

PERIODIC FINANCIAL INFORMATION
AS OF 30 SEPTEMBER 2017



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AS OF 30 SEPTEMBER 2017

GIMATT S.p.A.

REGISTERED OFFICE: OZZANO DELL'EMILIA (BOLOGNA)

SHARE CAPITAL FULLY PAID-IN: € 440,000.00

REGISTERED WITH THE BOLOGNA COMPANIES REGISTER

No. 03249061205

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REPORT ON OPERATIONS

(THE REPORT ON OPERATIONS HAS BEEN TRANSLATED FROM THE ORIGINAL ITALIAN INTO ENGLISH
SOLELY FOR THE CONVENIENCE OF INTERNATIONAL READERS)

DIRECTORS AND OFFICERS

**BOARD OF
DIRECTORS**

(Appointed until the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2019)

CHAIRMAN OF THE BOARD OF DIRECTORS

Sergio Marzo

CHIEF OPERATING OFFICER

Fiorenzo Draghetti

DIRECTOR

Stefano Cavallari

INDEPENDENT DIRECTORS

(Appointed with effect from 2 October 2017)

Luca Maurizio Duranti; Francesco Mezzadri Majani; Paola Alessandra Paris; Alessandra Stabilini

**BOARD OF
STATUTORY AUDITORS**

(Appointed until the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2017)

ACTING AUDITORS

Amedeo Cazzola – Chairman; Giacomo Giovanardi; Riccardo Pinza

ALTERNATE AUDITORS

Gigliola Di Chiara; Fabio Zambelli

**INTERNAL CONTROL
AND RISK COMMITTEE**

(Set up with effect from 2 October 2017)

Luca Maurizio Duranti – Chairman; Francesco Mezzadri Majani;
Alessandra Stabilini

**APPOINTMENTS AND
REMUNERATION COMMITTEE**

(Set up with effect from 2 October 2017)

Paola Alessandra Paris – Chairman; Luca Maurizio Duranti; Alessandra
Stabilini

**MANAGER RESPONSIBLE
FOR PREPARING
FINANCIAL REPORTS**

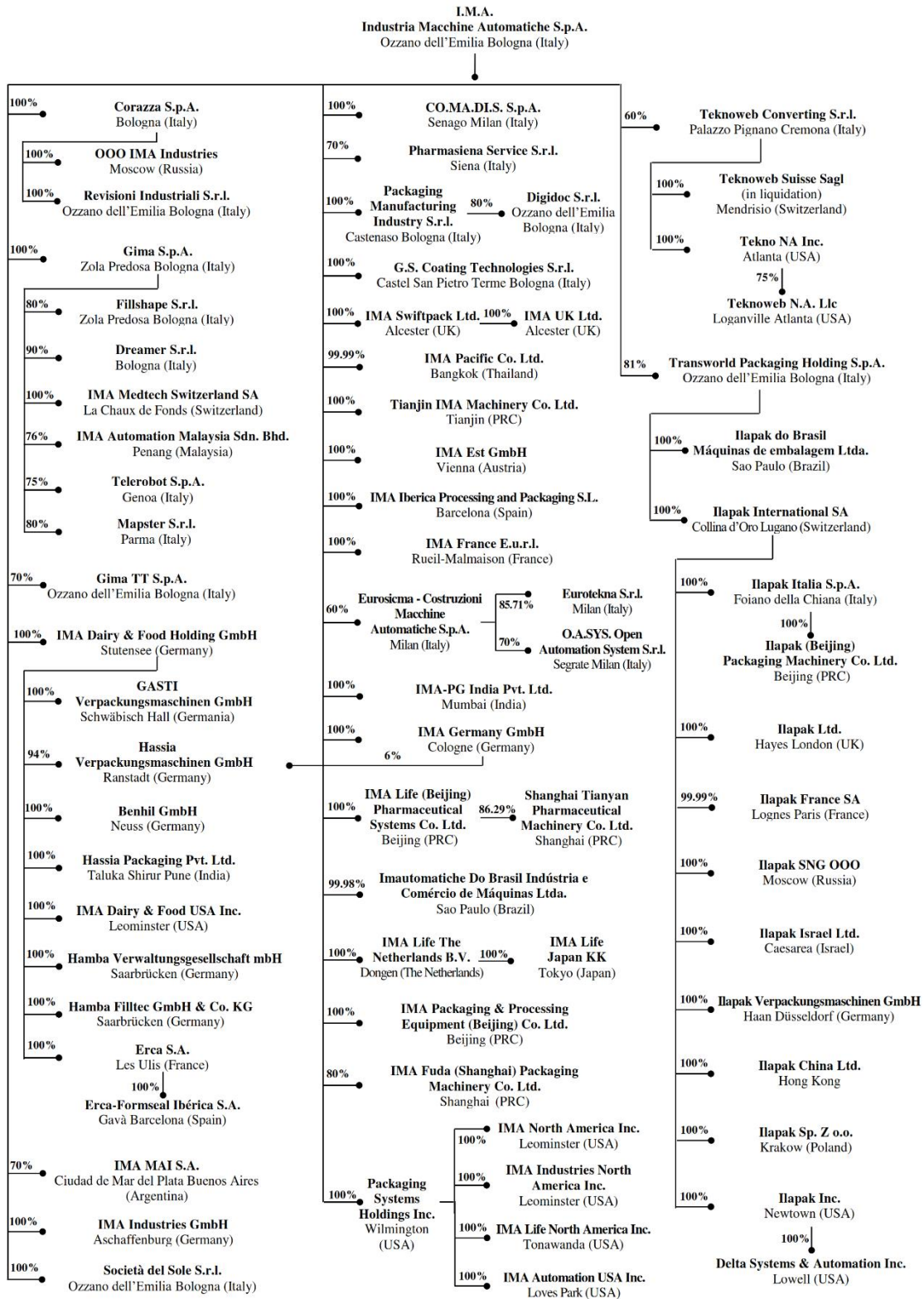
Marco Savini

INDEPENDENT AUDITORS

(Appointed until the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2025)

EY S.p.A.

IMA GROUP STRUCTURE AS OF 30 SEPTEMBER 2017



GIMA TT S.p.A. ("GIMA TT S.p.A.", "GIMA TT" or the "Company") is subject to management and coordination activities by I.M.A. Industria Macchine Automatiche S.p.A. ("IMA S.p.A." or "IMA").

PERFORMANCE OF THE COMPANY

GENERAL PERFORMANCE

The macroeconomic picture of global recovery is consolidating to a greater extent than was expected at the beginning of the year, as evidenced by the growth in world trade of more than 4% in the first half of the year, more than twice the average rate of the period 2012-2016. Europe is benefiting from this growth, helped by consumption which has the effect of supporting exports and boosting investment in capital assets. However, there are still risks involved in the geopolitical situation, linked above all to the North Korean nuclear program, as well as the question of whether these signs of recovery can be sustained over time.

In this context, our Company has achieved significant growth in revenues and profits compared with the previous year, confirming the technological value of its product portfolio.

INCOME STATEMENT

The summary figures in the income statement for the first nine months of 2017, with comparatives for the same period in 2016, are as follows:

€ millions	1.1.2017–30.9.2017		1.1.2016–30.9.2016	
	Amount	%	Amount	%
Revenue	107.3		61.5	
Cost of sales	(53.3)	49.7	(32.8)	53.4
Industrial gross profit	54.0	50.3	28.7	46.6
R&D costs	(1.7)	(1.6)	(1.5)	(2.4)
Sales costs	(3.0)	(2.8)	(1.7)	(2.7)
General and administrative costs	(3.9)	(3.7)	(2.4)	(3.9)
Operating profit	45.4	42.3	23.1	37.6
Net financial income (expense)	(0.0)	(0.0)	0.0	0.1
Profit before tax	45.4	42.3	23.2	37.6
Income taxes for the period	(12.7)	(11.9)	(7.3)	(11.9)
Net profit for the period	32.7	30.4	15.8	25.7
Gross operating margin (EBITDA)	45.8	42.6	23.5	38.2
Order book	92.1		93.2	

REVENUE AND ORDERS

In the first nine months of 2017, the Company's revenues amounted to 107.3 million euros, compared with 61.5 million euros in the same period of 2016, an increase of 74.5%.

This result was achieved thanks to the size of the order book at the end of 2016 and to the additional orders received during the current year.

The orders received in the first nine months of 2017 amounted to 111.5 million euros compared with 97.6 million euros in the same period last year. The order book at 30 September 2017 came to 92.1 million euros, in line with the figure (93.2 million) at the end of the third quarter last year.

INDUSTRIAL GROSS PROFIT

The industrial gross profit at 30 September 2017 amounted to 54.0 million euros (28.7 million in the first nine months of 2016), which as a percentage of sales comes to 50.3%, up from 46.6% in the first nine months of 2016.

OPERATING PROFIT (EBIT)

The operating profit at 30 September 2017 amounted to 45.4 million euros (42.3% of sales), increasing in terms of both quantity and percentage compared to the first nine months of 2016 when it came to 23.1 million euros (37.6% of sales).

PROFIT BEFORE TAX

Profit before tax at 30 September 2017 was 45.4 million euros versus 23.2 million euros at 30 September 2016.

NET PROFIT FOR THE PERIOD

Net profit for the period to 30 September 2017 amounted to 32.7 million euros, equal to 30.4% of sales, compared with 15.8 million euros in the same period of 2016 (25.7% of sales), after deducting 12.7 million euros of taxes (7.3 million euros in the first nine months of 2016).

STATEMENT OF FINANCIAL POSITION

The Company's statement of financial position at 30 September 2017 is summarized below:

	30.9.2017	31.12.2016
€ millions	Amount	Amount
Trade receivables and advances to suppliers	35.7	24.1
Inventories	23.4	18.2
Trade payables and advances from customers	(47.4)	(53.2)
Other, net (*)	(12.1)	(8.4)
Working capital	(0.4)	(19.4)
Property, plant and equipment	1.1	0.7
Intangible assets	2.4	0.6
Deferred tax assets and other financial receivables	0.8	0.6
Non-current assets	4.3	1.8
Employee severance indemnities and other liabilities	(0.3)	(0.1)
Net capital employed	3.6	(17.8)
Net financial position (A)	29.6	45.2
Shareholders' equity (B)	33.2	27.5
Total sources of funding (B) – (A)	3.6	(17.8)

(*) This item mainly includes other receivables, other payables and the product warranty provision.

Net capital employed at the end of the third quarter of 2017 was 3.6 million euros, up on 31 December 2016 due to the increase in net operating

capital caused by higher sales volumes and deliveries expected for the last quarter of 2017.

The following is a breakdown of the net financial position ("NFP") at 30 September 2017:

	30.9.2017	31.12.2016
€ millions	Amount	Amount
A. Cash	0.0	0.0
B. Cash equivalents	29.6	37.6
C. Trading securities	0.0	0.0
D. Liquidity (A) + (B) + (C)	29.6	37.6
E. Current financial receivables	0.0	7.6
F. Current bank liabilities	0.0	0.0
G. Current portion of non-current debt	0.0	0.0
H. Other current financial payables	0.0	0.0
I. Current financial indebtedness (F)+(G)+(H)	0.0	0.0
J. NFP, net of curr. fin. indebtedness (D)+(E)-(I)	29.6	45.2
K. Non-current bank loans	0.0	0.0
L. Bonds issued	0.0	0.0
M. Other non-current payables	0.0	0.0
N. Non-current financial indebtedness (K)+(L)+(M)	0.0	0.0
O. Net financial position (J)-(N) (*)	29.6	45.2

(*) NFP has been calculated in accordance with the format provided in the ESMA/2013/319 Recommendation.

The net financial position, which was positive for 29.6 million euros at 30 September 2017, has decreased compared with 31 December 2016 (45.2 million euros). This reduction is mainly due to the distribution of dividends out of last year's profit for a total of 27.0 million euros and to the increase in net working capital as a result of the larger order book currently in progress, which will be reabsorbed by the end of the year.

CAPITAL EXPENDITURE

During the first nine months of 2017, the Company invested 0.6 million euros in property, plant and equipment, mainly for leasehold improvements, plant and machinery, and industrial and commercial equipment.

During the same period, the Company invested 2.0 million euros in intangible assets, of which 1.8 million euros in assets under development and advances. The amount of assets under development and advances refers to development costs for the implementation of two new technology projects designed to improve the performance of packaging lines in terms of speed. These projects were commissioned by two leading customers and they are expected to be exploited over the coming years, also by other customers.

ALTERNATIVE PERFORMANCE INDICATORS

These comments on the results for the period also include some performance indicators to give a better picture of the Company's operations and financial position.

The following income statement, reclassified by purpose, was prepared according to the following criteria:

- cost of sales: represents costs incurred directly by the Company to generate revenue. For example, it includes materials, labour, the technical offices' costs involved in customizing products, production overheads and agents' commission;
- R&D costs: these include the costs involved in developing new products or maintaining existing ones. They also include costs relating to technical personnel, materials used for experiments and the overheads of technical offices;
- selling costs: these include costs connected with commercial operations, such as staff, promotional and advertising costs and associated overheads;
- general and administrative costs: these include all of the costs associated with general operations, such as administrative offices in the broadest sense, the management of sectors or divisions, production planning and all depreciation and amortization not directly related to the functions mentioned previously;
- gross operating margin (EBITDA): this is the sum of operating profit, depreciation, amortization and writedowns. EBITDA is an indicator used as a financial target in internal and external presentations and is a useful unit of measurement for assessing the Company's performance.

The main items in the reclassified statement of income equivalent to the corresponding items in the statement of income shown in the "Financial statements" section are as follows: revenue, operating profit, financial income and expense, profit before tax, income taxes and net profit for the period.

The capital and financial structure shows assets and liabilities classified in the same way as in the breakdown of net capital employed. The main items in the capital and financial structure equivalent to the corresponding items in the balance sheet shown in the "Financial statements" section are as follows: inventories, tangible and intangible assets, employee severance indemnities and shareholders' equity.

Lastly, for the purposes of preparing the net debt analysis, CONSOB Communication DEM/6064293 of 28 July 2006 was taken into account.

OTHER INFORMATION

TRANSACTIONS WITH PARENT COMPANIES AND AFFILIATES

During the first nine months of 2017, the Company carried out various intercompany transactions, which involved both productive and commercial activities. These transactions formed part of the Company's day-to-day operations and were carried out under normal market conditions, without any of them being considered atypical. See Note 20 for further information.

RELATED PARTY TRANSACTIONS

The "Regulation on related-party transactions", adopted by CONSOB Resolution 17221 of 12 March 2010 and subsequently amended by CONSOB Resolution 17389 of 23 June 2010 implemented art. 2391-bis of the Italian Civil Code.

On 1 December 2010, the Board of IMA S.p.A. adopted the related party procedure, which was prepared taking into account CONSOB's instructions contained in communication DEM/10078683 of 24 September 2010. The purpose of this procedure, which also applies to our Company at 30 September 2017, is to lay down the approach to be taken in identifying, reviewing and approving transactions with related parties to be carried out by IMA or its subsidiaries to ensure that they are transparent and fair from both a substantial and procedural point of view.

On 16 October 2017, following the favourable opinion of the Internal Control and Risk Committee, the Board of Directors approved its own procedure for related party transactions, which defines the rules, modalities and principles aimed at ensuring the transparency and the substantial and procedural fairness of transactions with related parties. This procedure is available on the Company's website.

Transactions with related parties are described more fully in Note 20, to which reference should be made for further information.

ARTS. 70 AND 71 OF CONSOB'S "ISSUERS' REGULATIONS"

Pursuant to art. 3 of Consob Resolution no. 18079/2012, on 26 June 2017 the Board of Directors of the Company decided to adopt the opt-outs envisaged in arts. 70, paragraph 8, and 71, paragraph 1-bis of Consob's Issuers' Regulations. This means being able to choose not to prepare the prospectuses normally required in connection with significant transactions such as mergers, demergers, increases in capital by means of contributions in kind, acquisitions and disposals.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE PERIOD

Trading in the Company's ordinary shares on the STAR segment of the MTA, organised and run by Borsa Italiana S.p.A., began on 2 October 2017.

The listing was carried out by means of a placement aimed exclusively at institutional investors of 33,880,000 ordinary shares of the Company, equal to 38.5% of its share capital (including the greenshoe option). Following this placement, IMA's stake in the Company decreased from 70.0% to 60.084%.

OUTLOOK FOR OPERATIONS

The first nine months of 2017 were full of satisfaction, with particular regard to growth and profitability. Considering the level of the order book and the market situation, results are expected to grow strongly compared with 2016, with the aim of maintaining a level of profitability similar to that achieved in the first nine months of the current year.

FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2017

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

STATEMENT OF FINANCIAL POSITION

€ millions	Note	30.9.2017 Amount	31.12.2016 Amount
NON-CURRENT ASSETS			
<i>Property, plant and equipment</i>	2	1.1	0.7
<i>Intangible assets</i>	3	2.4	0.6
<i>Receivables</i>		0.0	0.0
<i>Deferred tax assets</i>	4	0.8	0.6
TOTAL NON-CURRENT ASSETS		4.3	1.8
CURRENT ASSETS			
<i>Inventories</i>	5	23.4	18.2
<i>Trade and other receivables</i>	6	42.6	28.9
<i>Financial assets</i>		0.0	7.6
<i>Cash and cash equivalents</i>	7	29.6	37.6
TOTAL CURRENT ASSETS		95.5	92.3
TOTAL ASSETS		99.9	94.1
€ millions	Note	Amount	Amount
SHAREHOLDERS' EQUITY			
<i>Share capital</i>	8	0.4	0.1
<i>Reserves</i>		0.1	0.2
<i>Net profit for the period</i>		32.7	27.2
TOTAL SHAREHOLDERS' EQUITY		33.2	27.5
NON-CURRENT LIABILITIES			
<i>Liabilities for employees' benefits</i>	9	0.1	0.1
<i>Other payables</i>		0.2	0.0
<i>Deferred tax liabilities</i>	4	0.0	0.0
TOTAL NON-CURRENT LIABILITIES		0.3	0.1
CURRENT LIABILITIES			
<i>Trade and other payables</i>	11	53.2	60.0
<i>Income tax payables</i>		11.4	5.3
<i>Provision for product warranty</i>	10	1.7	1.2
TOTAL CURRENT LIABILITIES		66.4	66.5
TOTAL LIABILITIES		66.7	66.7
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		99.9	94.1

THE EFFECTS OF TRANSACTIONS WITH RELATED PARTIES ON THE ITEMS IN THE STATEMENT OF FINANCIAL POSITION ARE SHOWN IN NOTE 20.

INCOME STATEMENT

€ millions	Note	1.1.2017–	1.1.2016–
		30.9.2017	30.9.2016
		Amount	Amount
REVENUE	12	107.3	61.5
OTHER REVENUE		2.1	0.0
OPERATING COSTS			
<i>Change in inventories of work in progress, semifinished and finished products</i>		5.5	10.8
<i>Change in inventories of raw, ancillary and consumable goods</i>		(0.3)	(0.8)
<i>Cost of raw, ancillary and consumable materials and goods for resale</i>	13	(39.2)	(29.1)
<i>Services, rentals and leases</i>	14	(18.8)	(12.0)
<i>Personnel costs</i>	15	(10.3)	(6.5)
<i>Depreciation, amortization and writedowns</i>		(0.3)	(0.4)
<i>Provisions for risks and charges</i>		(0.5)	(0.4)
<i>Other operating costs</i>		(0.1)	(0.1)
TOTAL OPERATING COSTS		(64.0)	(38.4)
OPERATING PROFIT		45.4	23.1
FINANCIAL INCOME AND EXPENSE			
<i>Financial income</i>		0.1	0.1
<i>Financial expense</i>		(0.1)	(0.1)
TOTAL FINANCIAL INCOME AND EXPENSE		(0.0)	0.0
PROFIT BEFORE TAX		45.4	23.2
INCOME TAXES	16	(12.7)	(7.3)
NET PROFIT FOR THE PERIOD		32.7	15.8
AVERAGE NUMBER OF SHARES OUTSTANDING		88,000,000	88,000,000
BASIC AND DILUTED EARNINGS PER SHARE (in €)	17	0.37	0.18

THE EFFECTS OF TRANSACTIONS WITH RELATED PARTIES ON THE INCOME STATEMENT ARE SHOWN IN NOTE 20.

STATEMENT OF COMPREHENSIVE INCOME

€ millions	Note	1.1.2017–	1.1.2016–
		30.9.2017	30.9.2016
		Amount	Amount
Net profit for the period		32.7	15.8
Other components of comprehensive income that will not be subsequently reclassified to profit or loss for the period			
<i>Actuarial gains (losses) on defined benefit plans</i>		0.0	(0.0)
<i>Tax effect</i>		0.0	0.0
Total other components of comprehensive income that will not be subsequently reclassified to profit or loss for the period		0.0	(0.0)
Gains (losses) booked to equity		0.0	(0.0)
Total comprehensive income		32.7	15.8

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ millions	Share capital	Share premium reserve	Reserve for actuarial valuation of severance indemnities	Other reserves	Total other reserves	Retained earnings	Net profit for the period	Total share-holders' equity
Figures as of 1 January 2016	0.1	4.0	(0.0)	0.7	0.7	0.0	15.6	20.4
Allocation of net profit for 2015:								
– dividends	0.0	(3.8)	0.0	(0.7)	(0.7)	0.0	(15.6)	(20.1)
Transfer to reserves	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit (loss) for the period	0.0	0.0	0.0	0.0	0.0	0.0	15.8	15.8
Gain (loss) on discounting employee severance indemnities	0.0	0.0	(0.0)	0.0	(0.0)	0.0	0.0	(0.0)
Figures as of 30 September 2016	0.1	0.1	(0.0)	0.0	0.0	0.0	15.8	16.1
Figures as of 1 January 2017	0.1	0.1	(0.0)	0.0	0.0	0.0	27.2	27.5
Increase in capital	0.3	(0.1)	0.0	0.0	0.0	(0.2)	0.0	0.0
Allocation of net profit for 2016:								
– dividends	0.0	0.0	0.0	0.0	0.0	(27.0)	0.0	(27.0)
Transfer to reserves	0.0	0.0	0.0	0.0	0.0	27.2	(27.2)	0.0
Net profit (loss) for the period	0.0	0.0	0.0	0.0	0.0	0.0	32.7	32.7
Gain (loss) on discounting employee severance indemnities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Figures as of 30 September 2017	0.4	0.0	(0.0)	0.0	0.0	0.0	32.7	33.2

AS REGARDS THE COMPOSITION OF SHAREHOLDERS' EQUITY, PLEASE REFER TO NOTE 8.

STATEMENT OF CASH FLOWS

€ millions	Note	1.1.2017–	1.1.2016–
		30.9.2017	30.9.2016
OPERATING ACTIVITIES			
	–		
Net profit for the period		32.7	15.8
<i>Adjustments for:</i>			
– Depreciation and amortization	2–3	0.3	0.4
– Capital (gains) losses on disposal of non-current assets		0.0	0.0
– Change in provisions for risks and charges and liabilities for employee benefits	9–10	0.5	0.4
– Other non-monetary changes		(0.0)	(0.1)
– Income taxes		12.7	7.3
Sub Total		46.3	23.9
(Increase)/decrease in trade and other receivables	6	(13.9)	(20.7)
(Increase)/decrease in inventories	5	(5.3)	(9.9)
Increase/(decrease) in trade and other payables	11	(6.3)	11.2
Taxes paid	16	(6.9)	(4.2)
CASH FLOW PROVIDED BY OPERATING ACTIVITIES (A)		13.9	0.3
INVESTING ACTIVITIES			
Additions to property, plant and equipment	2	(0.6)	(0.1)
Additions to intangible assets	3	(2.0)	(0.2)
(Increase) or decrease in intercompany current account		7.6	30.6
Disposal of non-current assets		0.0	0.0
CASH FLOW PROVIDED BY INVESTING ACTIVITIES (B)		5.0	30.2
FINANCING ACTIVITIES			
Reimbursement of financial payables		0.0	0.0
Other changes in financial assets/liabilities		0.0	0.0
Dividends paid	8	(27.0)	(20.1)
Payment of share capital		0.0	0.0
Payments to share premium reserve		0.0	0.0
Payment of interest		(0.0)	(0.0)
Receipt of interest		0.0	0.1
CASH FLOW USED IN FINANCING ACTIVITIES (C)		(27.0)	(20.0)
NET CHANGE IN CASH AND CASH EQUIVALENTS (D=A+B+C)		(8.1)	10.5
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (E)		37.6	3.9
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (L=H+I)		29.6	14.4

A BREAKDOWN OF "CASH AND CASH EQUIVALENTS" IS PROVIDED IN NOTE 7.

NOTES TO THE FINANCIAL STATEMENTS

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

A) OVERVIEW

GIMA TT S.p.A. is a leader in the design and assembly of automatic electronic machines for the packaging of tobacco products and, in particular, the new reduced-risk products.

The Company has been listed on the STAR segment of the MTA run by Borsa Italiana S.p.A. since 2 October 2017.

The Company is controlled and subject to management and coordination activities by IMA S.p.A., a company with registered office in Via Emilia 428/442, Ozzano dell'Emilia (BO), listed on the STAR segment of the MTA run by Borsa Italiana S.p.A.

The periodic financial information as of 30 September 2017 was approved by the Board of Directors on 13 November 2017 and has not been audited.

B) BASIS OF PREPARATION

GENERAL PRINCIPLES

As an issuer trading on the STAR segment of the MTA market run by Borsa Italiana, the Company is subject to the provisions of art. 2.2.3 of the Stock Exchange Regulations. As announced on 16 October 2017, the Company will publish periodic financial information within forty-five days from the end of the first and third quarter of the fiscal year.

This periodic financial information is prepared on the basis of the valuation criteria set out in the International Accounting Standards IAS/IFRS approved by the European Union.

The accounting principles and policies adopted for the preparation of periodic financial information as of 30 September 2017 are in line with those used for the preparation of the annual financial report at 31 December 2016 (to which reference should be made for further information).

The amendments and interpretations in force from 1 January 2017 govern situations and circumstances that are not relevant to these financial statements. The Company is assessing the impact of the amendments to accounting standards that have been issued but not yet in force. In particular, the Company has continued to carry out the analysis started in 2016 of the potential impact that adoption of the new standards IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers, and IFRS 16 Leases could have on its financial statements.

IFRS 15 was issued in May 2014 and introduces a new five-stage analysis model which will apply to revenue from contracts with customers. In particular, IFRS 15 provides for the recognition of revenue for an amount that reflects the consideration to which the entity believes to be entitled in exchange for the transfer of goods or services to the customer. The new standard will replace all current IFRS requirements regarding the recognition of revenue and is effective for annual periods beginning on or after 1 January 2018. The Company expects to apply the new standard from the mandatory effective date. In 2016 the Company carried out a preliminary assessment on the effects of IFRS 15, which may be subject to

amendments as a result of a more detailed analysis that is currently underway. This analysis takes into account the clarifications issued by the IASB in April 2016 and will consider any further developments. As part of the assessment of the accounting impact of adopting the new standards, we have identified the Company's main revenue streams:

- machines and contracts in progress;
- formats;
- spare parts and other materials;
- technical assistance.

Based on a preliminary assessment, we do not expect any potentially significant impacts on the Company's assets and liabilities, results and financial position. Once we have completed this analysis, we will decide on the method of application of the new standard, retrospective or simplified. As of today, we foresee to adopt the simplified method of application.

IFRS 16 was published in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the substance of transactions in the legal form of a lease. IFRS 16 defines the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize all leases on the balance sheet on the basis of a single model similar to the one used to account for finance leases under IAS 17. The standard will come into force for financial years beginning on or after 1 January 2019. We are not planning to apply the new standards in advance. Based on a preliminary assessment of a qualitative nature, we do not expect there to be any potentially significant impacts on the Company's assets and liabilities, results and financial position.

IFRS 9 was issued in its final version in July 2015 and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of accounting for financial instruments: classification and measurement, impairment losses and hedge accounting. IFRS 9 is effective for financial years beginning on or after 1 January 2018. The Company has begun to carry out an analysis of the potential impact that the adoption of the new standard could have on the balance sheet, financial position, income statement and information contained in the Company financial statements and notes. There are no plans for early adoption of this standard.

USE OF ESTIMATES

The interim result is stated net of tax, calculated using the best estimate of the weighted average tax rate expected for the full year.

Preparing interim reports requires the directors to make estimates and assumptions based on their best assessment at the time, which then have an effect on the figures shown in the financial statements and in the notes. These estimates and assumptions are reviewed periodically and the effects of any changes are recognized immediately in the period when circumstances change.

FINANCIAL STATEMENTS

The statement of financial position has been classified on the basis of the operating cycle, distinguishing between current and non-current items.

Cost and revenue items for the period are presented in two separate statements: an income statement, which analyses costs according to their nature, and a statement of comprehensive income.

The statement of cash flows has been prepared using the indirect method for determining cash flows from operating activities.

Unless stated otherwise, the figures in the periodic financial information as of 30 September 2017 are expressed in euros and rounded to millions.

C) FINANCIAL RISK MANAGEMENT**RISK FACTORS**

The Company is exposed to financial risks connected with its business activities, particularly the following:

- Credit risk arising from commercial transactions or financing activities;
- Liquidity risk related to the availability of financial resources and access to the credit market;
- Market risk, specifically:
 - a) Exchange rate risk, relating to operations in areas using currencies other than the functional currency;
 - b) Interest rate risk, relating to the Company's exposure to interest-bearing financial instruments;
 - c) Price risk, due to a change in the price of equity instruments shown under financial assets and in commodity prices.

Periodic financial information does not include all of the disclosures on financial risk management that are required in annual financial statements. It should therefore be read together with the annual report at 31 December 2016.

There are no substantial changes in financial risk management or in the policies adopted by the Company during the period.

D) NOTES TO THE FINANCIAL STATEMENTS

The changes shown below have been calculated on the figures as of 31 December 2016 for assets and liabilities and on the figures for the first nine months of 2016 for the income statement.

1. SEGMENT INFORMATION

The segment in which the Company operates is identified on the basis of IFRS 8 - Operating Segments and subsequent amendments.

This standard specifies that an operating segment consists of a group of activities and operations that can easily be distinguished and which can match interrelated products and services, subject to risks and benefits that are different from those in other areas of activity. For management purposes, the activity carried on by the Company has been grouped

together in a single Strategic Business Unit, which contains the entire business. This approach stems from the fact that the only activity carried on is the production of tobacco packaging equipment and machinery, bearing in mind all of the following aspects: (a) same kind of products and services; (b) same kind of production process; (c) same clusters of customers for products and services; (d) same methods for selling products and services; (e) same kind of regulatory environment.

2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of 30 September 2017 show a net increase of 0.4 million euros compared with 31 December 2016. Movements in property, plant and equipment during the period are analysed as follows:

€ millions	Buildings and leasehold improvements	Plant and machinery	Industrial and commercial equipment	Other assets	Total
Balances at 1.1.2017	0.0	0.2	0.2	0.3	0.7
Increases	0.3	0.1	0.1	0.1	0.6
Sales and eliminations	0.0	0.0	0.0	0.0	0.0
Depreciation	(0.0)	(0.0)	(0.1)	(0.1)	(0.2)
Reclassifications	0.0	0.0	0.0	0.0	0.0
Balances at 30.9.2017	0.3	0.3	0.2	0.3	1.1

"Buildings and leasehold improvements" include capitalized costs of 0.3 million euros for improvements on the Company's head office in Ozzano dell'Emilia (BO) after the Company took over the rent contract signed on 27 June 2017 from IMA S.p.A.. Other increases during the period mainly refer to the purchase of plant and machinery and industrial and commercial equipment. As of 30 September 2017, there were no assets acquired by means of finance leases and there are no restrictions on ownership nor property, plant and equipment pledged to guarantee liabilities. There are no internal or external elements that suggest that assets may have suffered impairment.

3. INTANGIBLE ASSETS

Movements in intangible assets during the period are analysed as follows:

€ millions	Industrial patents	Software, licences and similar rights	Assets under development and advances	Total
Balances at 1.1.2017	0.6	0.0	0.0	0.6
Increases	0.2	0.0	1.8	2.0
Sales and eliminations	(0.1)	0.0	0.0	(0.1)
Amortization	(0.1)	(0.0)	0.0	(0.1)
Reclassifications	0.0	0.0	0.0	0.0
Balances at 30.9.2017	0.6	0.0	1.8	2.4

Industrial patents and intellectual property rights include the costs incurred during the period and in prior years for the acquisition and registration of industrial patents. In the first nine months of 2017 the increase in this item amounted to 0.2 million euros.

As of 30 September 2017, 1.8 million euros of intangible assets under development were capitalized as development costs for the implementation of two new technology projects designed to improve the performance of packaging lines in terms of speed. These projects were commissioned by two leading customers and they are expected to be exploited over the coming years, also by other customers.

4. DEFERRED TAX ASSETS AND LIABILITIES

As of 30 September 2017 deferred tax assets mainly relate to temporary differences arising on provisions for inventory obsolescence and provisions for risks and charges. The IRES (corporate income tax) rate used was 24.0%, whereas the IRAP (regional business tax) rate was 3.9%.

5. INVENTORIES

Inventories are made up as follows:

€ millions	30.9.2017			31.12.2016		
	Gross value	Accumulated writedown	Net amount	Gross value	Accumulated writedown	Net amount
Raw, ancillary and consumable materials	2.7	(0.1)	2.6	2.9	(0.1)	2.9
Work in progress and semifinished goods	22.0	(1.2)	20.9	16.1	(0.7)	15.3
Total	24.7	(1.3)	23.4	19.0	(0.8)	18.2

The increase in inventories as of 30 September 2017 compared with 31 December 2016 is related to the order book already acquired at the end of the previous year with delivery expected in late 2017 or early 2018.

It should also be noted that during the first nine months of 2017 the net increase in the provision for raw materials, supplies and consumables and the provision for work in progress and semi-finished goods amounted to 0.4 million euros.

6. TRADE AND OTHER RECEIVABLES

The breakdown of trade and other payables is as follows:

€ millions	30.9.2017	31.12.2016
	Amount	Amount
Trade receivables	35.2	24.0
Receivables from parent company and companies controlled by IMA S.p.A.	0.8	2.0
Advances to suppliers	0.5	0.2
Tax receivables	5.9	2.6
Deferrals	0.1	0.1
Other receivables	0.1	0.0

Total	42.6	28.9
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TRADE RECEIVABLES

Trade receivables at 30 September 2017 amounted to 35.2 million euros (24.0 million euros at 31 December 2016). This item includes the amount due from customers for construction contracts (valued on a percentage-of-completion basis and shown net of advances) for 10.2 million euros (11.2 million euros at 31 December 2016).

At 30 September 2017, no provision was made for the writedown of receivables. The high credit standing of our customers, made up of the main tobacco multinationals, minimizes credit risk, so no bad debt provision is required.

Receivables sold without recourse during 2016 that had not yet fallen due as of 30 September 2017 came to 129 thousand euros (8.3 million euros at 31 December 2016), all sold to factoring companies. No receivables were sold without recourse during the period (16.9 million euros in 2016).

RECEIVABLES FROM PARENT COMPANY AND COMPANIES CONTROLLED BY IMA S.p.A.

Receivables from the parent company and companies controlled by IMA S.p.A., 0.8 million euros at 30 September 2017 (2.0 million euros at 31 December 2016) mainly derive from the sale of goods involved in the core business, commercial services and advances paid in connection with these transactions.

ADVANCES TO SUPPLIERS

Advances to suppliers, 0.5 million euros at 30 September 2017 (0.2 million euros at 31 December 2016) relate to advances granted to suppliers in respect of goods to be used in production and for services.

TAX RECEIVABLES

Tax receivables consist of VAT credits.

7. CASH AND CASH EQUIVALENTS

This item is made up as follows:

€ millions	30.9.2017 Amount	31.12.2016 Amount
Bank current accounts	29.6	37.6
Cheques and cash	0.0	0.0
Total	29.6	37.6

The decrease in the first nine months of 2017 was mainly attributable to the payment of dividends for 2016, 27.0 million euros.

8. SHARE CAPITAL AND DIVIDENDSSHARE CAPITAL AND DIVIDENDS

The share capital (fully subscribed and paid up) at 30 September 2017, 440 thousand euros, consists of 88,000,000 ordinary shares with no par value.

As a result of the increase in capital in the first half of 2017, the share premium reserve at 30 September 2017 has a zero balance (132 thousand euros at 31 December 2016).

Dividends for 2016 were paid in April 2017 for a total of 27.0 million euros, while the rest of the net profit for 2016 was carried forward, bringing the value of retained earnings at 30 September 2017 to 34 thousand euros.

9. DEFINED BENEFITS DUE TO EMPLOYEES

Liabilities for employees' benefits include post-employment benefits accounted for in accordance with IAS 19 - Employee Benefits using the projected unit credit method based on an actuarial valuation made by an independent actuary.

The movements for the nine months ended 30 September 2017 are shown in the following table:

€ millions	Amount
Balance at 1.1.2017	0.1
Financial expense	0.0
Net actuarial losses (gains) recognized during the period	0.0
Transfers	0.0
Balance at 30.09.2017	0.1

10. PROVISIONS FOR RISKS AND CHARGES

Made up as follows:

€ millions	Balance at 31.12.2016	Net increases	Net decreases	Balance at 30.9.2017
Current:				
Product warranty provision	1.2	0.5	(0.0)	1.7
Total	1.2	0.5	(0.0)	1.7

The provision for product warranty is based on an estimate of the costs likely to be incurred on products under guarantee after 30 September 2017, calculated on the basis of historical costs and the expected costs of machines still under warranty.

11. TRADE AND OTHER PAYABLES

The breakdown of trade and other payables is as follows:

€ millions	30.9.2017 Amount	31.12.2016 Amount
Trade payables	30.0	33.4
Payables to parent company and companies controlled by IMA S.p.A.	8.1	3.3
Advances from customers	10.1	18.7
Social security payables and defined contribution pension plans	0.3	0.4
Tax payables	0.4	0.5
Due to employees	3.3	2.7
Guarantee deposits	0.9	0.9
Other payables	0.1	0.1

Total	53.2	60.0
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TRADE PAYABLES

Trade payables amount to 30.0 million euros at 30 September 2017 (33.4 million euros at 31 December 2016). This item includes trade payables to affiliates of IMA S.p.A. for 15.4 million euros (15.7 million euros at 31 December 2016), as indicated in note 20.

PAYABLES TO PARENT COMPANY AND COMPANIES CONTROLLED BY IMA S.P.A.

Payables to the parent company and companies controlled by IMA S.p.A., including trade payables and advances, total 8.1 million euros at 30 September 2017 (3.3 million euros at 31 December 2016) and derive from the provision of services, goods and commissions.

ADVANCES FROM CUSTOMERS

Advances from customers for contracts not yet completed amount to 10.1 million euros at 30 September 2017 (18.7 million euros at 31 December 2016).

INCOME TAX PAYABLES

Income tax payables are mainly withholding tax on wages and salaries.

DUE TO EMPLOYEES

The increase in this caption since 31 December 2016 mainly reflects deferred payroll which will be paid during the last quarter of the year.

12. REVENUE

Revenues in the first nine months of 2017 came to 107.3 million euros, up 74.5% (totally organic growth) compared with 30 September 2016 (61.5 million euros).

The Company's revenue can be analysed by geographical area as follows, taking into account that this breakdown is based on the geographical origin (registered office) of the customers who commission the orders and to whom the sale is made and the invoice issued:

€ millions	1.1.2017–	1.1.2016–	Change
	30.9.2017	30.9.2016	
	Amount	Amount	
European Union (excluding Italy)	17.1	22.7	(5.6)
Other European countries	11.2	2.2	9.0
North America	0.6	0.3	0.4
Asia & Middle East	37.7	11.2	26.5
Other countries	3.0	0.0	3.0
Total exports	69.7	36.4	33.3
Italy	37.6	25.1	12.5
Total	107.3	61.5	45.8

In the first nine months of 2017, 65.0% of revenues were realized outside Italy. In addition to Italy, there has also been strong growth in Asia and the Middle East and in other European countries.

The breakdown of the Company's revenue by type of business is as follows:

€ millions	1.1.2017–	1.1.2016–	Change
	30.9.2017	30.9.2016	
	Amount	Amount	
Original Equipment	74.1	52.0	22.1
After-Sales	33.2	9.5	23.7
Total	107.3	61.5	45.8

69.0% of revenues realized in the first nine months of 2017 refer to Original Equipment (84.5% in the same period of 2016), while the other 31.0% refer to After-Sales (technical assistance, spare parts, change parts, etc.).

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

Cost of raw, ancillary and consumable materials and goods for resale amounts to 39.2 million euros in the first nine months of 2017, up 34.6% on the same period of 2016 (29.1 million euros). This item is made up as follows:

€ millions	1.1.2017–	1.1.2016–	Change
	30.9.2017	30.9.2016	
	Amount	Amount	
Raw materials and semifinished goods	30.1	27.9	2.1
Ancillary and consumable materials	0.3	0.3	0.1
Goods for resale	8.5	0.5	7.9
Other purchases	0.3	0.4	(0.1)
Total	39.2	29.1	10.1

14. SERVICES, RENTALS AND LEASES

Services, rentals and leases were 18.8 million euros in the first nine months of 2017, up 56.2% on the same period of 2016 (12.0 million euros). This item is made up as follows:

€ millions	1.1.2017–	1.1.2016–	Change
	30.9.2017	30.9.2016	
	Amount	Amount	
External works and assembly	9.3	5.6	3.8
Maintenance and repair	0.1	0.1	(0.0)
Fees due	0.1	0.0	0.1
Technical, legal, tax and administrative consulting services	5.0	3.3	1.7
Advertising and promotions	0.8	0.6	0.2
Travel, transfer and insurance costs	0.5	0.2	0.3
Goods transport costs	0.4	0.2	0.2
Other services	1.4	1.0	0.4
Rent expense	1.0	0.9	0.1
Total	18.8	12.0	6.8

15. PERSONNEL COSTS

Personnel costs amounted to 10.3 million euros in the first nine months of 2017, up 59.0% on the same period of 2016 (6.5 million euros) because of

the higher number of employees during the period. This item is made up as follows:

€ millions	1.1.2017–	1.1.2016–	Change
	30.9.2017	30.9.2016	
	Amount	Amount	
Wages and salaries	7.1	4.3	2.8
Employees benefits	0.1	0.1	0.0
Social security contributions	2.0	1.2	0.8
Remuneration of directors	0.1	0.1	(0.0)
Pensions – defined–contribution plans	0.4	0.3	0.1
Other personnel costs	0.6	0.5	0.1
Total	10.3	6.5	3.8

The Company had 130 employees at 30 September 2017 (87 at 30 September 2016), as shown in the following table:

	30.9.2017	30.9.2016	Change
Managers	6	3	3
Office workers	87	56	31
Production workers	37	28	9
Total	130	87	43

16. TAXES

This item includes income taxes for the period, calculated using the best estimate of the weighted average tax rate for the full year.

17. EARNINGS PER SHARE

Basic earnings per share has been calculated by dividing the net profit for the period by the weighted average number of ordinary shares outstanding in the period (applying the share split decided on 26 June 2017 retrospectively, as though it had taken place before the beginning of 2016), as follows:

	1.1.2017–	1.1.2016–	Change
	30.9.2017	30.9.2016	
	Amount	Amount	
Net profit for the period (€ millions)	32.7	15.8	16.8
Average number of shares (millions)	88.0	88.0	0.0
Basic earnings per share (€ millions)	0.37	0.18	0.19

For the Company, basic earnings per share and diluted earnings per share are the same, given the absence of instruments that might result in dilution.

18. GUARANTEES GIVEN

At 30 September 2017, the Company granted guarantees of 2.9 million euros, made up of 2.6 million euros for advances received from customers, 0.1 million euros for the Swiss Tax Authorities and 0.2 million euros for the Customs Agency for temporary imports of tobacco.

19. COMMITMENTS

At 30 September 2017, the Company had lease commitments of 8.6 million euros (1.0 million euros within 1 year, 4.1 million euros in 1 to 5 years and 3.5 million euros beyond 5 years).

There are third-party goods at the Company's factories consisting of tobacco sent to us temporarily by customers for around 0.2 million euros.

20. RELATED-PARTY TRANSACTIONS

Intra-group transactions are a consequence of the organizational structure in which the Company, the parent company IMA S.p.A. and affiliates operate. Such transactions are carried out as part of ordinary operations on an arm's-length basis. The reasons for the main commercial or production relationships with related parties are explained below.

The loan to the parent company IMA S.p.A. of 7.6 million euros at 31 December 2016 was repaid in full during the first half of 2017, when the intercompany current account was closed. The financial income from the parent company IMA S.p.A. refers to this relationship.

The trade receivables from the parent company IMA S.p.A., subsidiaries and affiliates shown in the table below mainly relate to the sale of goods involved in the business, in addition to administrative, commercial and technical design services.

€ millions	30.9.2017 Amount	31.12.2016 Amount
Trade receivables from parent company		
IMA S.p.A.	0.8	2.0
Total	0.8	2.0
Trade receivables from associated companies		
Sil.mac S.r.l.	0.0	0.0
Logimatic S.r.l.	0.0	0.0
Total	0.0	0.0
Trade receivables from affiliates		
GIMA S.p.A.	0.0	0.0
Revisioni Industriali S.r.l.	0.0	0.0
Total	0.0	0.0
Total	0.8	2.1

The trade payables and advances to the parent company IMA S.p.A., subsidiaries and affiliates shown in the table below derive from the performance of services, personnel secondment and supply of goods.

	30.09.2017	31.12.2016
Trade payables to parent company		
IMA S.p.A.	7.8	3.2
Total	7.8	3.2
Trade payables to affiliates		
GIMA S.p.A.	0.0	0.0
IMA Pacific	0.0	0.0
IMA Germany GmbH	0.0	0.0
000 Ima Industries	0.2	0.1

Revisioni Industriali S.r.l.	0.1	0.0
Total	0.3	0.1
Trade payables to associates		
B.C. S.r.l.	0.1	0.1
La.co. S.r.l.	1.0	1.5
Iema S.r.l.	6.4	6.3
Sil.mac S.r.l.	3.8	2.9
Masterpiece S.r.l.	0.0	0.0
Powertransmission.it S.r.l.	0.0	0.0
Logimatic S.r.l.	2.6	3.6
Bolognesi S.r.l.	1.1	0.8
Plasticenter S.r.l.	0.1	0.1
STA.MA S.r.l.	0.1	0.1
MORC 2 S.r.l.	0.2	0.2
S.I.ME. S.r.l.	0.0	0.0
TALEA S.r.l.	0.0	0.0
Total	15.4	15.7
Total	23.4	19.0

Revenue from the parent company IMA S.p.A., subsidiaries and affiliates consists essentially of sales of goods involved in the business and technical assistance and design services.

	1.1.2017– 30.9.2017	1.1.2016– 30.9.2016
€ millions	Amount	Amount
Revenues from parent company		
IMA S.p.A.	0.1	0.0
Total	0.1	0.0
Revenues from associates		
Sil.mac S.r.l.	0.0	0.0
Logimatic S.r.l.	0.0	0.0
Bolognesi S.r.l.	0.0	0.0
Total	0.0	0.0
Revenue from affiliates		
GIMA S.p.A.	0.0	0.0
Corazza S.p.A.	0.0	0.1
Total	0.0	0.1
Total	0.2	0.1

The operating costs paid to the parent company IMA S.p.A., subsidiaries and affiliates shown in the table below essentially consist of the purchase of goods involved in the core business, commercial and technical consultancy services and staff secondments.

	1.1.2017– 30.9.2017	1.1.2016– 30.9.2016
€ millions	Amount	Amount
Operating costs to parent company		
IMA S.p.A.	16.1	7.0
Total	16.1	7.0

Operating costs to affiliates		
OOO Ima Industries	0.6	0.1
GIMA S.p.A.	0.0	0.0
IMA PACIFIC CO LTD	0.0	0.1
Revisioni Industriali S.r.l.	0.1	0.0
Total	0.7	0.3
Operating costs to associates		
B.C. S.r.l.	0.3	0.3
La.co. S.r.l.	1.0	1.1
Iema S.r.l.	5.0	4.4
Sil.mac S.r.l.	4.1	2.2
Masterpiece S.r.l.	0.0	0.0
Powertransmission.it S.r.l.	0.0	0.0
Logimatic S.r.l.	2.3	2.0
Bolognesi S.r.l.	1.0	1.0
Plasticenter S.r.l.	0.1	0.1
MORC 2 S.r.l.	0.3	0.3
STA.MA S.r.l.	0.1	0.1
S.I.ME. S.r.l.	0.0	0.0
TALEA S.r.l.	0.0	0.0
Total	14.1	11.4
Total	30.9	18.7

The main relationships between the Company and other related companies are as follows:

Costs in millions of euros	1.1.2017–	1.1.2016–
	30.9.2017	30.9.2016
	Amount	Amount
EPSOL S.r.l.	0.0	0.0
Verniciatura Ozzanese S.r.l.	0.0	0.0
Poggi & Associati	0.1	0.0
Morosina S.p.A.	0.0	0.0
Costal Projects & Consulting S.r.l.	0.9	0.4
Total	1.0	0.4

Payables in millions of euros	30.9.2017	31.12.2016
Datalogic Automation S.r.l.	0.0	0.0
EPSOL S.r.l.	0.0	0.0
Poggi & Associati	0.0	0.1
Morosina S.p.A.	0.0	0.1
Verniciatura Ozzanese S.r.l.	0.0	0.0
Costal Projects & Consulting S.r.l.	0.6	0.4
Total	0.6	0.6

21. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

No significant non-recurring events and transactions worth reporting took place during the first nine months of 2017.

**22. ATYPICAL AND/OR UNUSUAL
TRANSACTIONS**

No positions or operations deriving from atypical and/or unusual transactions arose during the first nine months of 2017.

**23. SIGNIFICANT EVENTS SUBSEQUENT
TO THE END OF THE QUARTER**

Trading in the Company's ordinary shares on the STAR segment of the MTA, organised and run by Borsa Italiana S.p.A., began on 2 October 2017.

G) DECLARATION OF THE MANAGER RESPONSIBLE FOR PREPARING FINANCIAL REPORTS PURSUANT TO ART. 154-BIS, PARAGRAPH 2, OF LEGISLATIVE DECREE 58/1998

The Manager responsible for preparing financial reports, Marco Savini, declares in accordance with article 154 bis paragraph 2 of the Consolidated Finance Act that the accounting information contained in this periodic financial information as of 30 September 2017 agrees with the books of account, the accounting entries and supporting documentation.