ANNUAL FINANCIAL REPORT
AT 31 DECEMBER 2017

GIMA TT

ANNUAL FINANCIAL REPORT
AT 31 DECEMBER 2017

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

GIMA TT S.P.A.
REGISTERED OFFICE: OZZANO DELL'EMILIA (BOLOGNA)
SHARE CAPITAL FULLY PAID-IN: EURO 440,000.00
REGISTERED WITH THE BOLOGNA COMPANIES REGISTER
NO. 03249061205

CONTENTS

NOTICE OF CALL

Published on the Company's website www.gimatt.it (Investor Relations section) on 9 March 2018 and on Milano Finanza on 10 March 2018 to convene the Ordinary Shareholders' Meeting on 27 April 2018 at 10.00 a.m. at the offices of the Company in Via Emilia no. 237, Ozzano dell'Emilia – Bologna, to resolve the following:

AGENDA

1. Approval of the financial statements for the year ended 31 December 2017; related and consequent resolutions.
2. Proposed purchase, sale and/or disposal of treasury shares; related and consequent resolutions.
3. Appointment of the Board of Statutory Auditors and its Chairman; fixing appropriate remuneration.
4. Remuneration report: resolution pursuant to art. 123 ter, para. 6 of Legislative Decree 58/1998.

Right to attend the Shareholders' Meeting

Pursuant to article 83-sexies of Legislative Decree no. 58/1998, persons entitled to attend the Shareholders' Meeting and exercise their right to vote are those with voting rights at the end of the accounting day on 18 April 2018 ("record date"), that is, the seventh market trading day prior to the date of the Shareholders' Meeting and from whom the Company has received, prior to the start of the meeting, the required communication from an authorized intermediary. Those registered as shareholders after that date will not be entitled to attend the Shareholders' Meeting. The communication from the intermediary must be received by the Company by the end of the third trading day prior to the date fixed for the Shareholders' Meeting i.e. by 24 April 2018. Shareholders are nevertheless entitled to attend and vote if the communications are received after that deadline, but before the start of the Shareholders' Meeting.

Proxy

Those entitled to vote can have themselves represented at the Shareholders' Meeting by means of a written proxy, bearing in mind any situations of incompatibility and the limits set by current regulations; use the proxy form attached to the foot of the communication issued by the authorized intermediary or a facsimile which is available on the Company's website: www.gimatt.it (Investor Relations section). Proxies should be sent to the Company offices in Via Tolara di Sotto n. 121/A, Ozzano dell'Emilia (BO), to the attention of the Company's legal department by registered mail or by certified e-mail to gima.tt@legalmail.it. If the representative delivers or transmits, even in an electronic format, to the Company a copy of the proxy, he/she must certify, assuming full responsibility, that the proxy corresponds to the original and must also certify the identity of the delegator.

There is no provision for postal or on-line voting.

Right to ask questions

In accordance with art. 127-ter of Legislative Decree 58/1998, shareholders can also ask questions about the matters on the agenda prior to the Shareholders' Meeting.

The questions, accompanied by the personal details of the requesting shareholder and the certification attesting to the ownership of the shareholding, must be in writing and be received by the deadline of 24 April 2018, either hand-delivered or sent by post, to the offices in Via Tolara di Sotto 121/A, Ozzano dell'Emilia (BO), or even by electronic notification to the certified mail address gima.tt@legalmail.it. Questions, arrived within that date, will be answered at latest at the Shareholders' Meeting.

Right to add to the agenda or to submit further proposed resolutions concerning topics already on the agenda

In accordance with art. 126-bis of Legislative Decree 58/1998, within ten days of publication of this notice, shareholders who, individually or jointly, represent at least 1/40th of the share capital can ask for the matters under discussion to be integrated, indicating the topics that they would like to add to the agenda or present proposals on topics already on the agenda. The requests, accompanied by the personal details of the requesting shareholder and the certification attesting to the ownership of the shareholding, must be in writing and be either hand-delivered or sent by post, to the administrative offices in Via Tolara di Sotto n. 121/A, Ozzano dell'Emilia (BO), or even by electronic notification to the certified mail address gima.tt@legalmail.it. Any additions to the list of topics that the Shareholders' Meeting has to address or the submission of further proposed resolutions concerning topics already on the agenda have to be notified in the same manner prescribed for the publication of the notice of calling at least 15 days prior to the date set for the Shareholders' Meeting.

Within that timeframe, the shareholder proponents must submit a report stating the reasons for the proposed resolutions on new topics to be added to the agenda or the reasons for the further proposed resolutions concerning topics already on the agenda.

At the same time that this notice of integration or presentation is published, the report prepared by the shareholder(s) making the proposal will be made available to the public in the same ways as for the AGM documentation, accompanied by any comments that the Board of Directors would like to make. Additions to the agenda are not permitted if they concern matters which the law requires to be resolved upon at the Shareholders' Meeting based on a proposal from the directors or on a project or a report prepared by them.

Appointment of the Board of Statutory Auditors and its Chairman

The Board of Statutory Auditors will be appointed on the basis of the lists submitted by the shareholders. The rules and procedures applying to the lists of candidates and the necessary accompanying documentation are specified in art. 23 of the articles of association.

Each list must contain the name of the person presenting it and must consist of two sections, one for the appointment of the Standing Auditors and the other for the appointment of the Alternate Auditors.

The lists must contain a number of candidates that does not exceed the number of Auditors to be elected, listed in numerical sequence; the first two candidates in both sections of the lists must be of different gender.

The lists of candidates, accompanied by the professional curriculum of each person nominated, as well as declarations by which they accept the candidature and certify, assuming full responsibility, that there are no causes of incompatibility or ineligibility and that they meet the requirements of office set down in law and the articles of association, must be signed by the shareholders submitting them and must be filed at the company's registered office by 3 April 2018, that is, 25 days prior to the date of the Shareholders' Meeting.

The right to present lists of candidates is reserved to those shareholders who alone or together with others represent at least 1% of the share capital, as set out in the Company's articles of association and Consob resolution 20273 of 24 January 2018.

Shareholders must submit, together with the list, the appropriate documentation showing the identity of the shareholder or shareholders who have submitted the list and the percentage of shares held at the time of submission of the list.

The certification of intermediaries proving ownership of the shares as of the date on which the list was filed should reach the Company no later than 6 April 2018, i.e. not less than twenty-one days before the date set for the meeting.

In the event that, by the aforementioned date of 3 April 2018, only one list has been filed, or only lists submitted by shareholders, who are related have been filed, notice will be given pursuant to the legislation in force. In this case, other lists can be presented up to 6 April 2018, that is, until the third day from that date. In such a case the aforementioned minimum percentage is reduced to 0.5% of the share capital. If no lists are submitted, the Shareholders' Meeting will appoint the Board of Statutory Auditors and its Chairman by majority vote to ensure the composition of the Board complies with the law and the Articles of Association.

Each Shareholder acting directly, or via an intermediary or a trust company, may contribute to the presentation of one list only; in the event of non-compliance, the support given by such shareholder to any list will be ignored. Each candidate may only be present on one list or, otherwise, will be ineligible for election. Lists presented without complying with the above requirements will be treated as though not presented.

Information and documentation

The Company's share capital, fully subscribed and paid-in, amounts to Euro 440,000, split into 88,000,000 shares with no par value, each of which gives the right to one vote at the Shareholders' Meeting. Note that as of today the Company does not hold any own shares. This information is also available on the Company's website (www.gimatt.it), where the Articles of Association and the Regulations for Shareholders' Meetings can also be found.

The documentation and information for the Shareholders' Meeting required under current regulations, including the financial statements at 31 December 2017, related reports and the annual report on corporate governance and the ownership structure, are made available to the public by the legal deadline at the registered office located at Ozzano dell'Emilia (BO), Via Tolara di Sotto 121/A. Shareholders are entitled to view these documents and to obtain a copy of them. This documentation will also be available on the Company's website www.gimatt.it in the Investor Relations section, as well as on the authorized storage system eMarket STORAGE (www.emarketstorage.com).

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

REPORT ON OPERATIONS AT 31 DECEMBER 2017

GIMA TT S.P.A.

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

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

CHAIRMAN OF THE BOARD OF DIRECTORS

Sergio Marzo

CHIEF OPERATING OFFICER

Fiorenzo Draghetti

EXECUTIVE DIRECTOR

Stefano Cavallari

INDEPENDENT DIRECTORS

(Appointed with effect from October 2, 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 December 31, 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 October 2, 2017)

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

NOMINATIONS AND REMUNERATION COMMITTEE

(Set up with effect from October 2, 2017)

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

MANAGER RESPONSIBLE FOR PREPARING FINANCIAL REPORTS

Marco Savini

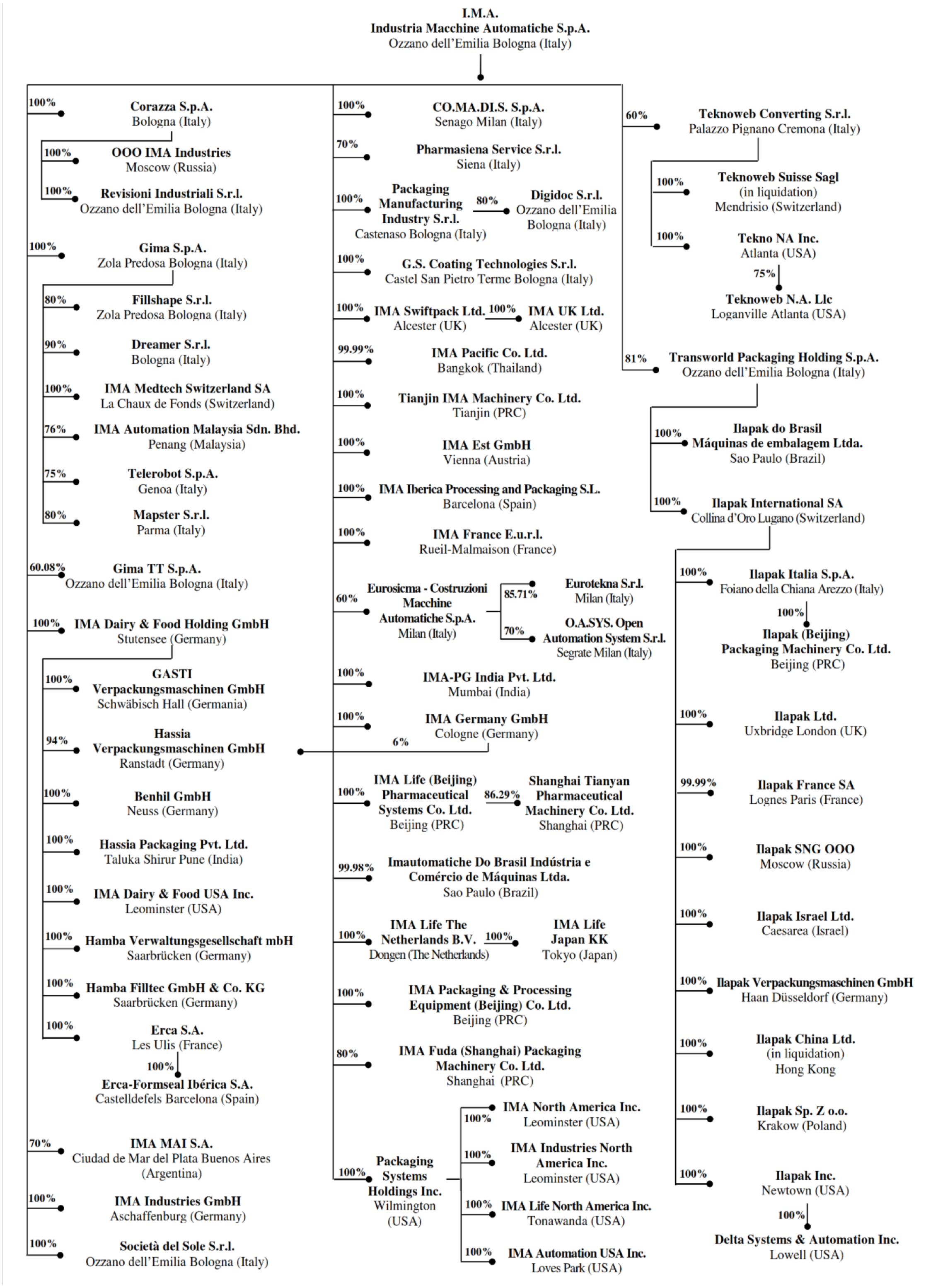
SOCIETÀ DI REVISIONE

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

EY S.p.A.

IMA GROUP STRUCTURE AS OF DECEMBER 31, 2017

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



PERFORMANCE OF THE COMPANY

ECONOMIC CONDITIONS

Shareholders,

There were positive developments in the last quarter of 2017 in both industrialized and emerging economies, confirming the trend for the full year. The European economic cycle has continued to surprise on the upside, as has also been the case with economic indicators. Tax reform in the United States is likely to have an expansionary effect over the coming years, although doubts have arisen over recent statements regarding international trade. Institutional political developments in China have confirmed the objective of macroeconomic stability combined with the continuation of reforms in domestic financial markets. Europe has continued to surprise with the strength of its domestic demand, with household consumption having grown at a rate that has not been seen since before the great recession. Italy has also reaped some benefits in 2017, with extremely positive results that are among the best seen in the last fifteen years. Growth in global trade and in institutional political stability in Europe have been a driver of the Italian economy and have helped to achieve the highest growth in the last seven years. Some uncertainty remains, however, over the time needed to form a stable government following the Italian general election on March 4, 2018.

Against this background, the Company has managed to achieve significant revenue and profit growth in the year, confirming the technological validity of its product portfolio and the strength of the brand.

INCOME STATEMENT

The Company closed 2017 with profit for the year of Euro 44,117 thousand, up by 62.0% on the prior year figure of Euro 27,233 thousand.

The following table sets out the key elements of the 2017 income statement classified by function together with prior year comparative figures:

	2017		2016	
Euro thousands	**Amount**	**%**	**Amount**	**%**
Revenue	151,761		100,394	
Cost of sales	(77,868)	*51.3*	(52,576)	*52.4*
Gross profit	**73,893**	***48.7***	**47,818**	***47.6***
Research and development costs	(2,299)	*(1.5)*	(2,221)	*(2.2)*
Selling costs	(3,249)	*(2.1)*	(2,455)	*(2.4)*
General and administrative costs	(7,114)	*(4.7)*	(3,383)	*(3.4)*
Operating profit (EBIT)	**61,231**	***40.3***	**39,759**	***39.6***
Net financial income (expense)	(117)	*(0.1)*	(14)	*(0.0)*
Profit before taxes	**61,115**	***40.3***	**39,745**	***39.6***
Income taxes	(16,997)	*(11.2)*	(12,512)	*(12.5)*
Profit for the year	**44,117**	***29.1***	**27,233**	***27.1***
Gross operating profit (EBITDA) before non-recurring items	**62,957**	***41.5***	**40,228**	***40.1***
Gross operating margin (EBITDA)	**61,698**	***40.7***	**40,228**	***40.1***
Backlog	**110,421**		**88,603**	

REVENUE AND ORDERS

The Company reported revenue in 2017 of Euro 151,761 thousand versus Euro 100,394 thousand in 2016, being an increase of 51.2% that was entirely attributable to organic growth. This result was achieved thanks to the size of the backlog at the end of 2016 and to the additional orders received during 2017.

In particular, orders won in 2017 amounted to Euro 173,579 thousand versus the prior year figure of Euro 131,657 thousand (31.8% increase). The backlog at December 31, 2017 was worth Euro 110,421 thousand, up 24.6% on the December 31, 2016 figure of Euro 88,603 thousand.

GROSS PROFIT

Gross profit for the year ended December 31, 2017 amounted to Euro 73,893 thousand (Euro 47,818 thousand in 2016) and, as a percentage of revenue, it came to 48.7%, an improvement on that for 2016 (47.6%).

RESEARCH AND DEVELOPMENT COSTS

Research and development costs incurred in 2017 amounted to Euro 2,299 thousand, versus Euro 2,221 thousand in 2016. These consist of research costs and costs incurred on the technological upgrading and normal revamping of the Company's products. They do not include costs incurred for development work commissioned by specific customers, as such costs are recognized in cost of sales and billed to the customers concerned.

Work continued in the year on the development of more innovative products to expand the Company's product range. Costs capitalized during the year in relation to these projects amounted to Euro 1,850 thousand. See Note 2 for further information.

SELLING EXPENSES

Selling expenses in 2017 came to a total of 3,249 thousand Euros compared with 2,455 thousand Euros in 2016. Selling costs in the year ended December 31, 2017 came to 2.1% of revenue, down on the prior year figure (2.4% of revenue). The increase in absolute value is mainly attributable to the increase in costs linked to the conclusion of sales contracts..

GENERAL AND ADMINISTRATIVE COSTS

General and administrative costs for the year amounted to Euro 7,114 thousand, up on the costs incurred in 2016 of Euro 3,383 thousand. The change is primarily attributable to an increase in administrative and general personnel costs driven by an expanded workforce, partially in view of the listing on the Stock Exchange and to the cost of non-recurring services linked to the listing process (Euro 1,259 thousand). As a percentage of revenue, general and administrative costs in 2017 came to 4.7% (3.9% excluding non-recurring listing costs), up on the prior year figure (3.4% of revenue).

OPERATING PROFIT (EBIT)

Operating profit for the year amounted to Euro 61,231 thousand (40.3% of revenue), having increased both in quantitative and percentage terms in comparison to prior year operating profit of Euro 39,759 thousand (39.6% of revenue).

PROFIT BEFORE TAXES

Profit before tax amounted to Euro 61,115 thousand versus Euro 39,745 thousand in 2016.

PROFIT FOR THE YEAR

Profit for the year ended December 31, 2017 amounted to Euro 44,117 thousand (29.1% of revenue) versus Euro 27,233 thousand in 2016 (27.1% of revenue) after income tax expense of Euro 16,997 thousand (Euro 12,512 thousand in 2016).

GROSS OPERATING MARGIN (EBITDA)

Gross operating profit before non-recurring items for the year ended December 31, 2017 amounted to Euro 62,957 thousand (41.5% of revenue) versus Euro 40,228 thousand (40.1% of revenue) in 2016, being a year in which no non-recurring items were recognized.

Pursuant to Consob Communication DEM/6064293 of 28 July 2006, "significant non-recurring events and transactions" are events and transactions, the occurrence of which is non-recurring, that is, transactions or events that do not occur frequently in the ordinary course of business and which have a material bearing on a company's financial position, results and cash flows.

Gross operating profit for the year ended December 31, 2017 amounted to Euro 61,698 thousand (40.7% of revenue) versus Euro 40,228 thousand in 2016.

STATEMENT OF FINANCIAL POSITION

The Company's statement of financial position at December 31, 2017 is summarized below:

	12.31.2017	12.31.2016	
Euro thousands	**Amount**	**Amount**	**Change**
Trade receivables and advances to suppliers	30,905	24,068	6,837
Inventories	21,372	18,171	3,201
Trade payables and advances from customers	(56,876)	(53,419)	(3,458)
Other, net (*)	(928)	(8,249)	7,321
Working capital	**(5,527)**	**(19,429)**	**13,902**
Property, plant and equipment	1,361	658	703
Intangible assets	2,507	581	1,926
Receivables and deferred tax assets	1,072	567	505
Non-current assets	**4,940**	**1,806**	**3,134**
Employee severance indemnities and other non-current payables	(592)	(130)	(461)
Net capital employed	**(1,179)**	**(17,754)**	**16,575**
Net financial position (A)	**45,788**	**45,249**	**539**
Shareholders' equity (B)	**44,609**	**27,495**	**17,114**
Total sources of funding (B) - (A)	**(1,179)**	**(17,754)**	**16,575**

(*) The "Other, net" line item mainly consists of income tax receivable and payable and provisions for risks and charges.

Negative net capital employed at December 31, 2017 amounted to Euro 1,179 thousand, up on the December 31, 2016 figure (negative amount of Euro 17,754 thousand).

The increase in net capital employed was mainly driven by growth in working capital, which came to a negative amount of Euro 5,527 thousand (negative amount of Euro 19,429 thousand at the 2016 year end) and, to a lesser extent, by growth in non-current assets, which amounted to Euro 4,940 thousand at December 31, 2017 (versus Euro 1,806 thousand at December 31, 2016).

The growth in working capital was primarily the consequence of greater volumes of activities in the year, of the timing of the receipt of advances from customers for deliveries scheduled for 2018 and of an increase in income tax receivable (up by Euro 7,322 thousand on the 2016 year end balance).

The net financial position at December 31, 2017 consists of net cash of Euro 45,788 thousand, which is in line with the December 31, 2016 figure (Euro 45,248 thousand), after the distribution of a dividend out of 2016 profit for the year of Euro 27,001 thousand.

Details of the composition of net financial position at December 31, 2017 and 2016 are set out below:

	12.31.2017	12.31.2016
Euro thousands	**Amount**	**Amount**
A. Cash	8	9
B. Cash equivalents	45,780	37,615
C. Trading securities	–	–
D. Liquidity (A) + (B) + (C)	**45,788**	**37,624**
E. Current financial receivables	**–**	**7,624**
F. Current bank liabilities	–	–
G. Current portion of non-current debt	–	–
H. Other current financial payables	–	–
I. Current financial indebtedness (F) + (G) + (H)	**–**	**–**
J. Net financial position, net of current indebtedness (D) + (E) – (I)	**45,788**	**45,249**
K. Non-current bank loans	–	–
L. Bonds issued	–	–
M. Other non-current payables	–	–
N. Non-current financial indebtedness (K) + (L) + (M)	**–**	**–**
O. Net financial position (J) - (N) (*)	**45,788**	**45,249**

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

As well as the distribution of the dividend, cash flow generation in 2017 was affected by trends in working capital and increases in investing activities (Euro 3,141 thousand in 2017 versus Euro 492 thousand invested in 2016).

CAPITAL EXPENDITURES

During 2017, the Company invested 941 thousand Euros in property, plant and equipment, mainly for leasehold improvements, plant and machinery, and industrial and commercial equipment.

In the same year, the Company incurred capital expenditure on intangible assets of Euro 2,200 thousand, of which Euro 1,850 thousand related to assets under development and advances (no expenditure was incurred on assets under development in 2016).

The amount of assets under development and advances refers to research and 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.

FINANCIAL INDICATORS

We show below a number of financial ratios, taking into account the Company's business and its reference market:

STRUCTURE RATIO

		2017	2016
Fixed asset coverage	*Equity / Fixed assets*	11.53	22.19

OPERATING RATIO

		2017	2016
Staff performance	*Revenue / Personnel costs*	10.25	11.07

PROFITABILITY RATIOS

		2017	2016
Return on sales (ROS)	*Operating profit / Revenue*	40.3%	39.6%
Return on equity (ROE)	*Profit for the year / Equity*	98.9%	99.0%

ALTERNATIVE PERFORMANCE INDICATORS

In this report on operations, performance indicators are provided to help readers make a better assessment of the Company's performance and financial position.

With regard to these indicators, on December 3, 2015, CONSOB issued its Communication no. 92543/15 which makes the Guidelines issued on October 5, 2015 applicable by the European Security and Markets Authority (ESMA) for their presentation in regulated information distributed or prospectuses published from July 3, 2016 onwards. These Guidelines, which update the previous Recommendation (CESR/05-178b), are intended to promote the usefulness and transparency of alternative performance indicators included in regulated information or prospectuses falling within the scope of Directive 2003/71/EC, in order to improve its comparability, reliability and comprehensibility. In line with these communications, the criteria used to construct such indicators are provided below.

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;
- research and development 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 taxes, income taxes and net profit for the year.

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 July 28, 2006 was taken into account.

HUMAN RESOURCES, TRAINING AND INDUSTRIAL RELATIONS

The Company dedicates considerable attention to the proper management of employees, investing heavily and continually in their professional development, adopting an organizational model with a high degree of participation and applying a bonus system based on the rigorous identification and assessment of the skills acquired by each employee.

The Company employed an average number of 113 persons in 2017, of which 72% were white collars or managers, reflecting the high level of professionalism:

	2017	2016	Change
Managers	5	3	2
White-collar workers	76	54	22
Blue-collar workers	32	24	8
Total	**113**	**81**	**32**

Personnel costs in the year amounted to Euro 14,803 thousand, up on the prior year figure of Euro 9,066 thousand, reflecting the increase in the workforce indicated above. As a percentage of revenue, personnel costs came to 9.8% in 2017, versus 9.0% in 2016.

Training activities involved about 5,000 hours of classroom education, in addition to on-the-job training; the principal topics were: specialist training, professional refresher courses, safety in the workplace and management skills development.

On the industrial relations front, we pursued our ongoing constructive relationship with the trade unions, with a view to conflict prevention.

HEALTH, SAFETY AND THE ENVIRONMENT

The Company takes care of safety and the working environment via full compliance with current legislation, not least through specific training designed to create a "culture of safety".

As confirmation of the above, in 2017, a total of 1,200 training hours were devoted to staff in relation to specific aspects of safety and hygiene in the workplace, involving almost all employees. Above all, we can confirm that, within the Company, a culture of safety is pursued by involving all those who are in charge of the company.

The Company pays great attention to the assessment of all sources of risk for the health of employees. This includes periodic analyses and measurements of the working environment, which have been found to comply in full with current standard; similar care is dedicated to determining how to handle any emergency situations that arise.

In terms of social responsibility and the surrounding area, the Company is committed to maintaining a high level of safety and environmental protection. Specifically, the Company did not cause any damage to the environment during 2009.

As regards the protection of personnel details, the Company has updated its security planning document, as required by current legislation.

TRANSACTIONS WITH PARENT COMPANIES AND AFFILIATES

During the course of 2017, the Company entered into intercompany transactions of a manufacturing, trade and financial nature with other IMA Group companies. These transactions were carried out in the ordinary course of business on an arm's-length basis and none of which was deemed atypical. Further information is provided in the notes to the Company's financial statements.

RELATED PARTY TRANSACTIONS

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

On October 16, 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, which also takes account of the guidance provided in Consob Communication DEM/10078683 of September 24, 2010, is available on the Company's website.

Related party transactions are identified in accordance with the above Consob regulations.

In addition to the intercompany transactions described above, the Company enters into transactions with other related parties, mainly persons responsible for administration and management at IMA S.p.A., or entities controlled by such persons. The transactions concerned are mostly trade transactions and are carried out in the ordinary course of business on an arm's-length basis.

Significant related party transactions are submitted for advance approval by the Board of Directors, which in turn has to obtain consent from a special committee made up solely of independent directors; to arrive at its opinion, this committee may seek the advice of independent experts.

Further information on related party transactions is provided in the notes to the Company's financial statements.

HEADQUARTERS AND LOCAL UNITS

The activities of the Company are carried out at the following locations:

- Via Tolara di Sotto, 121/A Ozzano dell'Emilia (Bologna) – Registered offices, factory and offices;
- Via Liguria, 8 Ozzano dell'Emilia (Bologna) – Factory;
- Via Rinascita 25, Ozzano dell'Emilia (Bologna) – Factory and offices.

OTHER INFORMATION

SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

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

ATYPICAL OR UNUSUAL TRANSACTIONS

No positions or operations deriving from atypical or unusual transactions arose during 2017.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE PERIOD

There are no significant events to be reported.

OUTLOOK FOR OPERATIONS

As well as having performed well in terms of results and financial position, the Company closed 2017 with an excellent backlog in terms of both quantity and quality that bodes well for 2018.

The positive trend in order acquisition is continuing into the early months of this year.

Thanks to this positive situation and assuming that this trend will continue throughout the year, the outlook for 2018 is for further growth, with revenue higher than Euro 180 million and an EBITDA of approximately Euro 75 million.

PRINCIPALRISKS AND UNCERTAINTIES TO WHICH THE COMPANY IS EXPOSED

In carrying on its business, the Company is exposed to various types of risk which could impact its results and financial position:

- limited market: the market in which the Company operates is characterized by the presence of a few global players; the Company's sales are concentrated in a limited number of key customers. The risk associated with this reliance on a limited number of key customers is considered to be remote due to the size, earnings and reliability of the multinational customers with which the Company operates.
- staff competence: human resources are a critical success factor for the Company. The Company therefore considers proper HR management as a matter of the highest importance. In order to increase its ability to attract and keep highly qualified staff, the Company constantly refines its recruitment process for its strategically important positions and rewards staff with contractual conditions that are better than those offered on average in the sector;

- technology protection: the Company's market sector is characterized by the planning and production of products with a high technological content which run the risk that competitors might try to replicate the technologies used. In order to counter such risk the Company invests heavily in intellectual property and holds a large number of registered patents.

FINANCIAL RISK MANAGEMENT POLICY AND OBJECTIVES

The following disclosures are provided about the objectives and policies adopted for financial risk management, as they relate to the statutory financial statements pursuant to art. 2428, paragraph 2, no. 6 bis of the Italian Civil Code.

Financial risk factors

The Company is exposed to various types of financial risk connected with its business activities. In particular:

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

The objectives and policies of the Company concerning financial risk management and exposure to risk are more fully described in the "Financial Risk Management" section of the explanatory to the financial statements.

LEGISLATIVE DECREE N. 231/2001

The Board of Directors of the Company, with resolution dated April 27, 2015, adopted the organization, management and control model envisaged by Decree 231 of June 8, 2001 concerning the administrative responsibility of legal persons.

The organization, management and control model consists of several special parts and a general part; the latter explains the Company's corporate governance structure and the way that the Supervisory Committee is established and functions, along with an explanation of the system of sanctions.

The types of crimes that the model is designed to prevent are (by way of example):

a) crimes against the public administration;

b) corporate crimes;

c) market abuse;

d) computer crimes;

e) crimes against the person;

f) crimes against industry and commerce and copyright;

g) hygiene, health and safety at work;

h) transnational crimes;

i) receiving, laundering and using money, goods or assets of illicit origin;

j) employing illegal immigrants.

Following the adoption of this model, certain internal procedures have been devised or modified.

At the same time as adopting the above model, a Code of Ethics was adopted and a Supervisory Committee was appointed.

The Supervisory Committee comprises:

- Gerardo Diamanti – Chairman, a professional with an economics background and particular experience in cash flow management;
- Simone Zambelli, a professional with particular knowledge of corporate and criminal law;
- Elvine Laptes-Mindreanu, GIMA TT's head of internal audit.

The Supervisory Committee is responsible for supervision of the Organization, Management and Control Model, monitoring compliance and taking care of updates, reporting periodically to the Board of Directors.

CORPORATE GOVERNANCE AND CODE OF CONDUCT

The Company subscribes to and enforces the Code of Conduct for Listed Companies approved in July 2016 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, ANIA, ASSOGESTIONI, ASSONIME and CONFINDUSTRIA, with the exceptions indicated in the Report on Corporate Governance and Ownership Structure prepared in accordance with art. 123 bis CFA.

The Code of Conduct is accessible by the public at the following website address: http://www.borsaitaliana.it/comitato-corporate-governance/ codice/codice.htm.

A description of the Company's corporate governance system and its ownership structure can also be viewed, as can adoption of the individual items of the Code of Conduct in the Company's report on corporate governance and its ownership structure.

The Board of Directors discloses the positions of director or auditor held by its members in listed companies, including foreign companies, financing companies, banks, insurance companies and other large companies, on the basis of their own declarations:

Sergio Marzo

- Eolo Partecipazioni S.r.l. (Director)

Luca Maurizio Duranti

- Adamello S.r.l. (Director)
- Boato Holding S.p.A. (Director)
- Boato International S.p.A. (Director)
- BPVI Finance International Ltd (Director)
- HDS S.p.A. (Chairman)
- LRW S.r.l. (Sole Director)
- Maccorp Italiana S.p.A. (Director)

Francesco Mezzadri Majani

- Fondazione Bologna University Business School (Director)
- Fondazione del Monte di Bologna e Ravenna (Chairman of Investment Committee)
- Majani 1796 S.p.A. (Chairman and Chief Operating Officer)
- Unicredit S.p.A. (Member of Advisory Board, Italy)
- Velluto S.r.l. (Vice Chairman)
- VMM Finanziaria S.p.A. (Chairman and Chief Operating Officer)

Alessandra Stabilini

- Ansaldo STS S.p.A. (Statutory Auditor)
- Banca Wise Dialog Bank S.p.A. (Director)
- Brunello Cucinelli S.p.A. (Statutory Auditor)
- Librerie Feltrinelli S.r.l. (Director)

The Directors with delegated powers must provide to the Board of Directors and the Board of Statutory Auditors, at least every quarter, at the time of meetings of the Board of Directors or in a written communication, the information on related-party transactions required by art. 150 of the CFA and art. 2381 of the Italian Civil Code.

As regards the information on the remuneration of Directors, Statutory Auditors and managers with strategic responsibilities, specific reference should be made to the Remuneration Report prepared in accordance with Art. 123 ter of the CFA, which is published separately.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

In accordance with the provisions of article 123 bis, paragraph 3 of the CFA, the Company has prepared the report on corporate governance and ownership structure separately from the report on operations. It has been made public by posting it on the Company's website (http://www.gimatt.it).

The following are some of the major items of information published in this Report.

Capital structure (Art. 123 bis, 1, (a), CFA)

Share capital (fully subscribed and paid up) at December 31, 2017 amounted to Euro 440,000.00, consisting of 88,000,000 ordinary shares with no par value.

The Company's shares are listed in the STAR segment of the screen-traded market (MTA) organized and managed by Borsa Italiana S.p.A.

The Company has not issued other financial instruments that grant the right to subscribe for newly-issued shares.

Furthermore, the Company has not approved any stock-based incentive plans (stock options, stock grants, etc.).

Restrictions on the transfer of securities (Art. 123 bis, 1, (b), CFA)

At the date of the report on corporate governance and ownership structure, there were no restrictions on the transfer of the Company's shares.

Significant shareholdings (Art. 123 bis, 1, (c), CFA)

At the date of the report on corporate governance and ownership structure, based on the shareholders' register and communications pursuant to art. 120 of the CFA – as amended by article 1 of Legislative Decree 25 dated 15 February 2016 – and other information received, there is only one party that directly or indirectly holds at least 3% of the Company's share capital, as disclosed in the following table:

Declarant	Direct shareholder	Number of shares held	% of ordinary voting share capital
Lopam Fin S.p.A.	I.M.A. Industria Macchine Automatiche S.p.A.	52,873,600	60.084%

Securities that entitle holders to special rights (Art. 123 bis, 1, (d), CFA)

At the date of the report on corporate governance and ownership structure, no securities had been issued by the Company entitling holders to special rights of control or to exercise special powers.

On June 26, 2017, the Extraordinary Shareholders' Meeting approved, effective as of the start of trading of the shares on the MTA, amendments to certain provisions of the Articles of Association in order to grant higher voting rights pursuant to art. 127-quinquies of the CFA.

The increased voting rights grant a shareholder, who has requested all or part of the shares owned thereby to be registered on the related special list, to benefit from two votes for each registered share, 24 months after registration.

At the date of the report on corporate governance and ownership structure, two shareholders had requested the registration of their shares on the special list, one of whom holds a significant equity interest.

Shares held by employees: exercise of voting rights (article. 123 bis, 1, (e), CFA)

At the date of the report on corporate governance and ownership structure, no employee shareholding system was in place.

Restrictions on voting rights (Art. 123 bis, 1, (f), CFA)

At the date of the report on corporate governance and ownership structure, no restrictions on voting rights were envisaged.

Shareholder agreements (Art. 123 bis, 1, (g), CFA)

At the date of the report on corporate governance and ownership structure, the Company was not aware of any significant shareholder agreements pursuant to Art. 122 of the CFA.

Change of control clauses (Art. 123 bis, 1 (h), CFA) and provisions concerning takeover bids (Art. 104, 1 ter and 104 bis, 1, CFA)

At the date of the report on corporate governance and ownership structure, the Company was not party to any material agreements that would become effective, be changed or be terminated in the event of a change of control of the contracting party, with the sole exception of the agreement with IMA S.p.A., whereby IMA S.p.A. has undertaken not to conduct activities associated with the packaging of tobacco products and, in return, the Company has undertaken not to conduct activities associated with the packaging of products other than tobacco products. This agreement, which has an indefinite duration, shall remain effective as long as IMA S.p.A. holds the majority of the Company's voting rights or is capable of exercising a dominant influence over commercial policies and decisions.

The Company's Articles of Association do not make any exceptions to the passivity rule laid down in art. 104, paragraphs 1 and 1-bis of the CFA and does not envisage application of the neutralization rules laid down in art. 104 bis, paragraphs 2 and 3, of the CFA.

Authority to increase the share capital and authorizations to purchase treasury stock (Art. 123 bis, 1 (m), CFA)

The Shareholders' Meeting held on June 26, 2017 granted a mandate to the Board of Directors, for a period of five years from the date of the resolution, in accordance with art. 2443, paragraph 2, of the Italian Civil Code, to increase the share capital on a cash basis in one or more tranches by a number of shares not exceeding 10% of the total number of shares outstanding at the date the delegated powers are exercised and, in any case, up to a maximum of 8,800,000 ordinary shares, to be placed exclusively with qualified third-party investors, excluding current shareholders' option rights, in accordance with article 2441, paragraph 4, second part, of the Civil Code and/or article 2441, paragraph 5, of the Civil Code.

At the date of the report, no authorizations had been granted by the shareholders to purchase treasury stock pursuant to article 2357 of the Civil Code.

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

Pursuant to art. 3 of Consob Resolution no. 18079/2012, on June 26, 2017, the Company's Board of Directors decided to adopt the opt-outs envisaged in art. 70, paragraph 8 and in art. 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.

OTEHR INFORMATION

The Company is subject to management and coordination by IMA S.p.A. pursuant to and for the purposes of Arts. 2497 et seq. of the Civil Code.

As required by current legislation, the latest financial statements approved by the company performing management and coordination activities are provided in Attachment H) to the notes to the financial statements.

According to art. 2428, para 2, no. 3) and 4), of the Italian Civil Code we declare that the Company has neither directly nor indirectly acquired shares and quotas of its parent companies.

As regards the protection of personnel details, the Company has kept its security planning document updated, as required by current legislation.

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

FINANCIALSTATEMENTS
AT 31 DECEMBER 2017

GIMA TT S.P.A.

STATEMENT OF FINANCIAL POSITION

(THOUSANDS OF EUROS)

ASSETS	Note	12.31.2017	12.31.2016
NON-CURRENT ASSETS			
Property, plant and equipment	1	1,361	658
Intangible assets	2	2,507	581
Equity investments		0	–
Receivables	3	3	10
Deferred tax assets	4	1,069	557
TOTAL NON-CURRENT ASSETS		4,940	1,806
CURRENT ASSETS			
Inventories	5	21,372	18,171
Trade and other receivables	6	44,089	28,922
Financial receivables	7	–	7,624
Cash and cash equivalents	8	45,788	37,624
TOTAL CURRENT ASSETS		111,249	92,341
TOTAL ASSETS		**116,189**	**94,147**

SHAREHOLDERS' EQUITY AND LIABILITIES	Note	12.31.2017	12.31.2016
SHAREHOLDERS' EQUITY			
Share capital	9	440	110
Reserves	10	52	152
Net profit for the year		44,117	27,233
TOTAL SHAREHOLDERS' EQUITY		44,609	27,495
NON-CURRENT LIABILITIES			
Liabilities for employees' benefits	11	129	130
Other payables	12	463	–
Deferred tax liabilities	4	0	0
TOTAL NON-CURRENT LIABILTIES		592	130
CURRENT LIABILITIES			
Trade and other payables	13	64,466	60,003
Income tax payables	14	4,821	5,295
Provisions for risks and charges	15	1,702	1,223
TOTAL CURRENT LIABILITIES		70,988	66,521
TOTAL LIABILITIES		71,580	66,652
TOTAL SHAREHOLDERS 'EQUITY AND LIABILITIES		**116,189**	**94,147**

THE EFFECTS OF TRANSACTIONS WITH RELATED PARTIES ON THE ITEMS IN THE STATEMENT OF FINANCIAL POSITION ARE SHOWN IN NOTE 29.

INCOME STATEMENT

(THOUSANDS OF EUROS)

	Note	2017	2016
REVENUE	16	151,761	100,394
OTHER REVENUE	17	2,458	117
OPERATING COSTS			
Changes in inventories of finished, semi-finished and finished products		3,023	7,049
Changes in inventories of raw, ancillary and consumable goods		178	300
Cost of raw, ancillary and consumable materials and goods for resale	18	(52,766)	(40,903)
Services, rentals and leases	19	(27,356)	(17,121)
Personnel costs	20	(14,803)	(9,066)
Depreciation and amortization	21	(466)	(469)
Provisions	15	(478)	(448)
Other operating costs	22	(319)	(94)
TOTAL OPERATING COSTS		(92,987)	(60,752)
- including impact of non-recurring items	30	*(1,259)*	–
OPERATING PROFIT		61,231	39,759
- including impact of non-recurring items	30	*(1,259)*	–
FINANCIAL INCOME AND EXPENSE			
Financial income	23	64	125
Financial expense	24	(181)	(139)
TOTAL FINANCIAL INCOME AND EXPENSE		(117)	(14)
PROFIT BEFORE TAXES		61,115	39,745
Taxes	25	(16,997)	(12,512)
NET PROFIT FOR THE YEAR		**44,117**	**27,233**
AVERAGE NUMBER OF ORDINARY SHARES		88,000,000	88,000,000
BASIC/DILUTED EARNINGS PER SHARE (IN Euro)	**26**	**0.50**	**0.31**

THE EFFECTS OF TRANSACTIONS WITH RELATED PARTIES ON THE INCOME STATEMENT ARE SHOWN IN NOTE 29.

STATEMENT OF COMPREHENSIVE INCOME

(THOUSANDS OF EUROS)

	Note	2017	2016
Net profit for the year		44,117	27,233
Other components of comprehensive income which will not be subsequently reclassified to profit or loss for the year			
Actuarial gains (losses) arising on defined benefit plans	11	(3)	(3)
Tax effect		1	1
Total other components of comprehensive income which will not be subsequently reclassified to profit or loss for the year		**(2)**	**(2)**
Gains (losses) booked to equity		**(2)**	**(2)**
Total comprehensive income		**44,115**	**27,231**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(THOUSANDS OF EUROS)

	Share capital	Share premium reserve	Reserve for actuarial valuation of severance indemnities	Other reserves	Retained earnings	Net profit for the year	Total shareholders' equity
As of 01.01.2016	**110**	**3,957**	**(2)**	**714**	**–**	**15,591**	**20,370**
Allocation of net profit for 2015:							
- Distribution of dividends	–	(3,825)	–	(692)	–	(15,591)	(20,108)
Transfer to reserves	–	–	–	2	–	–	2
Net profit for the year	–	–	–	–	–	27,233	27,233
Gain (loss) on discounting employee severance indemnities	–	–	(2)	–	–	–	(2)
As of 12.31.2016	**110**	**132**	**(4)**	**24**	**–**	**27,233**	**27,495**
As of 01.01.2017	**110**	**132**	**(4)**	**24**	**–**	**27,233**	**27,495**
Increase in capital	330	(132)	–	–	(198)	–	–
Allocation of net profit for 2016:	–	–	–	–	–	–	–
- Distribution of dividends	–	–	–	–	(27,001)	–	(27,001)
Transfer to reserves	–	–	–	–	27,233	(27,233)	–
Net profit for the year	–	–	–	–	–	44,117	44,117
Gain (loss) on discounting employee severance indemnities	–	–	(2)	–	–	–	(2)
As of 12.31.2017	**440**	**–**	**(6)**	**24**	**34**	**44,117**	**44,609**

AS REGARDS THE ITEMS IN SHAREHOLDERS' EQUITY, SEE NOTES 9 AND 10.

STATEMENT OF CASH FLOWS

(THOUSANDS OF EUROS)

	Note	For the year ended 12.31.2017	For the year ended 12.31.2016
OPERATING ACTIVITIES			
Net profit for the year		**44,117**	**27,233**
Adjustments for:			
- Depreciation and amortization	1-2	466	469
- (Gain) or loss on disposal of fixed assets	22	46	41
- Change in provisions for risks and charges and liabilities for employee benefits and other non-current payables	11-12-15	940	454
- Other non-monetary changes	23-24	978	(13)
- Taxes	25	16,997	12,512
Profit from operating activities before changes in working capital		63,545	40,696
(Increase) or decrease in trade and other receivables	4-6	(15,680)	(20,681)
(Increase) or decrease in inventories	5	(3,201)	(7,349)
Increase or (decrease) in trade and other payables	13-14	3,988	21,775
Taxes paid		(17,861)	(10,711)
CASH FLOW PROVIDED BY OPERATING ACTIVITIES (A)		30,791	23,730
INVESTING ACTIVITIES			
Additions to property, plant and equipment	1	(941)	(187)
Additions to intangible assets	2	(2,200)	(305)
(Increase) or decrease in financial receivables from the Parent Company	7	7,624	30,576
CASH FLOW PROVIDED BY INVESTING ACTIVITIES (B)		4,483	30,084
FINANCING ACTIVITIES			
Other changes in financial assets/liabilities		7	(10)
Dividends paid	8	(27,001)	(20,108)
Interest paid	24	(181)	(110)
Interest received	23	64	123
CASH FLOW USED IN FINANCING ACTIVITIES (C)		(27,110)	(20,105)
NET CHANGE IN CASH AND CASH EQUIVALENTS (D=A+B+C)		**8,164**	**33,709**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (E)		**37,624**	**3,915**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (F=D+E)		**45,788**	**37,624**

(1) THE POSITIVE CHANGE IN FINANCIAL RECEIVABLES FROM THE PARENT COMPANY OF EURO 7,624 THOUSAND IN 2017 HAS BEEN INCLUDED IN INVESTING ACTIVITIES IN THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017, WHEREAS THE POSITIVE CHANGE OF EURO 30,576 THOUSAND IN 2016 HAD BEEN INCLUDED IN FINANCING ACTIVITIES IN THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016.
A BREAKDOWN OF CASH AND CASH EQUIVALENTS IS PROVIDED IN NOTE 8.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

GIMA TT S.P.A.

A) CORPORATE INFORMATION

The Company, which was set up on November 28, 2012 and which has its registered office at Via Tolara di Sotto 121/A, Ozzano dell'Emilia (Bologna), is a leader in the design and assembly of automated packaging machines for tobacco products, especially new-generation, reduced-risk products and in the supply of after-sales services.

The Company has been listed on the STAR segment of the screen-traded market (MTA) run by Borsa Italiana S.p.A. since October 2, 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.

These financial statements for the year ended December 31, 2017 were prepared and submitted by the Board of Directors on March 9, 2018 and have been audited by EY S.p.A..

B) BASIS OF PREPARATION

The financial statements for the year ended December 31, 2017 have been prepared in accordance with applicable International Financial Reporting Standards, as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, and the related interpretations (SIC/IFRIC) issued to date by the Standing Interpretations Committee. IFRSs were adopted in 2013. The Company's financial statements have been prepared on a going-concern basis, since there are no significant doubts or uncertainties about its ability to continue in business for the foreseeable future.

Financial statements

The statement of financial position has been classified on the basis of the operating cycle, distinguishing between current and non-current items. With this distinction, assets and liabilities are considered current if they are expected to be realized or settled as part of the normal operating cycle, or within 12 months. Non-current assets held for sale and any related liabilities are shown in separate items.

Cost and revenue items for the year are presented in two separate statements: an income statement, which analyses costs according to their nature, and a statement of comprehensive income. Income or costs deriving from disposal groups (already sold or held for sale) are shown on a separate line in the income statement.

Changes in equity are disclosed in the statement of changes in equity, which includes changes pertaining to 2016.

The statement of cash flows has been prepared using the indirect method for determining cash flows from operating activities. Under this method, the profit for the year is adjusted for the effects of non-monetary transactions, any deferral or accrual of past or future operational collections and payments, any accrued cash movements, revenue or costs deriving from cash flows attributable to investing or financing activities. The Company classifies interest and dividends paid and received as cash flows from financing activities. Cash flows from financial receivables due from the Parent Company have been reclassified to cash flow generated by investing activities, whereas they were classified in cash flow from financing activities in the financial statements for the year ended December 31, 2016. This was done to be consistent with the presentation adopted in the financial statements for the year ended December 31, 2017.

The figures contained in the financial statements for the year ended December 31, 2017 are stated in thousands of Euros, except where otherwise indicated.

C) ACCOUNTING POLICIES

The Company's significant accounting policies are set out below.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognized at purchase or construction cost, including directly attributable ancillary expenses.

Property, plant and equipment are depreciated each year on a straight-line basis over their estimated useful lives, as follows:

- Buildings: from 30 to 40 years;
- Plant and machinery: from 5 to 10 years;
- Industrial and commercial equipment: 4 years;
- Other assets: from 3 to 9 years.

The residual value and the estimated useful lives of property, plant and equipment are reviewed at the end of each financial year.

Land is not depreciated as it has an unlimited useful life.

Leasehold improvements are depreciated over their useful life or, if lower, over the term of the lease.

Maintenance costs are charged to the income statement in full when incurred.

When tangible assets require replacement at regular intervals, the cost of the part being replaced is eliminated from the carrying value of the asset and the cost of the replacement is capitalized.

The carrying amount of property, plant and equipment is tested periodically for impairment losses, in the manner described in the section on impairment of assets.

INTANGIBLE ASSETS

Purchased or internally produced intangible assets are recognized when it is likely that their use will generate economic benefits in the future and when their cost can be reliably determined. Such assets are recognized at their purchase or production cost.

Intangible assets with finite useful lives are amortized each year on a straight-line basis over their estimated useful lives, as follows:

- Industrial patents and intellectual property rights: from 2 to 10 years;
- Software, licences and similar rights: from 5 to 15 years;
- Development costs: from 4 to 10 years.

Intangible assets with an indefinite useful life are not amortized but tested on an annual basis for impairment of value, or more frequently if evidence suggests an impairment has occurred.

Research costs are charged to the income statement as incurred. Development costs that qualify for capitalization as assets under IAS 38 - Intangible Assets (in relation to their technical feasibility, the intention and ability of the enterprise to complete, use or sell the assets, the availability of the resources required for the completion of the development project and the ability to measure the expenditure reliably) are amortized in relation to their future economic utility.

Amortization begins from the moment the products become available for economic use.

The estimate of useful life is reviewed and adjusted to reflect changes in projected future utility.

IMPAIRMENT OF ASSETS

A tangible or intangible asset is impaired if its carrying value is greater than the amount that can be recovered from its use or sale. The impairment test required by IAS 36 - Impairment of Assets ensures that tangible and intangible assets are not recorded at a value exceeding their recoverable value, which is the higher of their net selling price or their value in use.

Value in use is defined as the present value of the future cash flows expected to be generated from the continuing use of an asset or by the related cash generating unit (CGU). The expected future cash flows are discounted at a pre-tax discount rate that reflects the current estimated market cost of borrowing, which is calculated in relation to the time value of money and the specific risks associated with the activity.

If the carrying amount of an asset exceeds its recoverable value, the asset or CGU is written down to reflect such recoverable value. This impairment loss is charged to the income statement.

Impairment tests are carried out when indicators, which may be internal or external to the Company, suggest that the value of an asset may have been impaired. In the case of goodwill and other intangible assets with indefinite useful lives, the impairment test is carried out at least once a year.

If the conditions that led to an impairment loss cease to apply, the proportional reinstatement of the value of assets previously written down must not exceed the depreciated historical cost that would have been reported had such earlier impairment not been recognized. Reversals of impairment losses are recognized in the income statement.

FINANCIAL ASSETS

According to IAS 39 - Financial Instruments: Recognition and Measurement, financial assets are split into four categories: financial assets at fair value through profit and loss, investments held to maturity, loans and receivables and financial assets available for sale.

Financial assets available for sale are measured at fair value, whereas financial receivables are measured at amortized cost.

As of December 31, 2017, the Company did not hold any investments held to maturity nor financial assets available for sale.

INVENTORIES

Inventories are measured at the lower of cost and net realizable value.

Cost is determined using the weighted average cost method for raw, ancillary and consumable materials and semi-finished goods, whereas other inventory items are shown at their specific cost.

CONSTRUCTION CONTRACTS

Construction contracts are defined, according to IAS 11 - Construction Contracts, as contracts specifically negotiated for the construction of an asset or a group of interrelated assets, taking into account their design, technology, function or final use.

Construction contract costs are recognized in the year in which they are incurred.

Construction contract revenues are recognized on a stage-of-completion basis at the reporting date, if the outcome of the construction contract can be reliably estimated. If the outcome of a construction contract cannot be estimated reliably, revenues are recognized only to the extent of the contract costs incurred that are likely to be recovered.

Whenever total construction costs are likely to exceed total construction revenues, the total expected loss is recognized immediately as an expense.

Revenue from construction contracts is recognized on a stage-of-completion basis applying the so-called "cost-to-cost" method: this involves establishing the proportion of costs incurred on work performed to date with respect to the estimated total costs of the contract.

This measurement reflects the best estimate of project costs at the reporting date. Such estimates are updated periodically. Any economic effects are recorded in the period when the updates are made.

To provide better support for management's estimates, the Company has developed contract risk management and analysis systems to help identify, monitor and quantify the risks associated with the work being carried out.

Construction contracts are shown net of any writedown provisions, potential losses on completion and advances on the contract being executed. This analysis is carried out contract by contract and presented in the statement of financial position as follows:

- the amount due from customers is classified among "trade receivables" if the costs incurred on the project plus the recognized margin (or less the recognized loss) exceed the advance payments received from the customer;
- the amount due to customers is classified among "advances" in trade and other payables, if the advances received exceed the costs incurred on the project plus the recognized margin (or less the recognized loss).

TRADE AND OTHER RECEIVABLES

Receivables recorded at fair value less any impairment losses, falling due within a period considered to be normal commercial practice or which earn interest at market rates, are shown at fair value, i.e. their original face value, subsequently reduced for any impairment losses to bring them into line with their estimated realizable value.

Receivables falling due beyond the period considered normal commercial practice and not earning explicit interest are recognized at amortized cost using the effective interest rate method, net of any impairment losses.

Receivables sold without recourse, where all the related risks and rewards have been transferred to the purchaser, are derecognized from the statement of financial position.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, as well as demand and other short-term bank deposits with an original term of not more than three months, considered risk-free. Bank overdrafts that are repayable on demand do not form part of cash and cash equivalents.

PROVISIONS FOR RISKS AND CHARGES

These are product warranty provisions set aside to cover current, legal or implicit liabilities deriving from past events, for which the amount required to settle them can be reasonably estimated at the end of the year.

No provisions are recorded if a liability is considered merely potential, while adequate information is provided in the notes to the financial statements.

EMPLOYEE BENEFITS

Employee benefits mainly include the provision for staff severance indemnities. Significant changes concerning the allocation of the severance indemnity provision were introduced by Law no. 296 of December 27, 2006 (the 2007 Finance Law).

As a result of the reform of the supplementary pension system, the portion accrued from January 1, 2007 is treated as a "defined-contribution plan". The changes in Italian legislation introduced an option for employees working for companies with more than 50 employees to allocate their severance indemnity as it accrues to a supplementary pension scheme of their choice, or to keep them in the company and transfer them to INPS (Social Security). In summary, as a result of the supplementary pension reform, for the severance indemnities accrued by employees prior to 2007 and currently in force with the Issuer following the transfer of the business unit from GIMA S.p.A., the Company carried out the required actuarial valuation, but without taking future wage increases into account. The portion accrued subsequently has been treated as a defined-contribution plan.

The Company's net liabilities for defined-benefit plans are determined by estimating the present value of the future benefits that employees have accrued in the current and previous financial years and deducting the fair value of any assets held to service the plan.

Actuarial gains and losses are recognized in a specific equity reserve. The cost of each plan is determined on the basis of demographic assumptions, statistics and wage trends.

BORROWINGS

IAS 39 - Financial Instruments: Measurement and Recognition distinguishes between financial liabilities measured at fair value with changes recognized through profit or loss, and financial liabilities measured at amortized cost.

Borrowings are measured at amortized cost using the effective interest method.

As of December 31, 2017, the Company does not have any financial liabilities measured at fair value with changes recognized through profit or loss.

INCOME TAXES

Income taxes include current and deferred taxes. Income taxes are generally recognized in profit or loss, except when they regard items recognized directly in equity. In this case, the related income taxes are also recognized in equity.

Current taxes are the taxes that the Company expects to have to pay on the taxable income of the year and are calculated in accordance with current legislation.

Deferred tax liabilities are calculated by applying the "liability method" to temporary differences between the value of assets and liabilities as recorded in the statement of financial position and the corresponding values recognized for tax purposes. Deferred taxes are determined using the tax rate which is expected to apply when the assets are realized or the liabilities settled.

Deferred tax assets are recognized only when it is probable that taxable income in future years will be sufficient to realize them.

Deferred tax assets and liabilities are offset only when there is a legal entitlement to do so and when they relate to taxes due to the same tax authority.

Prior-year taxes include income tax charges and rebates recognized during the year, but relating to previous years.

REVENUE RECOGNITION

Revenue is recognized to the extent that the economic benefits are likely to be obtained and the amount concerned can be determined with reasonable accuracy; it is measured at the fair value of the amount received or due, taking any discounts into consideration .

Revenue from the sale of products is recognized when title passes, i.e. when the significant risks and benefits of ownership are transferred to the buyer. The transfer of title coincides with the transfer of the ownership or possession of the goods to the buyer, which generally coincides with shipping. The only exception relates to revenue from construction contracts which, as explained above, is recognized on a percentage-of-completion basis.

TRANSLATION OF FOREIGN CURRENCY BALANCES

Functional and presentation currency

The Company's functional and presentation currency is the Euro.

Transactions and balances

As required by IAS 21 - The Effects of Changes in Foreign Exchange Rates, amounts originally denominated in foreign currency are translated into the functional currency and accounted for as follows:

- monetary items are translated at the spot exchange rate prevailing at the end of the year;
- non-monetary items recognized at historical cost are translated using the exchange rate prevailing at the time of the transaction;
- non-monetary items measured at fair value are translated using the exchange rate prevailing at the time the fair value was determined.

Exchange rate differences realized upon the collection of receivables or the settlement of payables denominated in foreign currencies are reflected in the income statement. Unrealized foreign exchange differences arising from the translation of the monetary items at the spot rate at the end of the year are recognized in the income statement.

DIVIDENDS

Dividends distributed to the Company's shareholders are recognized as a liability in the financial statements in the year that the dividend is approved by the shareholders' meeting.

EARNINGS PER SHARE

IAS 33 - Earnings per Share lays down the method of calculating basic and diluted earnings per share and the disclosures to be made in the financial statements. The types of financial instruments identified in the standard that need to be considered when calculating these indicators are options, warrants, convertible bonds and similar instruments.

Basic earnings per share are calculated on the basis of profit for the period divided by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated on the basis of profit for the period divided by the weighted average number of ordinary shares outstanding during the period, adjusted for the number of potentially dilutive ordinary shares.

The Company does not have any potentially dilutive financial instruments, so the two indicators coincide.

USE OF ESTIMATES AND ASSUMPTIONS

Preparing financial statements requires management to use accounting principles and methods which, in certain cases, depend on difficult and discretionary valuations and estimates, often based on past experience and assumptions that from time to time are deemed to be reasonable and realistic, depending on the specific circumstances.

Application of these estimates and assumptions affects the amounts shown in the financial statements, namely the statement of financial position, income statement and statement of cash flows, as well as the disclosures made in the notes.

Estimates and assumptions are regularly revised and the effects of any changes are immediately reflected in the income statement.

The financial statement component that is most dependent on judgements made by Directors, as well as factors that may change over time, with consequent effects on the judgements made by the Directors, is contract work in progress relating to the production of machinery, where costs and revenues have to be estimated at the reporting date, taking into account the rights and obligations included in the agreements with the clients and the stage of completion of the contract in relation to the overall projected costs of the project. The application of this method requires a prior estimate to be made of the whole life costs of each project and the updating thereof at each reporting date, via the use of assumptions made by the Directors.

These assumptions may be influenced by multiple factors, such as a project length duration in excess of one year, the high technological and innovative content of the projects and machinery performance guarantees. These facts and circumstances make it difficult to estimate project completion costs and, consequently, to estimate contract work in progress at the reporting date.

The Directors base their assumptions on the data resulting from the internal reporting system, planning and reporting of the contract work and analyze and, whenever needed, review revenue and costs estimates based on the different stages of completion of the project.

OPERATING SEGMENTS

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

On December 12, 2012, the IASB issued a series of amendments that made changes to this standard by requiring that information be given on the assessments made by management in aggregating various operating segments, giving a description of the segments that have been aggregated and the economic indicators that have been used to decide that the segments grouped together have similar economic characteristics.

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 and related after-sales services, 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; and

e) same kind of regulatory environment.

IMPLEMENTATION OF ACCOUNTING STANDARDS

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM JANUARY 1, 2017

The basis of preparation of the financial statements for the year ended December 31, 2017 is consistent with the basis of preparation of the prior year financial statements, with the exception of the adoption of new standards and amendments that are effective as of January 1, 2017.

The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The Company has applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after January 1, 2017.

The nature and of each amendment is described below:

- Amendments to IAS7 – Statement of cash flows. The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses);
- Amendments to IAS 12 - Recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts tax deductions arising from temporary differences. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount;
- Amendments to IFRS 12 – "Disclosure of interests in other entities" are included in the Annual Improvements Cycle - 2014-2016.

The Company has applied the amendments retrospectively. However, their application has no effect on the Company's results and financial position.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Company has begun to carry out an analysis of the standards in question to assess their impact on the financial statements, without, however, having opted for their early adoption. A summary is provided below of the new standards.

IFRS 15 – Revenue from contracts with customers (effective for annual periods beginning on or after January 1, 2018).

The new standard will supersede IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC13 – Customer loyalty programmes, IFRIC 15 – Agreements for the construction of real estate, IFRIC18 – Transfers of assets from customers, SIC31 – Barter transactions involving advertising services. It establishes a model for the recognition and measurement of non-financial revenue, including disposals of property, plant and equipment and intangible assets. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which it expects to be entitled in exchange for transferring goods or services to a customer. Guidance is provided on the identification of contracts, the performance obligations in the contracts and the determination of the transaction price. Guidance is also provided on the allocation of the transaction price where a contract has multiple performance obligations. Furthermore, clarification is provided on revenue recognition criteria upon performance obligations having being satisfied. Lastly, guidance is provided on the recognition of the incremental costs of obtaining a contract and directly related to the performance thereof.

Further useful implementation guidance is also provided on topics such as licensing, warranties, sales with a right of return, principal versus agent considerations and termination of contract. The standard may be applied using a full retrospective approach or a modified retrospective approach. In April 2016, the IASB issued a number of amendments to IFRS 15 containing clarifications on the application thereof and which are also effective as of January 1, 2018.

During 2016 and 2017 the Company carried out a preliminary assessment on the effects of IFRS 15. The Company is also considering the clarifications issued by the International Accounting Standard Board (IASB) in April 2016.

As part of the assessment of the accounting impact of adopting the new standards, we have identified the following main revenue streams:

- machines and constructions contracts;
- formats: machine components which customize the design of the package;
- spare parts and other materials;
- technical assistance.

Based on our assessment of a qualitative and quantitative nature, it resulted that the current accounting methodology of the revenue streams is substantially coherent with the principles set in the new standard; we do not expect there to be any potentially significant impacts on the Company's assets and liabilities, results and financial position.

IFRS 9 – Financial Instruments (effective for annual periods beginning on or after January 1, 2018).

The objective of this new standard is to simplify the assessment by users of financial statements of the amounts, timing and uncertainty of an entity's cash flows, by means of the replacement of the various categories of financial instruments contemplated by IAS 39. All financial assets are in fact initially measured at fair value, adjusted for transaction costs, in the case of a financial instrument not measured at fair value through profit or loss (FVTPL). However, trade receivables that do not contain a significant financing component are initially measured at their transaction price, as defined in the new standard, IFRS 15 - Revenue from contracts with customers. Debt instruments are measured based on contractual cash flows and on the business model under which the instrument is held. If the instrument gives rise to cash flows that are solely payments of principal and interest, it is measured at amortised cost, whereas, if its contractual terms give rise to cash flows and the exchange of financial assets, it is measured at fair value through other comprehensive income (FVTOCI) with subsequent reclassification to profit or loss. IFRS 9 also contains a fair value option (FVO). Likewise, all equity instruments are measured on initial recognition at FVTPL, except for those equity instruments for which the entity has elected for measurement at FVTOCI. All other classifications and measurement criteria contained in IAS 39 have been included in the new IFRS 9.

As far as impairment is concerned, the IAS 39 model based on incurred credit losses has been replaced by the expected credit losses (ECL) model. Lastly, some changes have been introduced concerning hedge accounting, with the possibility to perform a forward looking effectiveness and qualitative test by autonomously measuring the risk components, where it is possible to identify them.

The Company has begun to carry out an analysis of the potential impacts that application of the new standard could have on its financial statements and notes. There are no plans for early adoption of this standard.

IFRS 16 – Leases (effective for annual periods beginning on or after January 1, 2019).

The new accounting standard is applicable to all leasing contracts, except in some specific cases. A leasing contract gives the right to use an asset ("the underlying asset") for a certain period of time by paying lease instalments.

This accounting method for all leasing contracts is assimilated to the model foreseen in IAS 17, excluding contracts involving low value assets (e.g. computers) and short-term contracts (i.e. less than 12 months). When the leasing contracts is signed, the Company has to recognize the liability for the instalments to be paid and the asset that t has a right to use, booking separately the financial charges and the depreciation on the asset. The liability may be reassessed (e.g. for changes in the contractual terms or in the indices to which instalment payments are linked) and the change has to be accounted for on the underlying asset. From the lessor's point of view, the accounting method is basically the same as the one laid down in the current version of IAS 17.

The standard must be applied using the modified retrospective method and early adoption is permitted simultaneously with IFRS 15.

The Company has begun to carry out an analysis of the potential impacts that application of the new standard could have on its financial statements and notes. In 2017 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.

As at December 31, 2017, the Company had lease commitments of Euro 8,376 thousand, as indicated in Note 28. Rent expenses amounted to Euro 1,180 thousand in 2017.

Other standards issued but not yet effective

In June 2016, the IASB issued Amendments to IFRS 2 - "Classification and measurement of share-based payment transactions" that clarify how to recognize certain types of share-based payment transactions. The amendments address: (i) the effects of vesting conditions and non-vesting conditions on the measurement of cash-settled share-based payment transactions; (ii) the classification of share-based payment transactions with net settlement features for withholding tax obligations and (iii) accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

In December 2016, the IASB published “Annual Improvements to IFRS Standards 2014-2016 Cycle” that included amendments to IAS 28 - "Investments in associates and joint ventures" (effective as of January 1, 2018). The amendments clarify, correct or delete redundant parts of the related standard and it is not expected that there will be any impact on the Company's financial statements.

In December 2016, the IASB issued IFRIC 22 – "Foreign Currency Transactions and Advance Consideration” that clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation is effective as of January 1, 2018.

In June 2017, the IASB issued IFRIC 23 – “Uncertainty over income tax treatments”, which clarifies application of the recognition and measurement requirements in IAS 12 "Income taxes" when there is uncertainty over income tax treatments. The interpretation specifically addresses the following: (i) whether an entity considers uncertain tax treatments separately, (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities, (iii) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and (iv) how an entity considers changes in facts and circumstances. The interpretation does not introduce any new disclosure requirements, but it does refer to the existing requirements of IAS 1 relating to the disclosure of judgements, assumptions made and other estimates, as well as to the requirements of IAS 12 “Income taxes” concerning prior period taxation. The interpretation is effective for annual periods beginning on or after January 1, 2019 and offers a choice of two transition methods: (i) retrospective application of IAS 8 – “Accounting policies, changes in accounting estimates and errors", only if that is possible without the use of hindsight, or (ii) retrospectively with the cumulative effect of initially applying the interpretation recognised at the date of initial application without the restatement of comparative information. The date of initial application is the beginning of the annual reporting period in which an entity first applies this interpretation.

In October 2017, the IASB issued "Prepayment features with negative compensation (Amendments to IFRS 9)", permitting companies to measure particular financial assets with negative compensation prepayment features at amortized cost or at fair value through other comprehensive income, in the event that a specific condition is met, rather than through profit or loss. The standard is effective as of January 1, 2019.

In October 2017, the IASB issued "Long-term interests in associates and joint ventures (Amendments to IAS 28)". The amendments clarify that an entity must apply IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied. The standard is effective as of January 1, 2019.

In December 2017, the IASB issued Annual Improvements to IFRS 2015-2017, a series of amendments to IFRS in response to issues raised mainly in relation to: (i) "IFRS 3 – Business combinations", which clarify how an entity should remeasure previously held interests in a joint operation, when an entity obtains control of the business; (ii) "IFRS 11–Joint Arrangements", which clarify that an entity should not remeasure previously held interests in a joint operation when it obtains joint control of the joint operation, (iii) "IAS 12 - Income taxes", which clarify that the income tax consequences of dividends (i.e. distribution of profit) should be recognized in profit or loss, regardless of how the taxation arose; (iv) and "IAS 23 - Borrowing costs", which clarify that an entity should treat as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The amendments are effective as of January 1, 2019.

In February 2018, the IASB issued "Plan amendment, curtailment or settlement (Amendments to IAS 19)" that specifies the manner in which an entity should determine pension costs when amendments are made to a pension plan. IAS 19 "Employee benefits" specifies the manner in which an entity should account for a defined benefit pension plan. When a plan amendment, curtailment or settlement occurs, IAS 19 requires an entity to remeasure the assets or the liabilities of the defined benefit plan. The amendments require an entity to use updated information arising from the remeasurement to determine current service cost and net interest for the period following a plan amendment. The amendments are effective as of January 1, 2019.

D) 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:
  - Exchange rate risk, relating to operations in areas using currencies other than the functional currency;
  - Price risk, due to commodity prices.

CREDIT RISK

The operational management of this risk is the responsibility of the Credit Management unit, which forms part of the Administration, Finance and Control department and which applies a credit policy that governs:

- assessment of the customer’s credit standing, taking into account the corporate and country credit rating when allowing extended payment terms, including positions backed by adequate bank or insurance guarantees;
- monitoring the expected cash flows;
- appropriate payment reminders and debt recovery measures, if needed.

Percentage writedowns are made on past due positions, based on historical insolvency information, except for any writedowns of specific receivables. See Note 6 for a breakdown of trade receivables by maturity.

Financing activities have been directed mainly at the Parent Company IMA and are therefore not considered at risk (the intercompany current account agreement with IMA was terminated during the first half of 2017).

Note that as of December 31, 2017, the Company does not have any positions with sovereign debtors that suffer from repayment risk. The Company's maximum theoretical exposure to credit risk at December 31, 2017 consisted of the nominal value of the guarantees indicated in Note 27. At December 31, 2017, the Company did not have any receivables falling due beyond 12 months.

LIQUIDITY RISK

The current financial market environment makes it essential to maintain an adequate level of liquidity for the Company's needs.

The two main factors that determine the Company's liquidity position are, on the one hand, the resources generated or absorbed by operating or investment activities, and on the other, the maturity and renewal characteristics of the debt or the liquidity of the financial instruments used and market conditions. These risks are managed by the Company's Treasury Department based on guidelines laid down by the Finance Department of the Parent Company IMA.

The Company has adopted a series of policies and processes designed to optimise the management of financial resources, thus reducing liquidity risk. These include:

- maintaining an adequate level of available liquidity;
- obtaining sufficient lines of credit;
- monitoring forecast liquidity conditions in relation to the corporate planning process.

Within this type of risk, the Company has been able to handle current commitments and capital investments out of in-house cash resources and the cash flow generated by operations.

The following table shows the composition and maturity of financial and trade payables and commitments to third parties:

Euro thousands	Within 1 year	From 1 to 5 years	Over 5 years	Total
12.31.2017				
Borrowings	–	–	–	–
Commitments	1,025	5,126	2,225	8,376
Trade payables due to suppliers and agents	18,748			18,748
Total	**19,773**	**5,126**	**2,225**	**27,124**
12.31.2016				
Borrowings	–	–	–	–
Commitments	–	–	–	–
Trade payables due to suppliers and agents	17,716			17,716
Total	**17,716**	**–**	**–**	**17,716**

For further information on the composition of these items, please see Notes 13 and 28.

At December 31, 2017, the Company had lease commitments and trade payables due to suppliers and agents of Euro 8,376 thousand and Euro 18,748 thousand, respectively. At that date the Company had Euro 16,794 thousand of unused credit lines (Euro 9,452 thousand at December 31, 2016) and liquid funds of Euro 45,788 thousand (Euro 37,624 thousand at December 31, 2016). As regards keeping working capital in balance, especially payables to suppliers, these are covered mainly by net trade receivables, which at December 31, 2017 come to Euro 30,859 thousand (Euro 24,018 thousand at December 31, 2016).

MARKET RISK

Exchange rate risk

The following table analyses the effects of exchange rate risk:

			Exchange rate risk (ERR)			
			Effect of increase		Effect of decrease	
Euro thousands	Carrying value	Of which subject to ERR	Profit (Loss)	Other changes in FCR	Profit (Loss)	Other changes in FCR
Financial assets:						
Liquidity	45,788	–	–	–	–	–
Trade and other receivables	44,089	–	–	–	–	–
AFS securities and financial receivables.	–	–	–	–	–	–
Tax effect	–	–	–	–	–	–
Sub Total			–	–	–	–
Financial liabilities:						
Borrowings	–	–	–	–	–	–
Trade and other payables	64,466	218	4	–	–	(4)
Tax effect	–	–	–	–	–	–
Sub Total			**4**	**–**	**–**	**(4)**
Tot. increases (decr.) 2017			**4**	**–**	**–**	**(4)**
Tot. increases (decr.) 2016			**–**	**–**	**–**	**–**

Variability Parameters 2017 +/- 2% €/CHF; Variability Parameters 2016 of +/- 2% €/$ and +/- 2% €/CHF.

For further information on the composition of these items, please see Notes 6 and 8.

The variability parameters applied fall within the range of reasonably possible changes in exchange rates, all other factors being equal.

The Company's day-to-day activities are not exposed to significant exchange rate risk, as detailed in the following table:

Euro thousands	Receivables from customers and IMA Group	Amount due from customers	Tax receivables, deferred costs, other receivables	Advances received	Payables to suppliers and IMA Group	Other payables
12.31.2017						
Euro	9,747	24,036	10,306	15,749	43,787	4,712
Swiss Franc	–	–	–	–	216	–
US Dollar	–	–	–	–	–	–
Other currencies	–	–	–	–	2	–
Total	**9,747**	**24,036**	**10,306**	**15,749**	**44,005**	**4,712**
12.31.2016						
Euro	14,801	11,242	2,879	18,659	36,537	4,725
Swiss Franc	–	–	–	–	61	–
US Dollar	–	–	–	–	20	–
Other currencies	–	–	–	–	–	–
Total	**14,801**	**11,242**	**2,879**	**18,659**	**36,618**	**4,725**

Interest rate risk

The Company's day-to-day activities are not exposed to interest rate risk:

			Interest rate risk (IRR)			
			+50 bp on € RR		**-50 bp on € IRR**	
			+50 bp on $ IRR		**-50 bp on $ IRR**	
	Carrying value	**Of which subject to RR(*)**	**Profit (Loss)**	**Other changes in FCR**	**Profit (Loss)**	**Other changes in FCR**
Financial assets:						
Liquidity	45.788	24.209	41	–	(43)	–
Financial receivables from Parent Company	–	8.650	34	–	(34)	–
			75	**–**	**(77)**	**–**
Financial liabilities:	–	–				
Tot. increases (decr.) 2017			**75**	**–**	**(77)**	**–**
Tot. increases (decr.) 2016			**37**	**–**	**(37)**	**–**

(*) This is a yearly average.

For further information on the composition of these items, please see Notes 7 and 8.

The variability parameters applied fall within the range of reasonably possible changes in exchange rates, all other factors being equal. Exchange rate and interest rate risk are managed by the Company's Treasury Department, in line with the risk management policy approved by the Executive Committee of the Parent Company IMA.

Price risk

As of December 31, 2017, the Company is not exposed to price risk associated with investments in listed equity securities classified as available for sale. Nor is it not exposed to commodity price risk, unless to an irrelevant extent.

CAPITAL RISK MANAGEMENT

The Company manages capital with the goal of supporting its core business and optimizing shareholder value. The Company did not have any financial payables at December 31, 2017.

E) NOTES TO THE FINANCIAL STATEMENTS

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

1. PROPERTY, PLANT AND EQUIPMENT

The following is an analysis of changes in property, plant and equipment:

Euro thousands	Land	Buildings and leasehold improvements	Plant and machinery	Industrial and comm. equipment	Other assets	Fixed assets in progress and advances	Total
Figures as of 01.01.2016							
Gross value	–	–	214	360	575	–	1,149
Accumulated depreciation	–	–	(43)	(199)	(261)	–	(503)
Net value	–	–	171	161	314	–	646
Figures as of 01.01.2016	**–**	**–**	**171**	**161**	**314**	**–**	**646**
Additions	–	–	16	86	85	–	187
Disposals and eliminations	–	–	–	–	–	–	–
Depreciation	–	–	(23)	(88)	(64)	–	(175)
Reclassifications	–	–	–	–	–	–	–
Figures as of 12.31.2016	**–**	**–**	**164**	**159**	**335**	**–**	**658**
Figures as of 01.01.2017							
Gross value	–	–	230	446	660	–	1,336
Accumulated depreciation	–	–	(66)	(287)	(325)	–	(678)
Net value	–	–	164	159	335	–	658
Figures as of 01.01.2017	**–**	**–**	**164**	**159**	**335**	**–**	**658**
Additions	–	425	196	189	131	–	941
Disposals and eliminations	–	–	–	–	–	–	–
Depreciation	–	(26)	(35)	(98)	(79)	–	(238)
Reclassifications	–	–	–	–	–	–	–
Figures as of 12.31.2017	**–**	**399**	**325**	**250**	**387**	**–**	**1,361**
Gross value	–	425	426	635	791	–	2,277
Accumulated depreciation	–	(26)	(101)	(385)	(404)	–	(916)
Figures as of 12.31.2017	**–**	**399**	**325**	**250**	**387**	**–**	**1,361**

Buildings and leasehold improvements consist of capitalized costs of leasehold improvements to the Company's leased head office premises in Ozzano dell'Emilia (BO) of Euro 425 thousand after the Company had taken over the lease agreement from IMA that had been entered into on June 27, 2017.

Additions to “Plant and machinery” in 2017 consisted of plant (Euro 192 thousand) and machinery (Euro 4 thousand). Additions to industrial and commercial equipment concern the purchase of equipment to be used in the production process for Euro 189 thousand.

Other assets are made up as follows:

Euro thousands	12.31.2017	12.31.2016
Electronic office machines	155	84
Office furniture and fittings	208	238
Motor vehicles	7	12
Other	17	1
Total	**387**	**335**

Additions during the year essentially include purchases of electronic machines.

Financial charges directly attributable to property, plant and equipment are charged to the income statement as the Company does not have any assets that need a significant period of time to prepare them for use.

As of December 31, 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.

2. INTANGIBLE ASSETS

The following is an analysis of the changes in intangible assets:

Euro thousands	Development costs	Industrial patent rights	Software, licences and similar rights	Assets under development and advances	Total
Figures as of 01.01.2016					
Gross value	853	1,239	55	–	2,147
Accumulated amortization	(774)	(735)	(27)	–	(1,536)
Net value	79	504	28	–	611
Figures as of 01.01.2016	**79**	**504**	**28**	**–**	**611**
Additions	–	304	1	–	305
Disposals and eliminations	–	(41)	–	–	(41)
Amortization	(79)	(205)	(10)	–	(294)
Reclassifications	–	–	–	–	–
Figures as of 12.31.2016	**–**	**562**	**19**	**–**	**581**
Figures as of 01.01.2017					
Gross value	853	1,448	56	–	2,357
Accumulated amortization	(853)	(886)	(37)	–	(1,776)
Net value	–	562	19	–	581
Figures as of 01.01.2017	**–**	**562**	**19**	**–**	**581**
Additions	–	330	20	1,850	2,200
Disposals and eliminations	–	(142)	–	–	(142)
Amortization	–	(218)	(10)	–	(228)
Amortization on fixed asset disposals	–	96	–	–	96
Reclassifications	–	–	–	–	–
Figures as of 12.31.2017	**–**	**628**	**29**	**1,850**	**2,507**
Gross value	853	1,636	76	1,850	4,415
Accumulated amortization	(853)	(1,008)	(47)	–	(1,908)
Figures as of 12.31.2017	**–**	**628**	**29**	**1,850**	**2,507**

Development costs include development costs arising from the transfer of the business from GIMA S.p.A. and that have an estimated useful life of 5 years. As disclosed in the report on operations, research and development costs which failed to meet the relevant capitalization criteria have been recognized in profit or loss; the costs in question amounted to Euro 2,299 thousand in 2017 (Euro 2,221 thousand in 2016).

Industrial patents rights include the costs incurred during the year and in prior years for the acquisition and registration of industrial patents. Additions in 2017 came to Euro 330 thousand.

Software, licences, trademarks and similar rights mainly include applications, operating and technical software. Additions during the year mainly concerned the acquisition of software and licences for the technical area.

As at December 31, 2017, an amount of Euro 1,850 thousand had been capitalized as assets under development in relation to development costs incurred on two projects concerning new technologies designed to improve the speed of packaging lines to meet the requirements of two major customers and which are also expected to be exploited over the coming years by other customers.

There are no internal or external circumstances that are indicative of the potential impairment of property, plant and equipment or intangible assets.

3. RECEIVABLES

Receivables mainly include guarantee deposits paid to the European Patent Office, where the Company has a deposit account used to pay for the European patents that it has applied for.

4. DEFERRED TAX ASSETS AND LIABILITIES

Details of deferred tax assets and liabilities at December 31, 2017 and 2016 are set out in the following table:

Euro thousands	12.31.2017	12.31.2016
Deferred tax assets	1,069	557
Deferred tax liabilities	–	–

Details of changes in deferred tax assets and liabilities in the years ended December 31, 2017 and 2016 are set out in the following table:

Euro thousands	12.31.2017	12.31.2016
Balance at beginning of the year	557	381
Credit/(Debit) to the income statement	511	194
Credit/(Debit) to the income statement - change of rate	–	(18)
Credit/(Debit) to equity	1	–
Other changes	–	–
Balance at end of the year	**1,069**	**557**

Deferred tax assets at December 31, 2017 amounted to Euro 1,069 thousand (Euro 557 thousand at December 31, 2016) and mainly relate to temporary differences arising on the provision for inventory obsolescence and provisions for risks and charges.

The 2016 Stability Law established that from January 1, 2017 the corporate income tax (IRES) rate was to fall from 27.5% to 24%, applicable to tax periods subsequent to the year in progress at December 31, 2016. Accordingly, the Company has recalculated deferred tax assets based on the new IRES rate of 24%. The IRAP rate used was 3.9%. Details are provided below of the main components of deferred tax assets and changes therein in the two years just ended:

Euro thousands	Provisions	Actuarial gain	Other	Total
Figures as of 01.01.2016	**361**	**2**	**18**	**381**
Effect on income statement	181	(1)	(4)	176
Effect on equity	–	–	–	–
Figures as of 12.31.2016	**542**	**1**	**14**	**557**
Effect on income statement	394	–	117	511
Effect on equity	–	1	–	1
Figures as of 12.31.2017	**936**	**2**	**131**	**1,069**

"Other" includes the temporary differences between the book values and the values for tax purposes of depreciation of property, plant and equipment and amortization of intangible assets and of items in foreign currency.

In compliance with IAS 12, the Company does not offset deferred tax assets and liabilities.

No circumstances exist that would prevent the recoverability of the deferred tax assets.

5. INVENTORIES

"Inventories" are made up as follows:

	12.31.2017			12.31.2016		
Euro thousands	**Gross value**	**Provision**	**Net value**	**Gross value**	**Provision**	**Net value**
Raw, ancillary and consumable goods	3,179	(146)	3,033	2,943	(88)	2,855
Work in progress and semi-finished goods	20,111	(1,772)	18,339	16,064	(748)	15,316
Total	**23,290**	**(1,918)**	**21,372**	**19,007**	**(836)**	**18,171**

Provision for obsolete and slow-moving goods.

The increase in inventories in 2017 reflects the substantial amount of the order book at the end of the year.

6. TRADE AND OTHER RECEIVABLES

"Trade and other receivables" consist of the following:

Euro thousands	12.31.2017	12.31.2016
Trade receivables	30,859	24,018
Receivables from Parent Company and companies controlled by IMA S.p.A.	2,923	2,025
Advances to suppliers	283	195
Tax receivables	9,937	2,614
Deferred costs	75	63
Other receivables	12	7
Total	**44,089**	**28,922**

Trade receivables

Trade receivables include third party receivables for completed work, the amount of which consists of the contractually agreed receivable, net of advances received, and also include amounts due by customers for construction contracts, which consist of the difference between the portion of contractual revenue already produced by the Company, net of advances received from customers for projects in progress at the reporting date.

The following table provides details of "Trade receivables":

Euro thousands	12.31.2017	12.31.2016
Receivables from customers for completed work	6,762	12,740
Amount due from customers	24,036	11,242
Receivables from companies affiliated to IMA S.p.A.	61	37
Total	**30,859**	**24,018**

Trade receivables at December 31, 2017 amounted to Euro 30,859 thousand and consist mainly of receivables from customers for completed work of Euro 6,762 thousand (Euro 12,740 thousand at December 31 2016) and of amounts due by customers for construction contracts of Euro 24,036 thousand (Euro 11,242 thousand at December 31, 2016).

Amounts due by customers for construction contracts, determined on a percentage-of-completion basis (costs incurred plus recognized margins) are shown below, net of advances:

Euro thousands	12.31.2017	12.31.2016
Valuation of contracts in progress (costs incurred plus recognized margins)	41,419	23,336
Advances received	(17,383)	(12,094)
Amount due from customers	**24,036**	**11,242**

Amounts due to customers for construction contracts (included in trade payables and other payables under advances) in respect of contract work in progress, determined on a percentage-of-completion basis, are shown below net of the amounts due from customers:

Euro thousands	12.31.2017	12.31.2016
Advances received	5,925	15,825
Valuation of contracts in progress (costs incurred plus recognized margins)	(4,973)	(12,939)
Amount due to customers	**952**	**2,886**

Advances received by the Company as shown by the above table relate to the portion of total advances that has been reclassified as a liability due to the fact that costs incurred plus recognized margins are lower than advances received.

This amount, plus the amount of advances received for work that has not yet started, constitutes the total of "Advances from customers" as presented separately in Note 13.

In the year ended December 31, 2017, revenue related to construction contracts (and which are included in Original Equipment and After-Sales revenue) amounted to Euro 116,889 thousand (out of a total of Euro 151,761 thousand).

The high credit standing of our customers, largely multinationals, reduces credit risk and as such no recognition of an allowance of doubtful accounts is required.

As of December 31, 2017, no provision was made for the writedown of receivables.

The period saw the assignment without recourse of receivables from customers of Euro 10,737 thousand (Euro 16,889 thousand in 2016).

Receivables sold to factoring companies without recourse during 2017 that had not yet fallen due as of December 31, 2017 came to Euro 8,312 thousand (Euro 8,293 thousand at December 31, 2016).

In accordance with IAS 39 - Financial Instruments: Recognition and Measurement, the requirements for eliminating these receivables from the financial statements exist.

Receivables from Parent Company and companies controlled by IMA S.p.A.

The item in question is made up as follows:

Euro thousands	12.31.2017	12.31.2016
Receivables from Parent Company	2,917	2,023
Receivables from companies controlled by IMA S.p.A.	6	2
Total	**2,923**	**2,025**

Receivables from the Parent Company IMA S.p.A. mainly relate to advances paid for the purchase of machines. For more details, please refer to note 29.

A breakdown by maturity of "Trade receivables" and "Receivables from Parent Company and companies controlled by IMA S.p.A." is provided in the following table.

Euro thousands	Still to fall due	Past due less than 12 months	Past due more than 12 months	Total
12.31.2017				
Gross receivables	30,708	3,074	–	33,782
Allowance for doubtful accounts	–	–	–	–
Net receivables	**30,708**	**3,074**	**–**	**33,782**
12.31.2016				
Gross receivables	22,543	2,555	945	26,043
Allowance for doubtful accounts	–	–	–	–
Net receivables	**22,543**	**2,555**	**945**	**26,043**

There were no receivables falling due beyond 12 months at December 31, 2017 (Euro 945 thousand at December 31, 2016).

Advances to suppliers

Advances to suppliers at December 31, 2017 of Euro 283 thousand relate to advances in respect of goods destined to be used in the production process (Euro 195 thousand at December 31, 2016).

Tax receivables

Tax receivables at December 31, 2017 amounted to Euro 9,937 thousand (versus Euro 2,614 thousand at the prior year end) and mainly consist of a 2017 VAT receivable of Euro 9,860 thousand (for which the Company intends to request a full or partial refund in the first half of 2018).

Prepaid expenses

These consist mainly of prepaid maintenance fees and annual patent fees.

7. FINANCIAL RECEIVABLES

Financial receivables at December 31, 2016 of Euro 7,624 thousand consisted of the balance due to the Company arising from the inter-group current account with the Parent Company IMA S.p.A.

The balance was completely reimbursed by IMA S.p.A. in the first half of 2017 and the related contract was terminated.

8. CASH AND CASH EQUIVALENTS

This item is made up as follows:

Euro thousands	12.31.2017	12.31.2016
Bank current accounts	45,780	37,615
Cheques and cash in hand	8	9
Total	**45,788**	**37,624**

The net financial position at December 31, 2017 consisted of net cash of Euro 45,788 thousand and took account of the payment in April 2017 of dividends relating to the 2016 financial year of Euro 27,001 thousand, in relation to which there were no restrictions.

A breakdown of the net financial position at December 31 2017, calculated in accordance with the format provided in ESMA Recommendation 2013/319, together with prior year comparatives, is set out in the following table:

	31.12.2017	12.31.2016
A. Cash	8	9
B. Cash equivalents	45,780	37,615
C. Trading securities	–	–
D. Liquidity (A) + (B) + (C)	**45,788**	**37,624**
E. Current financial receivables	**–**	**7,624**
F. Current bank liabilities	–	–
G. Current portion of non-current debt	–	–
H. Other current financial payables	–	–
I. Current financial indebtedness (F) + (G) + (H)	**–**	**–**
J. Net financial position, net of current indebtedness (D) + (E) – (I)	**45,788**	**45,249**
K. Non-current bank loans	–	–
L. Bonds issued	–	–
M. Other non-current payables	–	–
N. Non-current financial indebtedness (K) + (L) + (M)	**–**	**–**
O. Net financial position (J) - (N)	**45,788**	**45,249**

9. SHARE CAPITAL

Share capital (fully subscribed and paid up) at December 31, 2017, amounted to Euro 440 thousand and consisted of 88,000,000 ordinary shares with no par value.

On June 26, 2017, the shareholders in general meeting passed resolutions to increase share capital by Euro 330,000 via a bonus issue (from Euro 110,000 to Euro 440,000), to split the ordinary shares by a ratio of 100:1 and to eliminate the par value of the shares.

The bonus increase in share capital was effected by transferring Euro 132 thousand from the share premium reserve and Euro 198 thousand from retained earnings.

10. RESERVES, RETAINED EARNINGS AND DIVIDENDS

Share premium reserve

The share premium reserve was reduced to zero in 2017 as part of the aforementioned bonus increase in share capital (the reserve amounted to Euro 132 thousand at December 31, 2016).

Reserve for actuarial valuation of employee severance indemnities

The reserve for actuarial valuation of employee severance indemnities arises from the measurement thereof in compliance with IAS 19 – Employee benefits (“IAS 19”).

According to the standard, the sole accounting method permitted, effective as of January 1, 2013, is the immediate recognition of actuarial gains and losses in other comprehensive income in the year in which they arise, without being able to reclassify them to profit or loss.

Actuarial gains and losses must therefore be recognized in the statement of financial position as adjustments to equity.

The change in the reserve for actuarial valuation of employee severance indemnities is as follows:

Euro thousands	
Figure as of 01.01.2016	**(2)**
Actuarial valuation	(3)
Tax effect	1
Figure as of 12.31.2016	**(4)**
Figure as of 01.01.2017	(4)
Actuarial valuation	(3)
Tax effect	1
Figure as of 12.31.2017	**(6)**

Other reserves and retained earnings

Other reserves at December 31, 2017 included the legal reserve of Euro 22 thousand and the merger surplus reserve arising from the share exchange ratio originating from the reverse merger with GIMA Holding S.r.l. of Euro 2 thousand.

Retained earnings at December 31, 2017 of Euro 34 thousand originated from an allocation to retained earnings of a portion (Euro 232 thousand) of 2016 profit for the year (of Euro 27,233 thousand) that was not distributed as a dividend, net of the impact of the aforementioned bonus increase in share capital.

Treasury shares

During 2017 and 2016, the Company did not carry out any transactions in treasury shares. The Company did not hold any treasury shares as at December 31, 2017.

Dividends

In 2017, dividends were paid by the Company of a total amount of Euro 27,000,600, equating to a gross dividend of Euro 0.31 per ordinary share versus Euro 20,108,000 paid in 2016, equating to a gross dividend of Euro 0.23 per ordinary share (the dividend per share has been calculated based on 88,000,000 outstanding ordinary shares, having backdated the effect of the split of ordinary shares in 2017 to the beginning of 2016). Further information is provided in the statement of changes in equity.

In the current year, the Board of Directors of the Company proposes to pay out a gross dividend of Euro 0.42 per ordinary share. As this dividend is subject to approval of the Shareholders' Meeting, it was not recognized as a liability at 31 December 2017.

Until such time as the development costs recognized in intangible assets (Euro 1,850 thousand at December 31 2017) have been fully amortized, dividends may be distributed only if there are sufficient residual distributable reserves to cover the costs not yet amortized, as per art. 2426, paragraph 5 of the Italian Civil Code.

11. LIABILITIES FOR EMPLOYEES' BENEFITS

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 main demographic assumptions used by the actuary were as follows:

- mortality: reference is made to the State General Accounting Office (RG48 split by gender);
- probability of disability: reference is made to the INPS (National Social Security Institute) model for projections at 2010, distinguished by gender;

- pensionable age: the earliest retirement age possible according to the Italian general insurance scheme;
- probability of leaving work for reasons other than death: annual frequencies mainly of 2.50%;
- probability of advance payments: an annual frequency of 5.00% with a maximum of two repeat requests;
- advances of 60.00%.

The main economic and financial assumptions used by the actuary were as follows:

	12.31.2017	12.31.2016
Annual discount rate	1.20%	1.50%
Annual inflation rate	1.50%	1.50%
Annual pay rise	3.00%	3.00%
Annual increase in severance indemnities	2.63%	2.63%

For the discount rate, the iBoxx Eurozone Corporates AA 10+ index was used as a parameter.

Changes in liabilities for employees' benefits in the years ended December 31, 2017 and 2016 are set out in the table below:

Euro thousands	
Figure as of 01.01.2016	125
Financial expense	3
Uses	–
Net actuarial (gains) losses recognized during the year	3
Transfers	–
Figure as of 12.31.2016	**131**
Financial expense	2
Uses	(23)
Net actuarial (gains) losses recognized during the year	4
Transfers	15
Figure as of 12.31.2017	**129**

As required by IAS 1 9 revised - Employee Benefits, a sensitivity analysis should be carried out on variations in the main actuarial assumptions used in the model. A sensitivity analysis was therefore carried out on the average annual discount rate, the average inflation rate and the turnover rate.

The results of these calculations for the 2017 financial year are shown in the following table:

Euro thousands	Past service liabilities	
	Annual discount rate	
	+0.50%	***-0.50%***
Provision for staff severance indemnities	122	137
	Annual inflation rate	
	+0.25%	***-0.25%***
Provision for staff severance indemnities	131	127
	Annual inflation rate	
	+2.00%	***-2.00%***
Provision for staff severance indemnities	127	131

The contributions expected to be made in future years to cover the severance indemnity obligations accrued to date are as follows:

Euro thousands	12.31.2017	12.31.2016
Within 1 year	6	5
From 1 to 5 years	21	27
From 5 to 10 years	27	37
Total expected payments	**54**	**69**

12. OTHER PAYABLES

Other payables at December 31, 2017 amounted to Euro 463 thousand (nil balance at December 31, 2016) and consist of non-current amounts payable to directors and employees.

13. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

Euro thousands	12.31.2017	12.31.2016
Trade payables	38,223	33,408
Payables from Parent Company and companies controlled by IMA S.p.A.	5,783	3,329
Advances from customers	15,749	18,659
Social security payables and defined contribution plans	589	422
Income tax payables	990	528
Employee payables	2,646	2,705
Guarantee deposits	–	863
Other payables	487	89
Total	**64,466**	**60,003**

Trade payables

Euro thousands	12.31.2017	12.31.2016
Trade payables to suppliers and agents	18,748	17,718
Payables to companies affiliated to IMA S.p.A.	19,475	15,690
Total	**38,223**	**33,408**

Trade payables include payables to suppliers and agents of Euro 18,748 thousand (Euro 17,718 thousand at December 31, 2016) and trade payables to companies affiliated to IMA of Euro 19,475 thousand (Euro 15,690 thousand at December 31 2016).

Payables to Parent Company and companies controlled by IMA S.p.A.

Euro thousands	12.31.2017	12.31.2016
Payables to Parent Company	5,580	3,204
Payables to companies controlled by IMA S.p.A.	203	125
Total	**5,783**	**3,329**

Payables to the Parent Company and subsidiaries of IMA S.p.A., which consist of trade payables and advances, derive from the provision of services, goods and personnel secondment.

See Note 29 for further information.

Advances from customers

Advances from customers at December 31, 2017 of Euro 15,749 thousand (Euro 18,659 thousand at December 31 2016) consist of advances from customers for contracts not yet completed and reflect the large volume of orders received at the reporting date.

Please refer to Note 6 for the amount owed to customers for construction contracts.

Income tax payables

Income tax payables at December 31, 2017 of Euro 990 thousand consist mainly of income tax withheld from professional fees and employees' wages and salaries.

Employee payables

Employee payables at December 31, 2017 amounted to Euro 2,646 thousand versus Euro 2,705 thousand at December 31, 2016.

Other payables

Other payables at December 31, 2017 consist mainly of Euro 321 thousand payable to directors (no such payable at December 31, 2016), Euro 84 thousand of credit card liabilities (Euro 42 thousand at December 31 2016) and Euro 60 thousand payable to insurance companies (Euro 34 thousand at December 31, 2016).

14. INCOME TAX PAYABLES

Income tax payables at December 31, 2017 amounted to Euro 4,821 thousand versus Euro 5,295 thousand at December 31, 2016.

They include IRES payable of Euro 15,052 thousand, net of advances paid in 2017 of Euro 11,109 thousand, as well as IRAP payable of Euro 2,456 thousand, net of advances paid in 2017 of Euro 1,578 thousand.

15. PROVISIONS FOR RISKS AND CHARGES

The Company recognized a product warranty provision at December 31, 2017 of Euro 1,702 thousand.

Changes in the product warranty provision in 2017 are set out in the following table:

Euro thousands	Figure as of 12.31.2016	Allocation to provision	Uses	Figure as of 12.31.2017
Product warranty provision	1,223	491	(12)	1,702
Other provisions	–	–	–	–
Total	**1,223**	**491**	**(12)**	**1,702**

The product warranty provision is based on an estimate of the costs likely to be incurred subsequent to the reporting date on products under guarantee, in relation to machines sold prior to that date.

16. REVENUE

Revenue in 2017 amounted to Euro 151,761 thousand, having increased organically in the year by 51.2%.

The table below provides a breakdown of the Company's revenue by geographical area, based on the geographical origin (registered office) of the customers that commissioned the orders and to whom the sale is made and the invoice issued:

Euro thousands	2017	%	2016	%	Change
European Union (excl. Italy)	42,263	27.8	32,533	32.4	9,731
Other European countries	16,966	11.2	11,036	11.0	5,930
Asia and Middle East	46,050	30.3	19,347	19.3	26,703
Other countries	4,844	3.2	648	0.6	4,196
Total export	**110,122**	**72.6**	**63,563**	**63.3**	**46,559**
Italy	41,639	27.4	36,832	36.7	4,807
Total	**151,761**	**100.0**	**100,394**	**100.0**	**51,367**

In the year ended December 31, 2017, 72.6% of revenue was generated outside Italy. In addition to Italy, revenue growth was also achieved in all other geographical areas, with significant growth in Asia and Middle East of Euro 26,703 thousand, driven mainly by sales to Japan. The transactions were entered into using the Company's functional and presentation currency.

Approximately 69.3% of revenue was generated by packaging lines (“Original Equipment”), while the other 30.7% was generated by after-sales activities (“After-Sales”), which comprise technical assistance, spare parts, kits, training and other ancillary services , as shown in the following table:

Euro thousands	2017	%	2016	%	Change
Original Equipment	105,098	69.3	78,698	78.4	26,400
After-Sales	46,663	30.7	21,696	21.6	24,967
Total	**151,761**	**100.0**	**100,394**	**100.0**	**51,367**

In the year ended December 31, 2017, revenue related to construction contracts (and which are included in Original Equipment and After-Sales revenue) amounted to Euro 116,889 thousand.

17. OTHER REVENUE

Other revenue comprises:

Euro thousands	2017	2016	Change
Intangible assets	1,850	–	1,850
Out-of-period income	159	53	106
Other revenue and income	449	64	385
Total	**2,458**	**117**	**2,341**

The additions to intangible assets for internal work in 2017 of Euro 1,850 thousand relate to development costs. Out-of-period income mainly refers to positive differences between effective costs and revenue and the estimates accrued in previous years.

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

The cost of raw, ancillary and consumable materials and goods for resale in 2017 amounted to Euro 52,766 thousand, which is up on the 2016 figure. This item is made up as follows:

Euro thousands	2017	2016	Change
Raw materials and semi-finished products	43,027	37,587	5,441
Consumable and ancillary materials	476	353	123
Goods for resale	8,778	2,442	6,336
Other purchases	485	521	(36)
Total	**52,766**	**40,903**	**11,864**

19. SERVICES, RENTALS AND LEASES

This item is made up as follows:

Euro thousands	2017	2016	Change
External machining and assembly	13,775	8,030	5,745
Technical, legal, tax, administrative and commercial consulting services	8,527	5,415	3,112
Travel, transport and insurance costs	667	276	391
Freight costs	500	316	184
Maintenance and repairs	163	90	73
Advertising and promotions	148	115	33
Energy, telephone, gas, water and postal charges	106	58	48
Commission expense	92	116	(24)
Bank charges	56	77	(21)
Other services	2,060	1,324	736
Total services	**26,094**	**15,817**	**10,277**
Rent expense	1,180	1,243	(63)
Rental instalments	55	36	19
Annual patent fees	27	25	2
Total rentals and leases	**1,262**	**1,304**	**(42)**
Total	**27,356**	**17,121**	**10,235**

The cost of services, rentals and leases in 2017 amounted to Euro 27,356 thousand, having thus increased with respect to the 2016 figure of Euro 17,121 thousand.

External machining and assembly mainly includes the cost of services pertaining to electrical and mechanical assembly, technical assistance and electrical and mechanical finishing.

Technical, legal, tax, administrative and commercial consulting services include design costs of Euro 3,894 thousand (versus Euro 3,073 thousand in 2016).

This cost category also includes non-recurring costs of Euro 1,072 thousand attributable to the Company's listing process (further information is provided in Note 30).

20. PERSONNEL COSTS

Personnel costs in 2017 amounted to Euro 14,803 thousand (versus Euro 9,066 thousand in 2016) and consist of the following:

Euro thousands	2017	2016	Change
Wages and salaries	9,713	6,064	3,649
Employee benefits	90	75	15
Social contributions	2,731	1,761	970
Directors' fees	955	130	825
Post-employment costs for defined contribution plans	609	382	227
Other personnel costs	705	654	51
Total	**14,803**	**9,066**	**5,737**

The increase in personnel costs in the year is mainly due to a higher number of employees in the year. The Company employed an average number of 113 persons in 2017 versus 81 in 2016:

	2017	2016	Change
Managers	5	3	2
White-collar workers	76	54	22
Blue-collar workers	32	24	8
Total	**113**	**81**	**32**

There was a headcount of 138 at December 31, 2017, up by 92 on the 2016 year end figure.

21. DEPRECIATION AND AMORTIZATION

Depreciation and amortization in 2017 of Euro 466 thousand consist of the depreciation of property, plant and equipment and the amortization of intangible assets:

Euro thousands	2017	2016	Change
Depreciation of property, plant and equipment	238	175	63
Amortization of intangible assets	228	294	(66)
Total	**466**	**469**	**(3)**

22. OTHER OPERATING COSTS

Other operating costs consist of the following:

Euro thousands	2017	2016	Change
Other taxes	12	7	5
Losses on disposal of fixed assets	46	41	5
Out-of-period expense	65	13	52
Other operating expenses	197	34	163
Total	**319**	**94**	**225**

Other operating expenses include non-recurring costs of Euro 188 thousand attributable to the Company's listing process (further information is provided in Note 30).

23. FINANCIAL INCOME

This item is made up as follows:

Euro thousands	2017	2016	Change
Interest income from Parent Company	46	122	(76)
Bank interest income	1	0	1
Exchange gains	17	3	14
Total	**64**	**125**	**(61)**

Interest income from Parent Company relates to interest receivable on the intragroup current account with IMA S.p.A. that is governed by a contract entered into in the first half of 2017.

24. FINANCIAL EXPENSE

This item is made up as follows:

Euro thousands	2017	2016	Change
Bank interest expense	2	1	1
Discount interest expense	61	56	5
Net interest cost of defined benefit plans	3	2	1
Miscellaneous interest expense	73	52	21
Surety charges	7	15	(8)
Exchange losses	35	13	22
Total	**181**	**139**	**42**

The discount interest expense arises from the factoring of receivables.

25. TAXES

Summary details of the income tax expense are as follows:

Euro thousands	2017	2016	Change
Current income taxes	17,509	12,688	4,821
Deferred tax assets	(511)	(176)	(335)
Deferred tax liabilities	–	–	–
Total	**16,997**	**12,512**	**4,485**

The theoretical tax rate used to determine the income taxes is 24.0% of the taxable income for the year.

The 2016 Stability Law established that from January 1, 2017 the corporate income tax (IRES) rate was to fall from 27.5% to 24.0%, applicable to tax periods subsequent to the year in progress at December 31, 2016.

Accordingly, the Company has recalculated deferred tax assets based on the new IRES rate of 24%, while IRAP was calculated at a rate of 3.9%, as indicated in Note 4.

The following table provides a reconciliation of the theoretical tax charge to the actual tax charge:

Euro thousands	2017	2016	Change
Result before taxes	61,115	39,745	21,370
Taxes calculated at the applicable rate	14,668	10,930	3,738
Non-taxable income	(45)	(18)	(27)
Tax effect of non-deductible costs	63	41	22
IRAP	2,438	1,561	877
Other	(127)	(2)	(125)
Total income taxes	**16,997**	**12,512**	**4,485**

26. EARNINGS PER SHARE

Basic earnings per share are calculated on the basis of profit for the year divided by the weighted average number of shares outstanding during the year, as indicated in the table below, and coincide with diluted earnings per share due to the absence of potentially dilutive equity instruments.

	2017	2016	Change
Profit for the year (in Euro) (A)	44,117,264	27,233,173	16,884,091
Average number of ordinary shares (B)	88,000,000	88,000,000	–
Earnings per share (A / B)	**0.50**	**0.31**	**0.19**

The average number of shares used for the computation was determined by backdating (to before the beginning of 2016) the split of ordinary shares as approved by the shareholders in general meeting on June 26, 2017.

27. GUARANTEES GIVEN

At December 31, 2017, GIMA TT S.p.A. granted guarantees of Euro 3,906 thousand, Euro 3,637 thousand for advances received from customers, Euro 78 thousand for the Swiss Tax Authorities and Euro 191 thousand for the Customs Agency for temporary imports of tobacco.

28. COMMITMENTS

As of December 31, 2017, the Company had lease commitments of Euro 8,376 thousand (Euro 1,025 thousand within 1 year, Euro 5,126 thousand in 1 to 5 years and Euro 2,225 thousand beyond 5 years). There are third-party goods at our factories consisting of tobacco sent to us temporarily by customers for Euro 191 thousand.

29. RELATED-PARTY TRANSACTIONS

In compliance with Consob regulations on related party transactions, in 2017, the Company adopted procedures, the purpose of which is to lay down the approach to be taken for the identification, review and approval of transactions to be carried out with related parties to ensure that they are transparent and fair from both a substantial and procedural point of view. Further information is provided in the report on operations.

As described earlier, 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 in the ordinary course of business on an arm's-length basis.

In addition to intra-group transactions, the Group also conducts transactions with other related parties, mainly parties controlling IMA S.p.A., or parties responsible for the administration and management of IMA S.p.A. or entities controlled by such parties.

The Board of Directors must give advance approval in its meetings for all transactions with related parties, including intercompany transactions, except for transactions carried out in the ordinary course of business on arm's-length terms.

Transactions with related parties are conducted at terms and conditions that are equivalent to normal market conditions.

The financial receivable due from the Parent Company IMA S.p.A., which is included in "Financial assets" and which amounted to Euro 7,624 thousand at December 31, 2016, was completely reimbursed in the first half of 2017 following the closure of the underlying intragroup current account. Interest income from the Parent Company IMA S.p.A., as disclosed in Note 23, relates to the above intragroup current account.

Euro thousands	12.31.2017	12.31.2016	Change
Financial receivables from Parent Company			
IMA S.p.A	–	7,624	(7,624)
Total	**–**	**7,624**	**(7,624)**

Trade receivables due from and advances to the Parent Company IMA S.p.A. and its subsidiaries and affiliates, as included in "Trade and other receivables", amounted to Euro 2,985 thousand at December 31, 2017, up on the December 31, 2016 figure of Euro 2,061 thousand.

Details of the above receivables and advances, which mainly relate to the sale of goods in the ordinary course of the Company's business, in addition to administrative, commercial and technical design services provided at market terms, are shown in the following table:

Euro thousands	12.31.2017	12.31.2016	Change
Trade receivables from Parent Company			
IMA S.p.A.	2,917	2,023	894
Total	**2,917**	**2,023**	**894**
Trade receivables from affiliates			
GIMA S.p.A.	6	2	4
Revisioni Industriali S.r.l.	–	–	–
Total	**6**	**2**	**4**
Trade receivables from associates			
Sil.mac S.r.l.	42	26	16
Logimatic S.r.l.	20	10	10
Total	**62**	**36**	**26**
Total	**2,985**	**2,061**	**924**

Trade payables due to and advances from the Parent Company IMA S.p.A. and its subsidiaries and affiliates, as included in "Trade and other payables", amounted to Euro 25,257 thousand at December 31, 2017, up on the December 31, 2016 figure of Euro 19,019 thousand.

The above arose from transactions conducted at market terms and consisting of the performance of services, the supply of goods and personnel secondment.

Details of the above payables and advances are shown in the following table:

Euro thousands	12.31.2017	12.31.2016	Change
Trade payables to Parent Company			
IMA S.p.A.	5,580	3,204	2,376
Total	**5,580**	**3,204**	**2,376**
Trade payables to affiliates			
GIMA S.p.A.	125	17	108
IMA Pacific	–	1	(1)
Ilapak Sp Zoo	29	–	29
IMA Germany GmbH	6	–	6
OOO Ima Industries	43	64	(21)
Revisioni Industriali S.r.l.	–	43	(43)
Total	**203**	**125**	**78**
Trade payables to associates			
B.C. S.r.l.	127	64	63
La.co. S.r.l.	1,015	1,480	(465)
Iema S.r.l.	6,598	6,261	337
Sil.mac S.r.l.	4,596	2,915	1,681
Masterpiece S.r.l.	38	46	(8)
Powertransmission.it S.r.l.	36	33	3
Logimatic S.r.l.	5,200	3,588	1,612
Bolognesi S.r.l.	1,450	848	602
Plasticenter S.r.l.	–	132	(132)
STA.MA S.r.l.	60	62	(2)
MORC 2 S.r.l.	351	245	106
S.I.ME. S.r.l.	–	1	(1)
TALEA S.r.l.	3	15	(12)
Total	**19,474**	**15,690**	**3,784**
Total	**25,257**	**19,019**	**6,238**

Revenue from the Parent Company IMA S.p.A. and its subsidiaries and affiliates in 2017 amounted to Euro 354 thousand. Details of this revenue, which originated from transactions conducted on an arm's length basis and which consists essentially of sales of goods, technical assistance and design services, are shown in the following table:

Euro thousands	2017	2016	Change
Revenue from Parent Company			
IMA S.p.A.	272	40	232
Total	**272**	**40**	**232**
Revenue from affiliates			
GIMA S.p.A.	16	15	1
Corazza S.p.A.	–	1	(1)
Total	**16**	**16**	**–**
Revenue from associates			
Sil.mac S.r.l.	49	27	22
Logimatic S.r.l.	17	12	5
Total	**66**	**39**	**27**
Total	**354**	**95**	**259**

Operating costs pertaining to transactions with the Parent Company IMA S.p.A. and its subsidiaries and affiliates in 2017 amounted to Euro 42,213 thousand, up on the prior year figure of Euro 27,295 thousand. These costs mainly originated from transactions conducted on an arm's length basis and which consist of purchases of goods in the ordinary course of the Company's business, of commercial and technical design consulting services and personnel secondment.

Details of the above costs, which are included in the income statement line items "Cost of raw, ancillary and consumable materials and goods for resale", "Services, rentals and leases" and "Personnel costs", are shown in the following table:

Euro thousands	2017	2016	Change
Operating costs - Parent Company			
IMA S.p.A.	19,745	9,393	10,352
Total	**19,745**	**9,393**	**10,352**
Operating costs - affiliates			
OOO Ima Industries	633	205	428
GIMA S.p.A.	149	26	123
IMA Germany GmbH	5	–	5
Ilapak Sp Zoo	29	–	29
IMA PACIFIC CO LTD	–	68	(68)
Revisioni Industriali S.r.l.	73	44	29
Total	**889**	**343**	**546**
Operating costs to associates			
B.C. S.r.l.	393	344	49
La.co. S.r.l.	1,262	1,480	(218)
Iema S.r.l.	6,972	6,288	684
Sil.mac S.r.l.	5,884	3,451	2,433
Masterpiece S.r.l.	45	51	(6)
Powertransmission.it S.r.l.	53	41	12
Logimatic S.r.l.	4,848	3,880	968
Bolognesi S.r.l.	1,522	1,478	44
Plasticenter S.r.l.	88	126	(38)
MORC 2 S.r.l.	440	352	88
STA.MA S.r.l.	70	65	5
S.I.ME. S.r.l.	2	2	–
TALEA S.r.l.	–	1	(1)
Total	**21,579**	**17,559**	**4,020**
Total	**42,213**	**27,295**	**14,918**

Interest income from the Parent Company IMA S.p.A. relates to the intragroup current account that was closed in the first half of 2017 (Note 23).

Euro thousands	2017	2016	Change
Interest income from Parent Company			
IMA S.p.A.	46	122	(76)
Total	**46**	**122**	**(76)**

In addition to the above intercompany transactions, the Company has entered into transactions of a manufacturing, trade and financial nature with related parties.

Details of the main balances (payables) with related parties are as follows:

Payables - Euro thousands	12.31.2017	12.31.2016	Change
Datalogic S.r.l.	–	18	(18)
EPSOL S.r.l.	1	–	1
Poggi & Associati	16	118	(102)
Morosina S.p.A.	61	61	–
Verniciatura Ozzanese S.r.l.	1	1	–
Costal Projects & Consulting S.r.l.	861	363	498
TEC.COM. S.a.s.	479	2,064	(1,585)
Total	**1,419**	**2,625**	**(1,206)**

Details of the main transactions (costs) with related parties are as follows:

Costs - Euro thousands	2017	2016	Change
EPSOL S.r.l.	1	–	1
Verniciatura Ozzanese S.r.l.	1	1	–
Poggi & Associati	297	152	145
Morosina S.p.A.	74	76	(2)
Costal Projects & Consulting S.r.l.	1,213	577	636
TEC.COM. S.a.s.	959	915	44
Total	**2,545**	**1,721**	**824**

30. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Consob Communication DEM/6064293 of July 28, 2006 requires disclosure of significant non-recurring events and transactions, that is, transactions or events that do not occur frequently in the ordinary course of business. Specifically, pursuant to the above Consob Communication, “significant non-recurring events and transactions” are events and transactions, the occurrence of which is non-recurring, that is, transactions or events that do not occur frequently in the ordinary course of business and which have a material bearing on a company's financial position, results and cash flows.

It should be noted in this regard that 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 October 2, 2017.

Costs incurred by the Company in connection with the listing process and which are of a non-recurring nature, amounted to Euro 1,259 thousand, of which Euro 1,072 thousand is included in the income statement line item “Services, rentals and leases”, while the remainder is included in “Other operating costs”.

31. ATYPICAL OR UNUSUAL TRANSACTIONS

No balances, income or costs arose from atypical and/or unusual transactions in 2017.

32. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE YEAR

No significant events have taken place after the end of the period.

F) ANALYSIS OF EQUITY ITEMS

INFORMATION REQUIRED BY ART. 2427 NO. 7-BIS OF THE ITALIAN CIVIL CODE

AT DECEMBER 31, 2017 (Euro THOUSANDS)

				Summary of use of reserves in the last three years	
Nature/Description	Amount	Potential use	Portion available	To cover losses	For other reasons
Share capital	**440**				
Capital reserves:					
- Share premium reserve	–	A-B-C	–	–	3,957
- Reserve for capital payments	–	A-B-C	–	–	–
			–	**–**	**3,957**
Profit reserves:					
- Defined benefit plans actuarial remeasurement reserve	(7)				
- Legal reserve (1)	22	B	–	–	–
- Merger surplus reserve	2	A-B-C	2	–	2,730
- Retained earnings	34	A-B-C	–	–	198
			2	**–**	**2,928**
Total	**491**		**2**	**–**	**6,885**
Non-distributable portion (2)			**1,850**	**–**	**–**
Distributable portion (balance)			**–**	**–**	**–**

Key: A: for increase in capital - B: to cover losses - C: for distribution to shareholders.

1) The legal reserve is only available for use as in letter B. In any case, all other available reserves have to be used first.

2) Pursuant to art. 2426, paragraph 5 of the Italian Civil Code, there is a restriction on distributable reserves up to an amount of Euro 1,850 thousand, equating to the amount of research and development costs recognized as intangible assets, but not yet amortized.

G) REMUNERATION PAID TO DIRECTORS AND STATUTORY AUDITORS

REMUNERATION

Details are provided below of remuneration payable for any reason and in any form to the Company's Directors and Statutory Auditors for carrying out their duties pertaining to GIMA TT attributable to 2017.

Euro thousands	2017
Directors	4,264
Board of Statutory Auditors	31
Total	**4,295**

The amount payable to Directors includes fees for professional services and employee remuneration. Related details are contained in the Remuneration Report.

H) FINANCIAL STATEMENTS OF I.M.A. S.P.A. (WHICH CARRIES ON MANAGEMENT AND COORDINATION ACTIVITIES) AT DECEMBER 31, 2016 COMPARED WITH 2015

The key figures of I.M.A. S.p.A. shown in the summary table required by art. 2497-bis of the Italian Civil Code are taken from the financial statements at December 31, 2016. For an adequate and complete understanding of the financial position of I.M.A. S.p.A. at December 31, 2017 and of the economic result achieved by the company during the year ended on that date, reference should be made to its financial statements which are available as provided by law, together with the company's report on operations.

BALANCE SHEET

(EURO)

ASSETS	12.31.2016	12.31.2015
NON-CURRENT ASSETS		
Property, plant and equipment	32,611,410	28,567,296
Intangible assets	43,897,154	42,224,029
Equity investments	364,442,436	321,353,011
Financial assets	11,949,728	6,615,686
Receivables	1,436,763	1,214,227
Deferred tax assets	24,486,527	24,529,387
TOTAL NON-CURRENT ASSETS	478,824,018	424,503,636
CURRENT ASSETS		
Inventories	132,031,934	117,610,337
Trade and other receivables	165,372,960	153,267,039
Income tax receivables	3,662,817	3,658,358
Financial assets	109,035,148	24,725,539
Derivative financial instruments	191,165	549,525
Cash and cash equivalents	62,600,121	99,437,639
TOTAL CURRENT ASSETS	472,894,145	399,248,437
TOTAL ASSETS	**951,718,163**	**823,752,073**

SHAREHOLDERS' EQUITY AND LIABILITIES	31 dicembre 2016	31 dicembre 2015
SHAREHOLDERS' EQUITY		
Share capital	20,415,200	19,505,200
Share premium reserve	122,818,237	32,591,174
Treasury shares	(70,532)	(70,532)
Fair value reserve	(2,036,950)	(1,689,892)
Reserve for actuarial valuation of severance indemnities	(2,194,800)	(2,003,383)
Other reserves	53,234,312	35,158,178
Retained earnings	8,858,541	8,858,541
Net profit for the year	72,347,966	67,120,584
TOTAL SHAREHOLDERS' EQUITY	273,371,974	159,469,870
NON-CURRENT LIABILITIES		
Borrowings	218,554,554	227,287,752
Liabilities for employees' benefits	12,669,540	13,156,403
Provisions for risks and charges	1,994,581	1,777,111
Other payables	6,647,082	5,389,858
Derivative financial instruments	2,279,874	2,591,869
Deferred tax liabilities	3,354,253	3,443,238
TOTAL NON-CURRENT LIABILTIES	245,499,884	253,646,231
CURRENT LIABILITIES		
Borrowings	92,652,979	118,607,678
Trade and other payables	322,795,861	277,893,371
Income tax payables	4,167,007	2,797,075
Provisions for risks and charges	12,426,354	11,202,332
Derivative financial instruments	804,104	135,516
TOTAL CURRENT LIABILITIES	432,846,305	410,635,972
TOTAL LIABILITIES	678,346,189	664,282,203
TOTAL SHAREHOLDERS 'EQUITY AND LIABILITIES	**951,718,163**	**823,752,073**

INCOME STATEMENT

(EURO)

	2016	2015
REVENUE	591,716,561	541,872,720
OTHER REVENUE	18,965,884	13,422,989
OPERATING COSTS		
Changes in inventories of finished, semi-finished and finished products	10,100,322	1,328,601
Changes in inventories of raw, ancillary and consumable goods	4,321,275	1,421,183
Cost of raw, ancillary and consumable materials and goods for resale	(240,905,391)	(205,205,419)
Services, rentals and leases	(150,521,579)	(132,736,699)
Personnel costs	(149,961,081)	(149,087,243)
Depreciation, amortization and writedowns	(10,120,855)	(7,922,852)
Provisions	(1,247,021)	767,319
Other operating costs	(3,637,626)	(2,843,672)
TOTAL OPERATING COSTS	(541,971,956)	(494,278,782)
- including impact of non-recurring items	*(1,059,676)*	*(5,110,398)*
OPERATING PROFIT	68,710,489	61,016,927
- including impact of non-recurring items	*(1,059,676)*	*(5,110,398)*
FINANCIAL INCOME AND EXPENSE		
Financial income	44,766,306	51,886,246
Financial expense	(19,233,877)	(25,681,062)
TOTAL FINANCIAL INCOME AND EXPENSE	25,532,429	26,205,184
PROFIT BEFORE TAXES	94,242,918	87,222,111
Taxes	(21,894,952)	(20,101,527)
NET PROFIT FOR THE YEAR	**72,347,966**	**67,120,584**

I) DISCLOSURE REQUIRED BY ART. 149-DUODECIES OF CONSOB ISSUERS' REGULATIONS

The following table shows the amounts of audit fees and fees for other services in 2017 (relating to assistance provided in connection with the Memorandum on the Management Control System as part of the listing process) rendered by EY S.p.A.:

Euro thousands		2017
	Service rendered by	**Fees**
Audit	EY S.p.A.	116
Other non-audit services	EY S.p.A.	91
Total		**207**

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

CERTIFICATION OF THE FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999, AS AMENDED

GIMA TT S.P.A.

Certification of the financial statements pursuant to art. 81-ter of Consob Regulation no. 11971 of May 14, 1999, as amended

The undersigned, Sergio Marzo, Chairman of GIMA TT S.p.A., and Marco Savini, Financial Reporting Manager of GIMA TT S.p.A., certify, having regard for the requirements of art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of February 24, 1998:

- the appropriateness with regard to the characteristics of the Company and the
- effective application of the administrative and accounting procedures in preparing the financial statements for the period January-December 2017.

It is also certified that:

1) the financial statements:

   a) have been prepared in accordance with International Financial Reporting Standards adopted by the European Union under Regulation (EC) 1606/2002 of the European Parliament and Council dated July 19, 2002;
   b) correspond to the entries in the accounting books and records;
   c) provide a true and fair view of the issuer's results of operations and financial position.

2) the report on operations includes a reliable analysis of the business, as well as the results of operations and the financial position of the issuer, together with a description of the risks and uncertainties to which it is exposed.

Ozzano dell'Emilia (BO), March 9, 2018

Chairman	Financial Reporting Manager
Sergio Marzo	Marco Savini

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

REPORT OF THE INDEPENDENT AUDITORS
AT 31 DECEMBER 2017

GIMA TT S.P.A.

Building a better working world

EY S.p.A.
Via Massimo D'Azeglio, 34
40123 Bologna

Tel: +39 051 278311
Fax: +39 051 236666
ey.com

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

(Translation from the original Italian text)

To the Shareholders of
GIMA TT S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of GIMA TT S.p.A. (the "Company"), which comprise the statement of financial position at December 31, 2017, and the income statement, the statement of comprehensive income, statement of changes in shareholders' 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 at December 31, 2017, and the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued to implement article 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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.

EY S.p.A.
Sede Legale: Via Po, 32 - 00198 Roma
Capitale Sociale deliberato Euro 3.250.000,00, sottoscritto e versato Euro 3.100.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited

EY
Building a better working world

We identified the following key audit matter:

Key Audit Matter	Audit Response
Revenue recognition and valuation of construction contracts	
The financial statements report €116.9 million revenue from construction contracts in addition to assets and liabilities related to the completed portion of such contracts of €24.0 million and €1.0 million, respectively at the reporting date. Revenue and margins from construction contracts are recognized on the stage-of-completion basis applying the "cost-to-cost method" which is based on the proportion of costs incurred on work performed to date with respect to the estimated total costs to complete the contract. The procedures for revenue recognition and for the valuation of construction contracts in certain cases depend on complex assuptions, which require management's judgment, in particular with reference to the estimated costs to complete each project and changes in estimates compared to the previous year, if any. These changes could be influenced by multiple factors such as, for example, the time frame required to develop and complete the projects, the high technological and innovative content, the performance guarantees of the machines, the possible presence of price variances and price adjustments, including the estimation of contractual risks, where applicable. We considered that this item represents a key audit matter based on the economic and financial importance of construction contracts and on the complexity of the assumptions used in forecasting total costs of the contracts, in addition to the potential impact of the changes in estimates. *The disclosure relating to revenues recognition and valuation of construction contracts is included in Note 6. Trade and other receivables of the financial statements*, as well as in section *C) "Measurement criteria and accounting principles adopted"* in paragraph "*Construction contracts*" and in the specific paragraph "*Use of estimates and assumptions*".	Our audit procedures in response to the key matter included: • the assessment of the procedures and controls performed by the Company during the planning and monitoring of construction contracts, including the verification of the criteria for revenue recognition; • the analysis, with reference to key projects, of the main assumptions used in forecasting total costs to complete the contracts and to determine total revenue, review of the project progress reports, interview of the project managers and review of the contractual documentation; • the comparative analysis of the main changes in contract results compared to the original estimate or compared to the previous year; • the critical review of the assumptions that required significant management judgments, such as, for example, those relating to the forecasting of costs related to projects with high technological and innovative content; • the execution of substantive procedures on contract costs on a sample basis; • the verification of the mathematical accuracy of the calculation of the project's percentage of completion. Further, we verified the adequacy of the disclosures provided in the notes to the financial statements in relation to revenue recognition and to the evaluation of construction contracts.

2

Building a better working world

Responsibilities of Directors and Those Charged with Governance 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 and with the regulations issued for implementing article 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 they either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Statutory Auditors ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the 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 International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we 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;
- we 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;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we 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;

Building a better working world

- we 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 communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provided those charged with governance with a statement that we complied with the ethical and independence requirements applicable in Italy, and we communicated to them any circumstances that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Information Pursuant to Article 10 of EU Regulation n. 537/14

The shareholder of GIMA TT S.p.A., in the general meeting held on June 26, 2017, engaged us to perform the audits of the financial statements of each years ending December 31, 2017 to December 31, 2025.

We declare that we did not provide any prohibited non-audit services, referred to in article 5, paragraph 1, of EU Regulation n. 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 report is consistent with the content of the additional report to the Board of Statutory Auditors (Collegio Sindacale) in its capacity as audit committee, prepared in accordance with article 11 of the EU Regulation n. 537/2014.

Report on Compliance with Other Legal and Regulatory Requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998

The Directors of GIMA TT S.p.A. are responsible for the preparation of the Report on Operation and of the Report on Corporate Governance and Ownership Structure of GIMA TT S.p.A. at December 31, 2017, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of GIMA TT S.p.A. 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 Operation and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of GIMA TT S.p.A. at December 31, 2017 and comply with the applicable laws and regulations.

With reference to the statement required by article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Bologna, March 28, 2018

EY S.p.A.
Signed by: Alberto Rosa, partner

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