 2016 was adjusted for a total amount of Euro 1,615 thousand, relating to the remuneration of the general managers previously classified within the item costs for services.

26. Other operating costs

Other operating costs include the allocation made to the bad-debt provision in order 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.

27. Depreciation/amortization

The following table shows the breakdown of depreciation and amortisation:

(Euro thousands)	2017	2016
Depreciation of tangible assets	7,597	6,815
Amortisation of intangible assets	2,670	2,304
Total depreciation and amortisation	**10,267**	**9,119**

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

28. Impairment of assets

In the previous year, write-downs of fixed assets were carried out for a total value of Euro 7,089 thousand in relation to the sale of the FontanaArte business unit.
In particular, the net intangible assets attributable to the lighting business were written down for an amount equal to Euro 5,089 thousand and the Corsico real estate complex, leased to FontanaArte S.p.A., in relation to the subsequent destination as an investment property no longer functional to the operating activities of the Group, was written down for an amount of Euro 2,000 thousand.

29. Other income

Other income for the year ended 31 December 2017 amounts to Euro 4,571 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 finance income:

(Euro thousands)	2017	2016
Bank interest income	336	588
Exchange rate gains	2,286	3,213
Other financial income	184	102
Total financial income	**2,806**	**3,904**

Exchange rate 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 finance expense:

(Euro thousands)	2017	2016
Cash discounts	2,852	2,750
Exchange rate losses	3,576	2,481
Bank interest expenses	560	726
Other financial expenses	340	657
Total financial expenses	**7,329**	**6,614**

Financial expenses in 2017 amount to Euro 7,329 thousand and increased by Euro 715 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 year

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

(Euro thousands)	2017	2016
IRES	2,843	1,986
IRAP	607	575
Current foreign tax	7,449	9,318
Current taxes	**10,099**	**11,878**
(Prepaid) deferred taxes	1.377	363
Total income taxes	**12,275**	**12,241**

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

(Euro thousands)	2017	2016
Pre-tax result	35,697	25,623
Income taxes	12,275	12,241
Impact on pre-tax profit	**34.4%**	**47.8%**

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	2017		2016	
Pre-tax result	35,697		25,622	
Theoretical taxes	8,567	24.0%	7,046	27.5%
Effective taxes	12,275	34.4%	12,241	47.8%
Difference	*3,708*	10.4%	*5,195*	20.3%
IRAP	607	1.7%	575	2.2%
Non-deductible provisions	(898)	-2.5%	(603)	-2.4%
Deferred tax assets	1,377	3.9%	390	1.5%
ACE	(288)	-0.8%	(939)	-3.7%
Effect on dividends received	(367)	-1.0%	(473)	-1.8%
Different tax rates in force in other countries	1,327	3.7%	993	3.9%
Other differences	1,950	5.5%	5,252	20.5%
Total differences	*3,708*	*10.4%*	*5,195*	*20.3%*

The tax rate for the year amounts to 34.4%, lower than 47.8% last year. The decreased 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 Report

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, in order 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 2017 and 2016.

(Euro thousands)	31/12/2017 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
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.
(***) Including USA and Canada.

(Euro thousands)	31/12/2016 Italy	France	EU 15	Rest of Europe	Rest of the world (***)	Consolidated figures
Net sales	36,268	41,556	186,051	155,003	90,184	309,062
EBIT	3,325	3,810	7,889	5,042	8,267	28,333
Net Working Capital	9,062	5,411	14,171	10,070	23,497	62,211
Non-current assets (*)	24,884	14,860	38,914	27,652	64,523	170,833
Non-current liabilities (**)	(10,107)	(7,657)	(18,812)	(12,484)	(23,447)	(72,507)

(*) Excluding deferred tax assets.
(**) Excluding deferred tax.
(***) Including 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 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 profit/loss 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	2017	2016
(Euro thousands)		
Average number of shares	110,664,000	110,664,000
Group net profit/loss	22,931	13,141
Data per share (Euro)		
Basic, for net profit attributable to ordinary shareholders of the parent company	0.20721	0.11874
Diluted, for net profit attributable to ordinary shareholders of the parent company	0.20721	0.11874

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

The dividends proposed for approval by the Shareholders' Meeting (not recognised as liabilities as at 31 December 2017) amount to Euro 0.1 per share (2016: Euro 0.1). Considering the number of outstanding shares as at 31 December 2017, the total outlay would amount to Euro 11,066 thousand. The clipping of the coupon is envisaged on 30 April 2018, payment on 3 May 2018 and the record date will be 2 May 2018.

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)	31/12/2017	31/12/2016
within 1 year	5,593	7,414
between 1 and 5 years	11,903	16,333
over 5 years	8,359	7,969
Total lease contract commitments	**25,855**	**31,716**

37. Related-party disclosures

Nice S.p.A. is controlled by the Italian company Nice Group S.p.A. The Group carries out the following transactions with related parties:

- 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.;
- Dorado Srl: a company managed by Giuseppe Mallarino, who is also the CEO of Silentron S.p.A.; property lease to Silentron S.p.A.;
- Companies of the minority shareholders of Nice Home Automation JSC: trade relations with Nice Home Automation JSC and Nice S.p.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 current market prices. 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 2017, the Group made no allocation to any bad-debt provision for 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.

Economic and financial transactions during 2017 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	Cost of rents and leases	Costs for services	Trade payables	Trade receivables	Other current receivables/payables	Financial payables
Nice Group S.p.A.	-	31	-	-	-	-	1	271	-
Nice Immobiliare S.r.l.	-	21	(98)	(2,833)	(1)	(67)	2	73	(290)
Nice Real Estate SL	-	-	-	(418)	-	-	-	-	-
Dorado S.r.l.	-	-	-	(139)	-	-	-	-	-
Related parties Nice Home Automation	-	-	-	-	-	-	2	-	-
New Real	-	-	-	(112)	-	-	-	-	-
Fattoria Camporotondo S. agr. S.	4	12	-	-	-	(12)	2	-	-
Modular Professional Srl	134	12	(18)	-	-	(21)	55	-	-
Italian Creation Group	203	-	-	-	-	-	104	-	-
Habitat Srl	-	-	-	(14)	-	-	-	-	-
Total related parties	**341**	**76**	**(117)**	**(3,516)**	**(1)**	**(100)**	**166**	**344**	**(290)**

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):

Subject	Office	Duration of office	Remuneration as a director	Remuneration as an employee	Fringe benefits	Total
Buoro Lauro	Chairman	2016-2018	470		11	481
Griffa Roberto	Chief Executive Officer	2016-2018	370		14	384
Cimolai Denise	Director	2016-2018	13	87	2	102
Galberti Lorenzo	Director	2016-2018	200		3	203
Zanutto Giorgio	Director	2016-2018	199	85	3	287
Chiara Mio	Director	2016-2018	25			25
Bortuzzo Antonio	Independent Director	2016-2018	22			22
Emanuela Paola Banfi	Independent Director	2016-2018	12			12
Saccardi Giuliano	Chairman of the Board of Statutory Auditors	2015-2017	26			26
Berna Monica	Standing Auditor	2015-2017	14			14
Enzo Dalla Riva	Standing Auditor	2015-2017	14			14
Total fees			**1,363**	**172**	**34**	**1,569**

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

In addition to the fees included in the table above, it should be noted that, in the previous year, the Board of Directors authorised a long-term incentive plan for the directors, executives with strategic responsibilities and other key collaborators of the Group.
The fee for 2017 (service cost) relating to the Directors amounts to Euro 143 thousand.

38. Financial risk management policies and objectives

The Group's net financial position results in a surplus of Euro 1,443 thousand in cash and cash equivalents compared to financial payables.
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. Capital management

The Group has limited payables to financial intermediaries and has a financial position that 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 Group can adjust the dividends paid to shareholders, repay share capital, or issue new shares.
No change was made to the objectives, policies or procedures during this year.

40. 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:

(Euro thousands)	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	-	-

(Euro thousands)	Carrying value 31/12/2016	Fair value 31/12/2016
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	142	142
(i) designated as such at time of initial recognition	-	-
(ii) classified as held for trading	142	142
Financial assets measured at amortised cost	130,792	130,792
Trade receivables	*56,726*	*56,726*
Other financial assets	*3,514*	*3,514*
Cash and cash equivalents	*70,552*	*70,552*
Financial liabilities measured at amortised cost	64,043	64,043
Bank overdrafts and loans	*14,181*	*14,181*
Trade payables	*49,862*	*49,862*
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 levels are as follows:

- 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 2017 can be classified in Level 2 of the fair value hierarchy. In addition, during 2017 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 2017, the Group only has IRS hedging contracts on the interest rate of a bank loan.

41. Subsequent events

At the beginning of January 2018, the Nice Group completed the acquisition of 100% of the capital of Linear Equipamentos and Servicos Ltda for an amount equal to 35 million Brazilian Real. Moreover, an earn-out option is envisaged linked to the turnover that the acquired company will produce in 2018.

These consolidated financial statements provide a true and fair view of the financial position and of the consolidated results from operations during 2017.

Oderzo, 14 March 2018.

For the Board of Directors

Chairman

Lauro Buoro

Annexes to the consolidated financial statements

List of consolidated companies at 31 December 2017

Company Name	Registered office	Reporting date	Currency	Share capital	% ownership Direct	Indirect	Total
Nice S.p.A.	Oderzo (Province of Treviso), Italy	31/12/2017	EUR	11,600,000			
Building App s.r.l.	Oderzo (Province of Treviso), Italy	31/12/2017	EUR	110,000	100.0%		100.0%
Nice UK LTD	Nottinghamshire, United Kingdom	31/12/2017	GBP	765,000	100.0%		100.0%
Nice Belgium S.A.	Hervelee, Belgium	31/12/2017	EUR	212,000	99.7%		99.7%
Nice Polska S.p. Z.o.o.	Pruszkov, Poland	31/12/2017	PLN	1,000,000	100.0%		100.0%
Nice Automatismos Espana S.A.	Mostoles, Madrid, Spain	31/12/2017	EUR	150,253	60.0%		60.0%
Nice Group USA Inc.	San Antonio, Texas, USA	31/12/2017	USD	1	100.0%		100.0%
Nice France S.a.s.	Aubagne, France	31/12/2017	EUR	600,000	100.0%		100.0%
S.C. Nice Romania S.A.	Bucharest, Romania	31/12/2017	RON	383,160	99.0%		99.0%
S.C. Nice Real Estate Romania SRL	Bucharest, Romania	31/12/2017	RON	901,000		100.0%	100.0%
Nice Deutschland GmbH	Billerbeck, Germany	31/12/2017	EUR	50,000	100.0%		100.0%
Nice Shanghai Automatic Control Co. LTD	Shanghai, China	31/12/2017	EUR	2,300,000	100.0%		100.0%
R.D.P. Shanghai Trading Co. LTD	Shanghai, China	31/12/2017	EUR	200,000	100.0%		100.0%
Nice Istanbul Makine Ltd	Istanbul, Turkey	31/12/2017	TRY	10,560,000	99.0%		99.0%
Nice Australia Home Automation PTY Ltd	Sydney, Australia	31/12/2017	AUD	5,113,814	100.0%		100.0%
AutomatNice Portugal S.A.	Lisbon, Portugal	31/12/2017	EUR	50,000	100.0%		100.0%
Silentron S.p.A.	Turin, Italy	31/12/2017	EUR	500,000	100.0%		100.0%
ET Nice (PTY) LTD	Cape Town, South Africa	31/12/2017	ZAR	22,000,000	100.0%		100.0%
Nice Home Automation JSC	Moscow, Russia	31/12/2017	RUB	20,000	75.0%		75.0%
SAAC S.r.l.	Treviso (Italy)	31/12/2017	EUR	25,000	100.0%		100.0%
Fenice Immobiliare S.p.A.	Oderzo (Province of Treviso), Italy	31/12/2017	EUR	2,670,000	100.0%		100.0%
Peccinin Portoes Automaticos Industrial Ltda	Limeira, Brazil	31/12/2017	BRL	39,037,600	100.0%		100.0%
King Gates S.r.l.	Pordenone, Italy	31/12/2017	EUR	100,000	100.0%		100.0%
King Gates France SAS	Castelnau D'estrefonds	31/12/2017	EUR	10,000		100.0%	100.0%
elero GmbH	Beuren, Germany	31/12/2017	EUR	1,600,000		100.0%	100.0%
elero Motors & Controls Pvt. Ltd.	New Delhi, India	31/03/2018	INR	638,200		100.0%	100.0%
elero Singapore Pte. Ltd.	Singapore, China	31/12/2017	SGD	2		100.0%	100.0%
elero AB	Malmo, Sweden	31/12/2017	SEK	100,000		100.0%	100.0%
Nice Gulf FZE	Dubai, United Arab Emirates	31/12/2017	AED	1,008,000	100.0%		100.0%
ET Systems (Pty) Ltd (**)	Cape Town, South Africa	28/02/2018	ZAR	150		100.0%	100.0%
Genno Tecnologia LTDA	Santa Rita do Sapucaí, Brazil	31/12/2017	BRL	4,005,000		100.0%	100.0%
Omegaport Equipamentos de Seguranca LTDA	Toledo (PR), Brazil	31/12/2017	BRL	60,000		51.0% (*)	51.0% (*)
Hy-Security Gate Inc.	Kent, Washington, USA	31/12/2017	USD	200,000		100.0%	100.0%

* Usufruct right on shares

(**) ET Systems (Pty) Ltd was absorbed by ET Nice (PTY) Ltd with effect from 1.09.2016. Work to deregister the company name is currently in progress

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

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 adequacy in relation to the characteristics of the company and
- the effective application

of administration and accounting procedures for the preparation of Consolidated Financial Statements during the period from 1 January 2017 to 31 December 2017.

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) correspond to the accounting books and 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, 14 March 2018

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

Report of the Board of Statutory Auditors

This is an English translation of the original Italian document

NICE S.P.A.

REGISTERED OFFICE IN ODERZO – VIA PEZZA ALTA 13, Z.I. RUSTIGNÈ

SHARE CAPITAL EURO 11,600,000.00 FULLY PAID

TREVISO COMPANIES REGISTER AND TAX CODE NO. 02717060277

* * * *

REPORT OF THE BOARD OF STATUTORY AUDITORS

TO THE SHAREHOLDERS' MEETING

ON THE CONSOLIDATED FINANCIAL STATEMENTS

Shareholders,

We have been provided with the 2017 consolidated financial statements of your company within the legally required times, accompanied by the Report on Operations, and prepared in compliance with the International Financial Reporting Standards – IFRS) promulgated by the International Accounting Standard Board (IASB) and adopted by the European Union.

In accordance with Italian Legislative Decree no. 39 of 27 January 2010 and art. 41, paragraph 2, of Italian Legislative Decree no. 127 of 9 April 1991, the independent auditors, BDO Italia S.p.A., were assigned to check conformance of the Consolidated Financial Statements with the law and their correspondence with the accounting and consolidation entries.

Our supervisory activity was performed in accordance with the standards of conduct for the Board of Statutory Auditors issued by the Italian Associations of Chartered Certified Accountants and involved, in particular:

- checking on the existence and suitability within the organisational structure of Nice S.p.A. of a department responsible for relations with subsidiary and associated companies;
- examining the composition of the Group and the relationships of participation, in order to assess how the scope of consolidation has been determined and how it has changed with respect to the previous financial statements;
- obtaining information on the activities carried out by subsidiary companies and on the most important transactions at an economic, financial and equity level in Group relations, through information received from the directors of Nice S.p.A., the independent auditors and the auditors of the subsidiary companies;
- As regards the Consolidated Non-Financial Declaration, contained in the Report on Operations, no information has been 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 GRI Standards.

Following our supervisory activity on the consolidated financial statements, we declare that:

- determination of the scope of consolidation and choice of the principles of consolidation applied to participated companies correspond with the requirements of International Accounting Standards (IFRS);
- the formation and layout of the Financial Statements and the Report on Operations comply with laws on this;

- we supervised suitability of the instructions given by the competent department of Nice S.p.A. to obtain the flow of data necessary for consolidation;
- the Financial Statements correspond with the facts and the information learned by the Statutory Board of Auditors in performing its supervisory activities and exercising its audit and inspection powers;
- The Group Report on Operations corresponds with the data and results of the Consolidated Financial Statements and provides extensive information on the Group's economic and financial performance and on the risks to which it is subject, and also on important events which occurred after the end of the company year.

The Chief Executive Officer and the Financial Reporting Manager issued the certification pursuant to art. 81-ter of Consob Regulation no. 11971/1999 and subsequent amendments and additions and art. 154-bis of Italian Legislative Decree 58/1998.

Today, the independent auditors issued the report, that do not contain any remarks or significant references, pursuant to arts. 14 and 16 of Italian Legislative Decree no. 39/2010, from which it emerges that the Consolidated Financial Statements for the year ending at 31 December 2017 satisfy International Accounting Standards (IFRS), and also the measures passed in enactment of art. 9 of Italian Legislative Decree no. 38/2005, have been prepared clearly and provide a true and fair view of the equity, financial position, economic results and cash flows of the Nice Group for the year ending at that date.

It has also issued the Report on the Consolidated Non-Financial Declaration without any findings or references to the disclosure.

Oderzo, 30 March 2018

for THE BOARD OF STATUTORY AUDITORS

The Chairman

Giuliano Saccardi

The report has been translated into english language solely for the convenience of International readers

Independent Auditors' Report

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010 and article 10 of EU Regulation n. 537/2014

Consolidated financial statements at December 31, 2017

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 n. 39, dated January 27, 2010 and article 10 of EU Regulation n. 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, 2017, 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, 2017, 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 art. 9 of Legislative Decree n. 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.

Bari, Bergamo, Bologna, Brescia, Cagliari, Firenze, Genova, Milano, Napoli, Padova, Palermo, Pescara, Potenza, Roma, Torino, Treviso, Trieste, Verona, Vicenza

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Iscritta al Registro dei Revisori Legali al n. 167911 con D.M. del 15/03/2013 G.U. n. 26 del 02/04/2013
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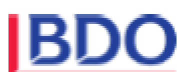

Key audit matter	Audit response
Impairment of the goodwill *Note 1 "Intangible assets"* The Group includes in the consolidated financial statements at December 31, 2017 goodwill for a total of Euro 101.5 million, representing 27,4% of total assets. The value recorded as goodwill refers to the higher 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 attributed, which have been identified in the macro geographical areas of destination of the Group's products (France, Italy, Europe as 15, other European countries, Rest of the World, USA). Goodwill is attributed to the CGUs directly, whereas the market was specified, or proportionally with respect to revenues, in case the goodwill refers to many markets. 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 2018 - 2020 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 included the following: ▪ we assessed the expertise, capacity and objectivity of the expert appointed by the Group Management for the preparation of the impairment test; ▪ 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, 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, the complexity of its valuation process; the recoverability of goodwill is related to the occurrence of the assumptions underlying the business plan 2018-2020, 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 art. 9 of Legislative Decree n. 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.

Report on other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, letter e), of Legislative Decree n. 39/'10 and of article 123-bis of Legislative Decree n. 58/'98.

The Directors of Nice S.p.A. are responsible for the preparation of the report on operations and of the corporate governance report of Nice S.p.A. as at December 31, 2017, including their consistency with the consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and of specific information of the corporate governance report as provided by article 123-bis, paragraph. 4, of Legislative Decree n. 58/'98, with the consolidated financial statements of Nice Group as at December 31, 2017 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the report on operations and the above mentioned specific information of the corporate governance report are consistent with the consolidated financial statements of Nice Group as at December 31, 2017 and are compliant with applicable laws and regulations.

With reference to the assessment pursuant to article 14, paragraph. 2, letter e), of Legislative Decree n. 39/'10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

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 30, 2018

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.

Nice S.p.A. financial statements at 31 December 2017

Nice S.p.A. statement of financial position at 31 December 2017 and 2016 *

(amounts in Euro)	Notes	31/12/2017	31/12/2016
ASSETS			
Non-current assets			
Intangible assets	(1)	10,173,412	7,648,533
Tangible assets	(2)	16,212,748	17,533,358
Investments	(3)	142,135,277	145,861,033
Other non-current financial assets	(4)	76,380	3,576,380
Non-current financial assets due from subsidiaries	(5)	53,398,690	51,368,409
Deferred tax assets	(6)	2,812,724	1,421,974
Total non-current assets		**224,809,232**	**227,409,688**
Current assets			
Inventories	(7)	23,106,468	22,337,031
Trade receivables	(8)	34,602,189	37,485,678
- of which to associates		*24,225,118*	*25,067,980*
Other current assets	(9)	873,932	1,138,474
Tax receivables	(10)	2,618,359	2,631,079
Other current financial assets	(11)	2,750,000	300,000
Cash and cash equivalents	(12)	33,068,946	47,161,792
Total current assets		**97,019,894**	**111,054,055**
Total assets		**321,829,126**	**338,463,742**
LIABILITIES AND EQUITY			
Shareholders' equity			
Share 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		193,353,857	192,071,899
Profit for the year		7,478,394	12,354,912
Total Equity	(13)	**226,160,081**	**229,754,642**
Non-current liabilities			
Provisions for risks and charges	(14)	2,407,306	1,206,237
Employee Benefits	(15)	828,012	502,781
Medium-/long-term loans	(16)	26,666,667	55,000,000
Deferred tax provision	(17)	706,177	1,086,673
Total non-current liabilities		**30,608,162**	**57,795,691**
Current liabilities			
Bank overdrafts and loans	(18)	21,961,667	10,000,000
Other financial liabilities	(19)	33,844	141,961
Trade payables	(20)	38,220,788	36,317,768
- of which to associates		*5,588,321*	*4,690,295*
Other current liabilities	(21)	3,928,413	3,704,436
Tax payables (within 12 months)		916,171	749,246
Total current liabilities		**65,060,882**	**50,913,410**
Total liabilities		**95,669,044**	**108,709,100**
Total liabilities and shareholders' equity		**321,829,126**	**338,463,742**

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

Nice S.p.A. Income Statement for 2017 and 2016 *

(amounts in Euro)	Notes	2017	2016
Revenues	(22)	**115,572,843**	**111,293,000**
- of which to associates		*68,200,449*	*64,888,041*
Operating costs:			
Costs for the use of basic components and consumables	(23)	(58,835,645)	(55,827,434)
Costs for services	(24)	(26,571,541)	(26,409,021)
Costs for rents and leases	(25)	(3,529,113)	(3,483,610)
Labour costs	(26)	(12,930,195)	(12,327,736)
Other operating costs	(27)	(2,411,683)	(1,223,572)
Depreciation/amortization	(28)	(5,328,367)	(4,210,419)
Other income	(29)	4,734,086	4,493,169
Operating result		**10,700,386**	**12,304,376**
Financial income	(30)	5,982,906	4,984,149
Financial expenses	(31)	(7,719,199)	(2,063,705)
Other expenses		-	-
Pre-tax result		**8,964,093**	**15,224,819**
Income taxes	(32)	(1,485,699)	(2,869,908)
Net result		**7,478,394**	**12,354,912**

* 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	**2017**	**2016**
Basic, net profit attributable to the ordinary shareholders of the parent	0.2072	0.1187
Diluted, for net profit attributable to ordinary shareholders of the parent company	0.2072	0.1187

Statement of comprehensive income at 31 December 2017 and 2016

(amounts in Euro)	2017	2016
Net result	**7,478,394**	**12,354,912**
Other income items net of taxes, without reversal to the income statement	-	-
Other items of comprehensive income after taxes reclassified to income statement		
- Actuarial gain / loss on TFR	*(6,555)*	*(13,200)*
Total comprehensive income/loss after taxes	**7,471,839**	**12,341,712**

Statement of cash flows for 2017 and 2016

(amounts in Euro)	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES:		
Group net profit/loss	**7,478,394**	**12,354,912**
Net profit/loss attributable to non-controlling interests	-	-
Income taxes	1,485,699	2,869,908
Depreciation, amortisation and write-downs of intangible and tangible assets	5,328,367	4,210,419
Accrual/(use) of bad-debt provision	311,454	(971,922)
Accrual/(use) of inventory write-down provision	(197,369)	(577,778)
Accrual/(use) of provision for risks	1,201,069	(254)
Accrual/(use) of employee benefit obligations	318,677	16,828
Fair value measurement of financial instruments	(108,117)	1,381
Other write-downs	4,420,000	0
Accrual/(use) of deferred tax assets/liabilities	(1,771,245)	685,854
Changes in current assets and liabilities:		
Decrease/increase in Receivables due from customers	2,503,029	16,647,995
Other current assets	986,727	(1,324,490)
Inventories	(572,067)	2,950,671
Payables to suppliers	1,924,954	3,805,862
Other current liabilities	223,977	860,927
Income taxes paid in the period	(2,028,240)	(2,109,919)
Total adjustments and changes	**14,026,915**	**27,065,482**
Cash flow from operating activities	**21,505,309**	**39,420,393**
CASH FLOW FROM INVESTING ACTIVITIES:		
Investments in intangible fixed assets:	(3,592,339)	(2,532,262)
Investments in tangible fixed assets:	(2,940,298)	(6,431,979)
Other changes in equity investments	(694,244)	(21,550,792)
Cash flow used in investing activities	**(7,226,880)**	**(30,515,033)**
CASH FLOW FROM FINANCIAL ACTIVITIES:		
Dividend distribution	(11,066,400)	(7,779,679)
New loans	60,000,000	15,000,000
Repayment of loans	(76,371,667)	(15,000,000)
Net change in other current financial liabilities	(108,117)	1,381
Net change in other non-current assets	(2,571,930)	2,582,289
Net change in other financial assets	830,019	557,654
Interest income collected	921,920	500,465
Interest expense paid	(406,534)	(606,803)
Cash flows absorbed by financing activities	**(28,772,708)**	**(4,477,694)**
Effect of exchange rate differences on cash and cash equivalents	**401,433**	**(1,220,127)**
Decrease in cash and cash equivalents	**(14,092,846)**	**2,940,540**
Cash and cash equivalents at the beginning of the period	**47,161,792**	**44,221,253**
Cash and cash equivalents at the end of the period	**33,068,946**	**47,161,792**

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

(amounts in Euro)	**Share capital**	**Legal reserve**	**Share premium reserve**	**Treasury Shares**	**Retained earnings and reserves**	**Profit (Loss) of the year**	**Total Shareholders' Equity**
Balance as at 31/12/2015	**11,600,000**	**2,320,000**	**32,179,122**	**(20,771,291)**	**183,565,576**	**16,299,202**	**225,192,609**
Allocation of profit/(loss)					16,299,202	(16,299,202)	-
Dividend distribution					(7,779,679)		(7,779,679)
(Loss)/profit for the year						12,354,912	12,354,912
Actuarial loss on termination benefits					(13,200)		(13,200)
Balance 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)
(Loss)/profit for the year						7,478,394	7,478,394
Actuarial loss on termination benefits					(6,555)		(6,555)
Balance at 31/12/2017	**11,600,000**	**2,320,000**	**32,179,122**	**(20,771,291)**	**193,353,855**	**7,478,394**	**226,160,082**

Explanatory notes to the financial statements at 31 December 2017

Company information

Nice S.p.A. is an Italian joint-stock company established and located in Oderzo (TV) – via Pezza Alta, 13 Z.I. Rustignè. 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) – via Pezza Alta, 13 Z.I. Rustignè. The publication of the annual financial statements of Nice S.p.A. for the year ended 31 December 2017 was approved by the Board of Directors on 14 March 2018.

Contents and format of the financial statements

The financial statements as at 31 December 2017 were prepared in compliance with the International Financial Reporting Standards (IFRS) adopted 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 2016, 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 2017.

New accounting standards, amendments and interpretations applicable to accounting periods commencing on or after 1 January 2017

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

Amendment to IAS 12 – Income taxes

The amendments provide clarification about the recognition of deferred tax assets on debt instruments measured at fair value which result in the creation of a temporary deductible difference when the instrument is held to maturity.

Amendment to IAS 7 – Statement of cash flows

The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes (exchange differences, changes in fair value, etc.). The Cash Flow Statement was adjusted to the amount requested and the reconciliation of the opening and closing balances of liabilities deriving from financing activities was provided.

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

IFRS 9 – Financial Instruments

This standard was issued in 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 profit and loss; and (iii) subsequently measured at their fair value or at the amortized 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 January 1, 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 will not use any of the practical expedients referred to in Appendix C of IFRS 15. As permitted by IFRS 15, the Group will adopt 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 will not use any of the practical expedients referred to in Appendix C of IFRS 15. As permitted by IFRS 15, the Group will adopt the principle retroactively, noting the cumulative effect of the initial application as adjustment of the opening balance of profits carried over into the financial year that includes the initial application date ("modified retrospective approach"), ie January 1, 2018. The Group has assessed the impact, in terms of economic performance and equity, on the consolidated financial statements of the Group at the time of the initial adoption of the standard and amendments.

IFRS 16 – Leases

On 13 January 2016, the IASB published the standard IFRS 16 – Leases, which is intended to replace the standard IAS 17 – Leases, as well as the interpretations 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 model of recognition and evaluation of lease agreements for the lessee, which involves registration of the leased asset to also operational in assets with financial debt counter-entry, while also providing the opportunity to not recognize as leases contracts concerning “low-value assets” and leases with a contract term equal to or less than 12 months. By contrast, the Standard does not include significant changes for lessors.
The standard is applicable as of 1 January 2019. However, earlier application is permitted only for Companies that proceeded with early application of IFRS 15 - Revenue from Contracts with Customers. The Group is examining the aforementioned standard and assessing if its adoption is expected to have a significant impact on the consolidated financial statements.

Amendments to IAS 40 - Transfers of Investment Property

The amendments, published on 8 December 2016, clarify transfers of a property to or from property investment. In particular, an entity must only reclassify a property to or from the investment property category if there is evidence of a change of use of that 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. The amendments take effect from 1 January 2018, with earlier adoption allowed.

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 take effect from 1 January 2018, with earlier adoption allowed.

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.

Accounting standards, amendments and interpretations not yet endorsed by the European Union

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 main amendments regard: (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.

IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

The purpose of the interpretation, published on 08 December 2016, is to provide guidelines for foreign currency transactions where non-monetary advances or prepayments are recognised in the financial statements prior to the recognition of the related asset, cost or revenue. This document provides indications on how an entity must determine the date of a transaction and, consequently, the spot rate to be used for foreign currency transactions in which payment is made or received in advance. IFRIC 22 is applicable starting from 1 January 2018. However, earlier application is permitted.

Amendments to IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture

The document was published on 11 September 2014 in order to resolve the current conflict between IAS 28 and IFRS 10. The amendments introduced require that for a sale/transfer of an asset or a subsidiary to a joint venture or associate, the measure of the gain or loss to be recognized in the financial statements of the seller/transferor depends on whether the asset or subsidiary sold/transferred constitute a business, under the meaning of IFRS 3. If the assets or the subsidiary sold/transferred represent a business, the entity shall recognize the gain or loss on the entire investment held; otherwise, the portion of the gain or loss related to the share still held by the entity shall be eliminated. At present, the IASB ha suspended application of this amendment.

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.

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. 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 amortized 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.

Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions

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

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 uncertainty with regard to these hypotheses and estimates may lead to significant adjustments in the carrying amounts of assets and liabilities by the end of the next financial period.

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 2017 (2016: Euro 3,460 thousand). Further details are provided in note 1. Intangible 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 the main accounting standards

The accounting standards and assessment criteria adopted to prepare the financial statements as at 31 December 2017 are set out below:

Intangible assets

Intangible fixed assets purchased separately are initially capitalised at cost. After initial recognition, intangible fixed assets are posted at cost, net of accumulated amortisation and accumulated impairment, if any. Intangible fixed assets internally generated, with the exception of development costs, are not capitalised and are recorded in the income statement of the financial year in which they were incurred.

The useful life of intangible assets may be finite or indefinite.

Intangible fixed assets with a definite life are amortised over their useful life and tested for impairment each time there is indication of a possible impairment. The period and method of amortisation applied to them 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 charge of intangible assets with a definite life is recorded in the income statement in the cost category consistent with the function of the intangible asset.

Intangible assets with an indefinite useful life are subject to an annual impairment test at an individual level or at cash generating unit level. No amortisation is recorded for these assets. The useful life of an intangible asset with an indefinite life is reviewed annually to verify if the conditions on which this classification is based still exist.

The profits or losses deriving from the sale of an intangible fixed asset are calculated as the difference between the net profit from the disposal and the carrying value of the intangible fixed asset and are recognised in the income statement at the time of sale.

Goodwill

Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances occur that may lead to possible 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). Each unit or group of units to which goodwill is allocated represents the lowest level within the company in which goodwill is monitored for internal management purposes and is no broader than the business segments identified on the basis of the Group's segment information, determined pursuant to IFRS 8 'Operating Segments'.

Impairment, if any, is determined defining the recoverable amount of the cash generating unit (or group of units) to which goodwill is allocated. When the recoverable amount of the cash generating unit (or group of units) is lower than the carrying value, impairment is recognised. In cases in which goodwill is attributed to a cash generating unit (or group of units) the assets of which are partially disposed of, the goodwill associated with the transferred asset is considered in order to determine capital gains (losses), if any, deriving from the transaction. In such cases, the goodwill disposed of is calculated on the basis of the values of the transferred asset compared to the asset still held with reference to the same unit.

Trademarks

Trademarks with a definite useful life that are recorded in the financial statements are amortised over a period of 10 years and tested for impairment each time there is indication of a possible impairment. 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 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.
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

Tangible assets are initially posted at their historical cost, including related costs directly chargeable and necessary to put the asset into operation for the use for which it was acquired.
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.
Tangible assets are presented net of the relevant accumulated depreciation and impairment, if any, determined according to the methods 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 depreciation rates used, which are based on technical and economic considerations, are as follows:

Category	Depreciation rates
Buildings	3%
General and specific plants	10%-15.5%
Equipment (moulds)	10%-12.5%
Miscellaneous and minor equipment	20%-25%
Office furniture and equipment	12%-20%
Electronic office equipment	20%-25%
Motor cars – Motor vehicles	20%-25%
Leasehold improvements	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 realizable value of an item of tangible assets is the higher of the net sale price of the assets and its value in use.

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. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment losses are recognized in the income statement under depreciation, amortization and impairment charges. Impairment losses are reversed if the reasons for recognizing the original impairment loss no longer apply.

An asset should be removed from the balance sheet upon disposal or when no future economic benefits are expected from its use. The gain or loss on disposal (calculated as the difference between proceeds and carrying value) is recognized in the income statement in the year the asset is derecognized.

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 book value of an asset exceeds its recoverable amount, the asset is considered impaired and is 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.

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

IAS 39 envisages the following types of financial instruments: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Initially, all financial assets are measured at fair value, increased in the case of assets other than those at fair value with changes in the income statement of ancillary charges. The Company determines the classification of its financial assets after initial recognition and, where appropriate and allowed, reviews this classification on each reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. After initial recognition, these assets are measured at amortised cost using the effective discount rate method and stated net of any provision for impairment.
Amortised cost is calculated considering each discount or purchase premium and includes commissions that are an integral part of the effective interest rate and transaction costs. Profits and losses are recognised in the income statement when the loans and receivables are derecognised or in case of impairment, as well as by means of the amortisation process.

It is noted that, at 31 December 2017, the Company did not hold any financial assets that could be classified as ‘Held-to-maturity investments’ and ‘Available-for-sale financial assets’.

Impairment of financial assets

On each reporting date, the Company assesses if a financial asset or group of financial assets has been impaired.

Assets measured at amortised cost

If there is objective evidence that a loan or receivable recorded at amortised cost has been impaired, the loss is calculated as the difference between the carrying amount of the asset and the present value of the forecast cash flows (excluding collection losses not yet incurred), discounted using the original effective interest rate of the financial asset (that calculated on the date of initial recognition). The carrying amount of the asset is reduced by a provision and the loss is recognised in the income statement.
If the amount of the impairment decreases in a subsequent period, and this reduction can be objectively traced to an event that took place after recognition of the impairment, the previously reduced amount can be reinstated. Any subsequent reversals of impairment are recognized in the Income Statement, to the extent that the carrying amount of the asset does not exceed the amortized cost at the date of the reversal.
With reference to trade receivables, a provision for impairment is made when an objective indication exists (such as, for example, the likelihood of insolvency or significant financial difficulties of the debtor) that the Company will not be able to recover all the amounts due under the original invoice terms. The book value of the receivable is reduced through the use of a specific provision. Receivables subject to impairment are written off when it is confirmed that they cannot be recovered.

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. The write-down is derecognized in subsequent years if the reasons thereof no longer 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

Trade payables

Trade payables arranged on normal commercial terms are not discounted to present value and are recorded at cost (identified by their nominal value), which represents their fair value at the reporting date.

Loans

Loans are initially recognised at the fair value of the amount received, net of the related loan acquisition costs. After initial recognition, loans are measured at amortized cost, using the effective interest rate method. Any gain or loss is recognized in the income statement when the liability is extinguished, as well as through the amortization process.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include held for trading financial liabilities and financial liabilities designated at fair value through profit or loss upon initial recognition.

Held for trading financial liabilities comprise all those acquired for resale in the short term. This category includes derivative financial instruments arranged by the Company that are not designated as hedging instruments in accordance with IAS 39. Separated embedded derivatives are classified as financial instruments held for trading unless they have been designated as effective hedging instruments.

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 rights to receive cash flows from the asset no longer apply;
- 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 derecognized from the financial statements when the underlying obligation is either discharged or cancelled or when it expires.

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 2017 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 are recognized based on the best estimate of the expenditure required to settle the obligation or to transfer it to a third party at the end of the period. 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 provisions are discounted, increases resulting from the passage of time are recognized as borrowing costs.

Leasing

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

Revenue is recognised to the extent that it is likely that the Company gains economic benefits and the relevant amount may be reliably determined. Revenues are measured at the fair value of the consideration received, net of discounts, allowances, rebates and sales taxes.
Revenues and costs are recorded on an accruals basis.
Revenues from the sale of products are recognised when ownership passes, which generally occurs when the goods are shipped and entails the transfer of all risks and rewards connected with the products sold.

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 recognised in the income statement as incurred.

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 2017.

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

Deferred tax assets

Deferred taxes are accounted for using the liability method on temporary differences between the tax base of an asset or liability and its carrying amount in the statement of financial position.

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 of the balance sheet at 31 December 2017

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 assets

The table below shows the change in the historical cost and accumulated amortisation of intangible fixed assets during 2017:

(Thousands of Euro)	Goodwill	Software, licences and concessions	Trademarks	Customer relations	Development costs	Other intangible assets	Total
Cost:							
At 01 January 2016	**3,460**	**5,521**	**5,968**	**785**	**227**	**55**	**16,016**
Increases		706			1,711	116	2,533
Reclassifications							-
Disposals							-
At 31 December 2016	**3,460**	**6,227**	**5,968**	**785**	**1,938**	**171**	**18,549**
Increases		707			2,911		3,618
Reclassifications		114			32	(171)	(25)
Reclassifications							-
At 31 December 2017	**3,460**	**7,048**	**5,968**	**785**	**4,881**	**-**	**22,142**
Amortisation and impairment:							
At 01 January 2016	-	**(3,485)**	**(5,968)**	**(672)**	**(104)**	-	**(10,229)**
Amortisation		(516)		(78)	(78)		(672)
Disposals							-
At 31 December 2016	**-**	**(4,001)**	**(5,968)**	**(750)**	**(182)**	**-**	**(10,901)**
Amortisation		(614)		(35)	(419)		(1,068)
Disposals							-
At 31 December 2017	**-**	**(4,615)**	**(5,968)**	**(785)**	**(601)**	**-**	**(11,969)**
Net carrying value:							
At 31 December 2017	**3,460**	**2,433**	**-**	**-**	**4,280**	**-**	**10,173**
At 31 December 2016	**3,460**	**2,226**	**-**	**35**	**1,756**	**171**	**7,648**

Investments mainly involve:

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 capitalized development costs of Euro 2,911.

2. Tangible assets

The table below shows the change in the historical cost and accumulated amortisation of intangible fixed assets during 2017:

(Thousands of Euro)	**Land and buildings**	**Plants and machinery**	**Industrial and commercial**	**Other tangible fixed**	**Improvements on third-party assets**	**Assets in progress and**	**Total**
Cost:							
As at 1 January 2016	-	**8,143**	**21,560**	**8,116**	**7,998**	**271**	**46,088**
Increases	-	828	1,922	730	678	2,274	6,432
Disposals				(130)			(130)
Reclassifications		184	91	93		(368)	-
At 31 December 2016	**-**	**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)	-
At 31 December 2017	**-**	**10,029**	**24,688**	**9,111**	**11,278**	**129**	**55,235**
Amortisation and impairment:							
As at 1 January 2016	**-**	**(5,993)**	**(15,899)**	**(6,408)**	**(3,148)**	**-**	**(31,448)**
Amortisation	-	(655)	(1,404)	(541)	(939)		(3,539)
Disposals				130			130
Reclassifications							-
At 31 December 2016	**-**	**(6,648)**	**(17,303)**	**(6,819)**	**(4,087)**	**-**	**(34,857)**
Amortisation		(776)	(1,628)	(572)	(1,284)		(4,260)
Disposals				106			106
Reclassifications							-
At 31 December 2017	**-**	**(7,424)**	**(18,931)**	**(7,285)**	**(5,371)**	**-**	**(39,011)**
Net carrying value:							
At 31 December 2017	**-**	**2,605**	**5,757**	**1,826**	**5,907**	**129**	**16,213**
At 31 December 2016	**-**	**2,507**	**6,270**	**1,990**	**4,589**	**2,177**	**17,533**

Investments mainly involve:

Plants 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 2017 included new IT equipment (computers and printers), as well as electronic equipment for the technical offices.

Expenses for improvements of third-party assets

The increase refers to the accounting of expenses for improvements on leased third-party assets.

Assets in progress and advances

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

3. Investments

Equity investments at 31 December 2017 and changes in the year were the following:

	31/12/2017						
(Euro thousands)	**Initial value**	**Acquisitions**	**Disposals**	**Increases**	**Value adjustments**	**Final value**	**Share Held**
Nice France S.a.s.	13,697				(2,000)	11,697	100.0%
Building App Srl	-	796				796	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					901	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					10,070	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					7,190	75.0%
SAAC Srl	3,637					3,637	100.0%
Fenice Immobiliare S.p.A. (formerly Fontanaarte S.p.A.)	7,438				(4,420)	3,018	100.0%
Peccinin	29,682			1,900		31,582	100.0%
King Gates srl	5,300					5,300	100.0%
Nice Gulf FZE	2,610					2,610	100.0%
Total Investments	**145,860**	**796**	**-**	**1,900**	**(6,420)**	**142,136**	

The changes in 2017 were as follows:

- Building App Srl: purchase of the company from the other shareholders and conversion of the loan to capital; today the company is controlled at 100%.
- Nice France: reversal of the 2012 capitalization with the replenishment of intercompany receivables due to the improvement of the economic/equity situation of the company;
- Fenice Immobiliare (formerly FontanaArte): write-down of the investment through adjustment to the subsidiary's equity;
- Peccinin: capitalization for Euro 1,900 thousand for the acquisition of 100% shares of Genno Tecnologia LTDA.

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. This evaluation is reported in an official document prepared by an independent expert.

4. Other non-current financial assets

This item mainly includes a loan granted to an important customer of the Group, aimed at further consolidating the already existing industrial partnership.

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:

(Euro thousands)	**31/12/2017**	**31/12/2016**
Loans to ET Nice	192	2,863
Loans to Fenice Immobiliare	5,451	5,511
Loans to Elero GmbH	13,684	11,977
Loans to Nice France	2,000	-
Loans to Nice Home Automation JSC	1,210	3,200
Loans to Nice Australia PTY	1,867	-
Loans to Nice Group USA	28,295	25,817
Loans to Nice Automatismos Espana	700	2,000
Total other non-current assets	**53,399**	**51,368**

Loans to foreign subsidiaries accrue variable interest at Euribor or Libor 3, 6 or 12 month market rates increased by a spread between 0.84% and 1.85% or fixed at 4%.

6. Deferred tax assets

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

(Euro thousands)	31/12/2017 Total of timing differences	31/12/2017 Tax effect (rate %)	31/12/2017 Tax effect	31/12/2016 Total of timing differences	31/12/2016 Tax effect (rate %)	31/12/2016 Tax effect
Non-deductible amortisation of trademarks	117	27.9%	33	144	27.9%	40
Provision for products within the guarantee period	317	27.9%	88	317	27.9%	88
Provision for write-down of inventory	1,677	27.9%	468	1,874	27.9%	523
Taxed provision for doubtful receivables	2,552	24.0%	612	2,359	24.0%	566
Provision for write-down of equity investments	4,421	24.0%	1,061	-	24.0%	-
Provision for tax claims	1,200	24.0%	288	-	24.0%	-
Returns provision	150	24.0%	36	150	24.0%	36
Deferred tax assets on accrued expense	407	27.9%	114	411	27.9%	115
Other deferred tax assets	465	24.0%	113	221	24.0%	54
Total deferred tax assets	**11,306**		**2,813**	**5,476**		**1,422**

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:

(Euro thousands)	31/12/2017	31/12/2016
Basic components, ancillary materials and consumables	12,550	10,657
Products in progress and semi-finished goods	4,225	4,987
Finished products	8,008	8,567
Provision for write-down of inventory	(1,677)	(1,874)
Total inventories	**23,106**	**22,337**

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.

(Euro thousands)	31/12/2017	31/12/2016
Allowance at start of period	**1.874**	**2.452**
Provisions	1.350	1.380
Acquisitions	0	0
Uses	(1.547)	(1.958)
Allowance at end of period	**1.677**	**1.874**

8. Trade receivables

The following table shows the breakdown of trade receivables and the relevant adjustment provisions as at 31 December 2017 and 31 December 2016:

(Euro thousands)	31/12/2017	31/12/2016
Trade receivables - Italy	7,606	8,400
Trade receivables - EU	1,697	2,044
Trade receivables - outside EU	3,930	4,519
Provision for bad debts by third parties	(2,857)	(2,546)
Total receivables due from third parties	*10,376*	*12,418*
Receivables from subsidiaries	24,375	25,218
Provision for bad debts by subsidiaries	-	-
Returns provision	(150)	(150)
Total receivables from subsidiaries	*24,225*	*25,068*
Total trade receivables	**34,602**	**37,486**

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.

At 31 December, the breakdown of trade receivables due from third parties by their maturity date was as follows:

			Overdue but not written down		
(Euro thousands)	**Total**	**Not overdue**	**0-30 days**	**30-60 days**	**over 60**
Receivables as at 31/12/2017	10,376	9,174	602	146	455
Receivables as at 31/12/2016	12,418	11,154	231	197	836

Trade receivables as at 31 December 2017 totalled Euro 34,602 thousand, net of the bad-debt provision of Euro 2,857 thousand and the provision for returns, which totals Euro 150 thousand. The changes in the bad-debt provision for the periods under consideration were as follows:

(Euro thousands)	31/12/2017	31/12/2016
Allowance at start of period	**2,546**	**3,518**
Provisions	389	380
Uses	(78)	(1,352)
Allowance at end of period	**2,857**	**2,546**

The allocation of Euro 389 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:

(Euro thousands)	31/12/2017	31/12/2016
Advances on expenses	8	4
Sundry receivables	551	-
Receivables from tax consolidation	69	861
Accrued income	246	273
Total other current assets	**874**	**1,138**

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

The decrease in this item refers to the capitalization of the non-interest bearing loan granted to the start-up Building App and to the reclassification of a loan granted to an important customer of the Group.

12. Cash and cash equivalents

The following table shows the breakdown of cash and cash equivalents:

(Euro thousands)	31/12/2017	31/12/2016
Bank and post office deposits	33,066	47,138
Cash and equivalents on hand	3	24
Total cash and cash equivalents	**33,069**	**47,162**

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:

(Euro thousands)	**31/12/2017**	**31/12/2016**
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	193,354	192,072
Profit for the year	7,478	12,355
Total Shareholders' Equity	**226,160**	**229,755**

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 thousand.
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 2017.

Table pursuant to article 2427, no. 7-*bis*

Nature/description	***Amount***	***Possibility of use***	***Available portion***	***Summary of uses in the three previous years***	
				for loss coverage	***for other reasons***
Share capital	11,600,000		-		
Capital reserves:					
Share premium reserve	11,407,831	A,B,C	11,407,831		
Profit reserves:					
Legal reserve	2,320,000	B	-		
Extraordinary reserve	189,620,867	A,B,C	189,620,867		20,815,897
Reserves for exchange rate gains	1,227,067	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	1,268,850	B	-		
Retained earnings	11,614	A,B,C	11,614		
Profit for the year	7,478,394	A,B,C	7,478,394		
TOTAL	**226,160,081**		**209,744,165**		
Non-distributable portion			-		
Residual distributable portion			**209,744,165**		

Legend:

A: for capital increase

B: for loss coverage

C: for distribution to shareholders

Pursuant to art. 2426 c. 5 there are available reserves to cover the residual carrying amount of non-depreciable development costs

Non-current liabilities

14. Provisions for risks and charges

The following table shows the breakdown of provisions for risks and charges:

(Euro thousands)	**31/12/2017**	**31/12/2016**
Provision for product warranty	317	317
Provision for VAT dispute risks	1,200	-
Provision for miscellaneous risks	823	823
Provision for customers' additional indemnity	67	66
Total provisions for risks and charges	**2,407**	**1,206**

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 VAT 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 benefit obligations entirely refer to the employees’ termination benefit (TFR) provision, whose changes as at 31 December 2017 and 31 December 2016 were as follows:

(Euro thousands)	**31/12/2017**	**31/12/2016**
TFR at the beginning of the period pursuant to IAS 19	585	555
Curtailment		-
Increases	-	36
Use of TFR	(49)	(34)
Interest cost	7	11
Actuarial Gains/Losses	7	17
TFR at the end of the period pursuant to IAS 19	**550**	**585**
Plan assets	-	(82)
Other defined benefit plans	278	
Provision at the end of the period	**828**	**503**

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.

Other defined benefit plans

The item refers to a long-term incentive plan for the directors, executives with strategic responsibilities and other key employees of the Group.
This plan envisages the recognition of incentives linked to certain Group profitability parameters to be met during 2018 and, as required by IAS 19 Employee Benefits, a provision has been recorded for that part of the cost attributable to 2017.
The valuation of liabilities was subject to the calculation of independent actuary and was made according to the methodology of “accrued benefits” through the criterion “Projected Unit Credit” (PUC) as provided in paragraphs 67-69 of IAS 19. This method is based on valuations that express the current average value of obligations accrued on the basis of the service of the worker until the time when the valuation itself is carried out.
In brief, measurement involves the following steps:

- calculating the deferred incentive for each plan participant and projecting forward the individual status of each person, with assessment each year of the achievement of personal objectives, continued employment and likely survival;
- discounting any amount to be paid back to the measurement date;
- allocating the discounted amount in proportion to the life of the plan at the measurement date with respect to its total expected duration, commencing from when the services were first provided.

The cost of the plan as it relates to the directors is discussed in Note 38. Related-party disclosures

16. Medium-/long-term loans

The item includes loans with BNL for Euro 10,000 thousand and Unicredit for 16,666 thousand, taken out to meet the strategic needs of the Group. The expected maturity of such loans is set respectively between 2019 and 2020 and the interest rate is variable with a spread between 0,58% and 0,65%.

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

The following tables show the reconciliation between the net financial position at 31/12/2016 and at 31/12/2017

		Monetary Items		Non-Monetary Items			
(Euro thousands)	**31/12/2016**	**Cash Flows**	**New/ Repayment ol loans**	**Exchange rate differences**	**fair value changes**	**Other changes**	**31/12/2017**
Cash and cash equivalents	47.162	(14.494)	-	401	-	-	33.069
Current financial assets	300	(300)	-	-	-	2.750	2.750
Current financial liabilities	(10.142)	-	10.000	-	108	(21.962)	(21.996)
Non-current financial liabilities	(132)	(1)	6.372	293	-	23.959	26.732
Total net financial position	**37.188**	**(14.795)**	**16.372**	**694**	**108**	**4.747**	**40.555**

17. Deferred tax provision

The provision for deferred tax liabilities includes deferred tax liabilities allocated in view of temporary differences between the tax value and the carrying value of Motus goodwill and the adjustment of currency items.

Current liabilities

18. Bank overdrafts and loans

This item refers to short-term loans with Friuladria, BNP Paribas and Unicredit.

19. Other financial liabilities

This item includes the liabilities from the fair value measurement of derivative financial instruments at 31 December 2017.

20. Trade payables

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

(Euro thousands)	31/12/2017	31/12/2016
Payables to Italian suppliers	34,310	30,898
Payables to EU suppliers	2,724	2,949
Payables to suppliers outside EU	1,187	2,471
Total trade payables	**38,221**	**36,318**

As at 31 December 2017, trade payables amounted to Euro 38,221 thousand, a decrease of Euro 1,903 thousand compared to 31 December 2016.
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:

(Euro thousands)	31/12/2017	31/12/2016
Due to social security and welfare institutions	1,166	1,056
Due to employees	2,003	1,816
Payables for tax consolidation	-	-
Other current liabilities	759	832
Total other current liabilities	**3,928**	**3,704**

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 2017

22. Revenues

The following table shows the breakdown of revenue on the basis of geographical areas:

(Euro thousands)	**2017**	**2016**
Italy	28,599	28,076
France	20,536	19,593
Europe 15	20,134	18,550
Rest of Europe	27,609	26,563
Rest of the world	18,695	18,511
Total	**115,573**	**111,293**

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:

(Euro thousands)	**2017**	**2016**
Purchase of basic components, semi-finished products and consumables:	*58,264*	*58,778*
Purchase of basic components	56,429	57,423
Other industrial purchases	763	614
Commercial purchases	1,072	741
Change in inventories of basic components	*1,893*	*(2,026)*
Change in inventories of semi-finished and finished products	*(1,321)*	*(925)*
Cost of basic components and consumables	**58,836**	**55,827**

The use of basic components, semi-finished products, and consumables increased by Euro 3,008 thousand.

24. Costs for services

The following table provides details of the cost of services:

(Euro thousands)	**2017**	**2016**
Direct production services	10,825	10,698
Industrial services	3,692	3,747
Commercial services	7,002	7,025
General services	5,053	4,939
Total costs for services	**26,572**	**26,409**

Costs for services are substantially in line with the previous year.

Industrial services include costs relating to outsourced planning and design, certifications, expenses for trademarks and patents.

Commercial 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. Costs for rents and leases

The following table shows the breakdown of costs for rents and leases:

(Euro thousands)	2017	2016
Rental expenses	2,834	2,831
Rentals	695	652
Total costs for rents and leases	**3,529**	**3,483**

Costs for rents and leases 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. Labour costs

The following table details personnel costs:

(Euro thousands)	2017	2016
Wages and salaries	8,904	8,701
Social security contributions	2,993	2,940
Severance indemnities	965	662
Other costs	68	25
Total personnel costs	**12,930**	**12,328**

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 2017.

The table below shows the number of employees for the years in consideration:

Unit (at the end of the period)	31/12/2017	31/12/2016
Blue collars	34	34
White collars	206	204
Managers	21	21
Executives	10	9
Total personnel	**271**	**268**

27. Other operating costs

Other operating costs mainly relate to the allocation made to the provision for litigation risks for Euro 1,200 thousand and to the bad debts provision for Euro 380 thousand and to other operating costs, such as general costs, bank commission, contingent liabilities, and various taxes and duties.

28. Depreciation/amortization

The following table shows the breakdown of depreciation and amortisation:

(Euro thousands)	**2017**	**2016**
Intangible assets	1,067	671
Tangible assets	4,261	3,539
Total depreciation and amortisation	**5,328**	**4,210**

Amortisation of intangible assets for the year ended 31 December 2017 totalled Euro 1,067 thousand.
Depreciation of tangible assets totalled Euro 4,261 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 2017 amounts to Euro 4,734 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 finance income:

(Euro thousands)	**2017**	**2016**
Bank interest income	115	220
Exchange rate gains	1,524	2,187
Dividends	3,365	1,810
Interest on loans	937	753
Other income receivable	42	14
Total financial income	**5,983**	**4,984**

Financial income for the year ended 31 December 2017 amounts to Euro 5,983 thousand, compared to Euro 4,984 thousand in the previous year.
Exchange rate 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 finance expense:

(Euro thousands)	2017	2016
Cash discounts to customers	275	262
Bank interest expenses	237	494
Other financial expenses	4,447	413
Exchange rate losses	2,760	895
Total financial expenses	**7,719**	**2,064**

Financial expense in the year ended 31 December 2017 totalled Euro 7,719 thousand, compared to Euro 2,064 thousand in the previous year, with and increase of Euro 5,655 thousand. The item Other financial expenses mainly includes the write-down of the investment in Fenice Immobiliare S.p.A. due to the adjustment of the carrying amount with respect to the subsidiary's equity.

32. Income taxes

The following table shows the breakdown of income taxes:

(Euro thousands)	2017	2016
IRES	2,705	1,676
IRAP	552	504
Total current taxes	**3,257**	**2,180**
Deferred tax assets/liabilities	(1,771)	690
Substitute tax		
Total income taxes	**1,486**	**2,870**

The table shows the income tax impact on pre-tax profit:

(Euro thousands)	2017	2016
Pre-tax result	8,964	15,225
Income taxes	1,486	2,870
Impact on pre-tax profit	**16.6%**	**18.9%**

Income taxes in 2017 totalled Euro 1,486 thousand compared to Euro 2,870 thousand in the previous year, with a tax rate of 16.6% compared to 18.9% 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	2017		2016	
Pre-tax result	8,964		15,225	
Tax rate – 27.5%				
Theoretical taxes	2,151	24.0%	4,187	27.5%
Effective taxes	1,486	16.6%	2,870	18.9%
Difference	*(665)*	-7.4%	*(1,317)*	-8.6%
IRAP	552	6.2%	504	3.3%
Non-deductible costs and provisions	2,386	26.6%	961	6.3%
Deferred tax assets	(1,771)	-19.8%	691	4.5%
Income and contingencies on taxes	60	0.7%	(429)	-2.8%
Effect on dividends received	(767)	-8.6%	(473)	-3.1%
Use of provisions after taxes	(371)	-4.1%	(832)	-5.5%
Portion of deductible IRAP	(2)	0.0%	(88)	-0.6%
ACE	(276)	-3.1%	(939)	-6.2%
Other tax changes	(476)	-5.3%	(712)	-4.7%
Total differences	*(665)*		*(1,317)*	

It should be noted that the effective tax rate is 16.6% 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 Report

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 profit/loss 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	**2017**	**2016**
(Euro thousands)		
Average number of shares	110,664,000	110,664,000
Group net profit/loss	22,931	13,141
Data per share (Euro)		
Basic, for net profit attributable to ordinary shareholders of the parent company	0.20721	0.11874
Diluted, for net profit attributable to ordinary shareholders of the parent company	0.20721	0.11874

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

The dividends proposed for approval by the Shareholders' Meeting (not recognised as liabilities as at 31 December 2017) amount to Euro 0.1 per share (2016: Euro 0.1). Considering the number of outstanding shares as at 31 December 2017, the total outlay would amount to Euro 11,066 thousand. The clipping of the coupon is envisaged on 30 April 2018, payment on 3 May 2018 and the record date will be 2 May 2018.

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	31/12/2017	31/12/2016
within 1 year	3,224	3,227
between 1 and 5 years	7,761	8,411
over 5 years	6,732	7,918
Total lease contract commitments	**17,717**	**19,556**

The Company has also issued some comfort letters in favour of subsidiaries, as shown in the table below:

Beneficiary	Currency	Amount (€/000)	Maturity
Nice Deutschland GmbH	EUR	530	
Elero GmbH	EUR	12,500	15/06/2026

37. Research and development costs

During 2017, innovation and research work was undertaken, which led to costs in relation to projects for new products or substantial changes in existing products and new production and organisational processes.
The costs in 2017 amounted to Euro 3,696 thousand, of which 2,540 related to personnel costs capitalized for Euro 1,721 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;
- Companies of the minority shareholders of Nice Home Automation JSC: trade relations with Nice Home Automation JSC;
- 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 2017 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	Cost of rents and leases	Costs for services	Capex	Other payables/ receivables	Trade receivables	Trade payables
Nice Group S.p.A.		31						(82)	38	-
Nice Immobiliare S.r.l.	-	21			2,676	1	98	-	25	67
P. corr. Nice Home Autom. JSC									38	
Fattoria Camporotondo	5	12		-					14	12
Modular S.r.l.		12					18		15	21
Habitat					13	-				-
Total related parties	**5**	**76**	**-**	**-**	**2,689**	**1**	**116**	**(82)**	**130**	**100**
Nice France	20,446	1,748		215		615		2,000	4,894	396
Nice Polska	11,916	23		118		116			153	76
Nice Automatismos Espana	6,075	159	27	111		57		700	1,633	38
Nice Belgium	2,431	48		60		16			886	2
Nice U.K.	3,052	128		41		17			629	44
Nice Romania	1,719	1		7		-			1,973	
Nice Deutschland	4,183	119		1,166		96			7,420	399
Nice Shanghai Automatic Control	1,138	11		201		7			1,517	85
R.D.P. Shanghai Trading	41	54		6,980		1	0		55	680
Nice Usa	2,532	401	628	158		78		28,610	1,097	10
Hy Security	2	31		-					6	
Nice Istanbul	3,157	19		95		-			598	94
Nice Australia	651	26	42	4				1,906	519	-
Nice Portugal	1,521	8		8		9			427	-
Silentron S.p.A.	99	7		2,806		1			66	2,502
Nice Home Automation JSC	3823			30				1210	498	31
ET Nice	328	20	33	132				192	410	132
SAAC Srl	104	9		13		28		(500)	(46)	225
Fenice Immobiliare	0	-				-		5451	2	
King Gates S.r.l.	977	12		12		6			360	11
Elero GmbH	21	12	207	1,927		32		13683	13	155
Elero Sweden	653	33		18					335	18
Elero India									1	
Elero Singapore	33	9				93			3	22
Nice Gulf	3,038	108		52		23			564	23
Peccinin	49	7				115			142	119
Genno	206	1							127	
Omega									1	
Building App										426
Total subsidiaries	**68,195**	**2,994**	**937**	**14,154**	**-**	**1,310**	**-**	**53,252**	**24,283**	**5,488**
Total	**68,200**	**3,070**	**937**	**14,154**	**2,689**	**1,311**	**116**	**53,170**	**24,413**	**5,588**

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):

Subject	Office	Duration of office	Remuneration as a director	Remuneration as an employee	Fringe benefits	Total
Buoro Lauro	Chairman	2016-2018	470		11	481
Griffa Roberto	Chief Executive Officer	2016-2018	370		14	384
Cimolai Denise	Director	2016-2018	13	87	2	102
Galberti Lorenzo	Director	2016-2018	200		3	203
Zanutto Giorgio	Director	2016-2018	199	85	3	287
Chiara Mio	Director	2016-2018	25			25
Bortuzzo Antonio	Independent Director	2016-2018	22			22
Emanuela Paola Banfi	Independent Director	2016-2018	12			12
Saccardi Giuliano	Chairman of the Board of Statutory Auditors	2015-2017	26			26
Berna Monica	Standing Auditor	2015-2017	14			14
Enzo Dalla Riva	Standing Auditor	2015-2017	14			14
Total fees			**1,363**	**172**	**34**	**1,569**

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

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:

(Euro thousands)	Carrying value	Fair value
	31/12/2017	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	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	-	-

(Euro thousands)	Carrying value	Fair value
	31/12/2016	31/12/2016
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	140	140
(i) designated as such at time of initial recognition	-	-
(ii) classified as held for trading	*142*	*142*
Financial assets measured at amortised cost	139,515	139,515
Loans to subsidiaries	*51,368*	*51,368*
Trade receivables	*37,486*	*37,486*
Other financial assets	*3,500*	*3,500*
Cash and cash equivalents	*47,161*	*47,161*
Financial liabilities measured at amortised cost	46,318	46,318
Bank overdrafts and loans	*10,000*	*10,000*
Trade payables	*36,318*	*36,318*
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 levels are as follows:

- 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 2017 can be classified in Level 2 of the fair value hierarchy. In addition, during 2017 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 2017, the Company only has IRS hedging contracts on the interest rate of a bank loan.

These consolidated financial statements provide a true and fair view of the financial position, and of the profit or loss for 2017.

Oderzo, 14 March 2018.

For the Board of Directors

Chairman

Lauro Buoro

Annexes to the annual financial statements

Summary of the main financial statement data of subsidiaries at 31/12/2017

Company Name	Registered office	Currency	Share capital	Shareholders' equity in Euro	Profit/Loss for the year in Euro	% ownership Direct	% ownership Indirect	% ownership Total	Carrying value in Euro
Nice UK LTD	Nottinghamshire, United Kingdom	GBP	765,000	1,365,915	279,098	100.00%		100.00%	901,000
Nice Belgium S.A.	Hervelee, Belgium	EUR	212,000	1,001,335	169,267	99.70%		99.70%	116,000
Nice Polska S.p. Z.o.o.	Pruszkov, Poland	PLN	1,000,000	7,184,475	1,543,586	100.00%		100.00%	1,475,000
Nice Automatismos Espana S.A.	Mostoles, Madrid, Spain	EUR	150,253	1,481,047	480,277	60.00%		60.00%	877,000
Nice France S.a.s.	Aubagne, France	EUR	600,000	5,491,135	301,714	100.00%		100.00%	11,697,162
Building App S.r.l	Oderzo (Province of Treviso), Italy	EUR	110,000	616,085	16,879	100.00%		100.00%	796,000
S.C. Nice Romania S.A.	Bucharest, Romania	RON	383,160	976,342	(46,583)	99.00%		99.00%	103,000
Nice Deutschland GmbH	Billerbeck, Germany	EUR	50,000	16,125,904	583,359	100.00%		100.00%	28,637,000
Nice Shanghai Automatic Control Co. LTD	Shanghai, China	EUR	2,300,000	1,076,317	(774,574)	100.00%		100.00%	1,800,000
R.D.P. Shanghai Trading Co. LTD	Shanghai, China	EUR	200,000	1,857,865	485,812	100.00%		100.00%	200,000
Nice Istanbul Makine Ltd	Istanbul, Turkey	TRY	10,560,000	3,302,560	663,942	99.00%		99.00%	5,023,500
Nice Australia Home Automation PTY Ltd	Sydney, Australia	AUD	5,113,814	1,051,256	(128,749)	100.00%		100.00%	3,624,000
AutomatNice Portugal S.A.	Lisbon, Portugal	EUR	50,000	503,279	190,209	100.00%		100.00%	-
Silentron S.p.A.	Turin, Italy	EUR	500,000	2,464,523	(415,770)	100.00%		100.00%	5,639,000
ET Nice	Johannesburg, South Africa	ZAR	22,000,000	16,727,200	1,994,868	100.00%		100.00%	17,839,495
Nice Group USA, Inc	San Antonio - Texas (USA)	USD	1	16,454,386	3,684,814	100.00%		100.00%	10,070,000
Nice Home Automation JSC	Moscow, Russia	RUB	20,000	430,299	491,763	75.00%		75.00%	7,190,000
SAAC S.r.l.	Treviso, Italy	EUR	25,000	1,400,636	23,286	100.00%		100.00%	3,636,464
Fenice Immobiliare S.p.A. (formerly FontanaArte S.p.A.)	Oderzo (Province of Treviso), Italy	EUR	2,670,000	3,015,218	(159,366)	100.00%		100.00%	3,016,919
Peccinin Portoes Automaticos Industrial Ltda	Limeira, Brazil	BRL	39,037,600	15,250,469	107,131	100.00%		100.00%	31,582,406
King Gates S.r.l.	Pordenone, Italy	EUR	100,000	4,547,080	84,464	100.00%		100.00%	5,300,000
Nice Gulf FZE	Dubai, United Arab Emirates	AED	1,008,000	2,055,660	282,417	100.00%		100.00%	2,610,000

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 2016 fees for services provided to Nice Group by the independent auditors and by entities belonging to their network.

Type of services	Party that provided the service	Recipient	Fees (in thousands of Euro)
Statutory audit	BDO Italia S.p.A.	Parent Company	66
Statutory audit	BDO Italia S.p.A.	Subsidiaries	18
Statutory audit	BDO network	Subsidiaries	136
Other services	BDO Italia S.p.A.	Parent Company (1)	22
Total fees			**242**

(1) Accounting and tax due diligence services and agreed audit procedures

Certification of the financial statements pursuant to art. 154 bis of Legislative Decree 58/98 (Consolidated Law on Finance)

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 adequacy in relation to the characteristics of the company 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

This is an English translation of the original Italian document

NICE S.P.A.

REGISTERED OFFICE IN ODERZO – VIA PEZZA ALTA 13, Z.I. RUSTIGNÈ

SHARE CAPITAL EURO 11,600,000.00 FULLY PAID

TREVISO COMPANIES REGISTER AND TAX CODE NO. 02717060277

* * * *

REPORT OF THE BOARD OF STATUTORY AUDITORS
TO THE SHAREHOLDERS' MEETING
ON THE SEPARATE FINANCIAL STATEMENTS

Shareholders,

During the year ending at 31 December 2017, we performed the supervisory activity required by the law, in accordance with the standards of conduct for the Board of Statutory Auditors recommended by the Italian Associations of Chartered Certified Accountants, bearing in mind the recommendations provided by Consob.

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

- 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;

- 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, we were supported by the Internal Audit department and by the outcome of systematic audits carried out by the independent auditors, BDO Italia S.p.A., on the regular maintenance of the Company's accounts, which were concluded without any faults being found;
- assessed 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;
- 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 addition, in compliance with the above-mentioned Consob recommendations, we provide you with the following information:

1. 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, we have 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;

2. We have not found 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 2017:

- Building Up Srl: purchase of the additional 95% and conversion of non interesting bearing loans into payments on capital account; today, the company is a full subsidiary;
- Nice France SaS: reversal of the capitalisation carried out in 2012 with the reconstitution of the inter-company loan due to the improved economic/equity position of the company;
- Fenice Immobiliare SpA (formerly FontanaArte SpA): impairment of the equity investment and alignment with the subsidiary's shareholders' equity;
- Peccinin Group: capitalisation for Euro 1.9 million in connection with the payment of the call of subsidiary Genno Tecnologia Ltda.

We have duly acknowledged that these operations correspond with the Company's interest and we have also duly acknowledged the fairness of the prices agreed.

We furthermore 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 such transactions, which was approved by the Company's Board of Directors on 30 November 2010 and updated on 07 June 2013. To this end, these commercial transactions with related parties are described in detail in the Explanatory Notes and in the Report on Operations.

3. We believe that the information on the transactions indicated in point 2 above provided by Directors in their report on operations and in the explanatory notes is appropriate. As regards the Consolidated Non-Financial Declaration, contained in the Report on Operations, no information has been 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 GRI Standards.
4. The reports of the independent auditors, BDO Italia S.p.A., issued today, on the separate and consolidated financial statements of Nice S.p.A. as at 31.12.2017 and on the Consolidated Non-financial Statement do not contain any remarks or significant references.
5. No claims pursuant to article 2408 of the Italian Civil Code were submitted during the year.
6. No petitions were submitted to the Board of Statutory Auditors during the year.

7. During 2017, Italian and foreign companies of the BDO Italia S.p.A. network provided services amounting to a total of € 242 thousand to companies belonging to the Nice S.p.A. Group; in particular, € 220 thousand related to audit activities and € 22 thousand to other services.
8. 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.
9. During 2017, the Board of Statutory Auditors expressed an opinion on the proposal to renew the authorisation for the purchase/sale of treasury shares. During 2017, the Board of Statutory Auditors also expressed its consent to the registration of development costs amongst the assets on the balance sheet.
10. During 2017, 10 meetings of the Board of Directors and 10 meetings of the Board of Statutory Auditors were held. It is moreover noted that the 'Internal Audit and Risk Management Committee' met 10 times, including in its capacity as the 'Committee for the Performance of Transactions with Related Parties', while the 'Remuneration Committee' met 3 times. At least one member of the Board of Statutory Auditors participated in the meetings of the Board of Directors and of the Committees.
11. We have no particular comments to make concerning compliance with the principles of proper management, which appear to have been constantly observed.
12. During 2017, 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.

13. For the 2016-2018 period, the Internal Audit department's functions have been entrusted to Vittorio Gennaro, the Chief Executive Officer of the consulting firm Operari Srl. He was appointed by the Board of Directors on 11 March 2016, on proposal of the Director in charge of the internal audit system, after obtaining the favourable opinion of the Internal Audit and Risk Management Committee and after consulting the Board of Statutory Auditors.

   On 28 February 2017, the company stipulated a new contract that replaces 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 Manager appointed to prepare the company's accounting documents and some consultancy or assurance appointments in support of the Issuer'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 Internal Audit Manager provided support to the activities of the Internal Audit and Risk Management Committee.

   On 12 November 2015, the Board of Directors approved the review of the Organisational Model pursuant to Italian Law no. 231/2001, prepared with the

support of the consultancy firm Operari srl, which now takes into account the new rules on money laundering, environmental and corporate crimes.

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 department 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.

14. In 2017, 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 main features of which the Directors described effectively in their report on operations, including information on the internal audit system as this applies to financial information processes, showing its overall appropriateness and consistency with the best practices applied on regulated markets. The IT system allows Group data to be automatically consolidated.
15. 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.

16. 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.
17. The Board checked that the Company adopted the new version of the Corporate Governance Code recommended by Borsa Italiana in July 2015, applied its rules and justified divergences, if any, and duly described it in the reports indicated below.
    To this end, it is noted that, in the 'Report on Corporate Governance and Ownership Structure' of Nice Spa, the Board of Directors provided information on the Company and the Group in line with the principles set forth in the Corporate Governance Code for listed companies. Similarly, and again in compliance with the Corporate Governance Code, they issued Nice Spa's '2018 Annual Report on Remuneration' pursuant to article 123-ter of Italian Legislative Decree 58/1998 and 84-quater of the Consob Issuers' Regulation no. 11971/1999.
18. In conclusion, we herewith declare to you that our supervisory activity did not reveal omissions, faults or irregularities such as to require reporting to the Supervisory Boards or mention to Shareholders.
19. Lastly, we express our consent, for what falls within our competence, to the approval of the 2017 financial statements as presented by the Board of

Directors with the Report on Operations, and to the proposal made by the Board itself to distribute a dividend of Euro 0.1 per share.

Oderzo, 30 March 2018

for THE BOARD OF STATUTORY AUDITORS

The Chairman

Giuliano Saccardi

The report has been translated into english language solely for the convenience of International readers

Independent Auditors' Report

Independent auditor's report pursuant
to article 14 of Legislative Decree n.
39, dated January 27 2010 and
article10 of EU Regulation n. 537/2014

Financial statements at
December 31, 2017

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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Independent auditor's Report

pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010 and article10 of EU Regulation n. 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, 2017, the statement of comprehensive income, statement of changes in equity, and statement of cash flows 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, 2017 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 art. 9 of Legislative Decree n. 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

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Iscritta al Registro dei Revisori Legali al n. 167911 con D.M. del 15/03/2013 G.U. n. 26 del 02/04/2013
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Key audit matter	Audit response
Valuation of investments *Note 3 "Investments"* The Company includes in the financial statements of the period at December 31, 2017 investments for Euro 142.1 million, representing 44,2% of total assets. Investments are initially capitalised at purchase or underwriting cost, including any price adjustments and put/call options on the minority interests of subsidiaries, deducted any reimbursement of capital, eventually adjusted for impairment losses and subsequent restatement of the same put/call options. The initial amount is reinstated in subsequent periods if the reasons for the impairment no longer apply. The adjustments are recorded in the income statement. Differences between the value of the recorded amount of some equity investments and the equity pertaining to the respective subsidiaries are justified by the recoverable value of the cash-generating unit (CGU) in which these subsidiaries are included, assessed in the context of the impairment test prepared by an independent expert. We focused on this item due to the significance of its amount, the complexity of its valuation process and the assessment of related impairment losses and the of the uncertainty linked to the actual realization of the events envisaged in the business plan used as a basis for the impairment test.	Our main audit procedures performed 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, 2017, used for the preparation of the consolidated financial statements of Nice S.p.A.; we obtained, for significant components, the auditors' report; ▪ analysis of write downs made to the book value of the investments; ▪ we identified investments characterized by financial statement values that may be higher than the corresponding fractions of equity at December 31, 2017, 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 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 art. 9 of Legislative Decree n. 38/'05 and, within the terms prescribed by 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 exercise 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 determine 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 the 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 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 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.

Report on other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, letter e), of Legislative Decree n. 39/'10 and of article 123-bis of Legislative Decree n. 58/'98.

The Directors of Nice S.p.A. are responsible for the preparation of the report on operations and of the corporate governance report of Nice S.p.A. as at December 31, 2017, including their consistency with the financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and of specific information of the corporate governance report as provided by article 123-bis, paragraph. 4, of Legislative Decree n. 58/'98, with the financial statements of Nice S.p.A. as at December 31, 2017 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the report on operations and the above mentioned specific information of the corporate governance report are consistent with the financial statements of Nice S.p.A. as at December 31, 2017 and are compliant with applicable laws and regulations.

With reference to the assessment pursuant to article 14, paragraph. 2, letter e), of Legislative Decree n. 39/'10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Verona, March 30, 2018

BDO Italia S.p.A.

Signed by:
Carlo Boyancé
Partner

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