HALF-YEAR FINANCIAL REPORT

AT 30 JUNE 2018

GIMA TT

HALF-YEAR FINANCIAL REPORT
AT 30 JUNE 2018

THE INTERIM 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 AT NO. 03249061205

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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

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, 2020)

ACTING AUDITORS

Alvise Deganello – Chairman; Amedeo Cazzola; Roberta De Simone

ALTERNATE AUDITORS

Luisa Elisabetta Cevasco; Gigliola Di Chiara

INTERNAL CONTROL AND RISK COMMITTEE

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

NOMINATIONS AND REMUNERATION COMMITTEE

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

MANAGER RESPONSIBLE FOR PREPARING FINANCIAL REPORTS

Marco Savini

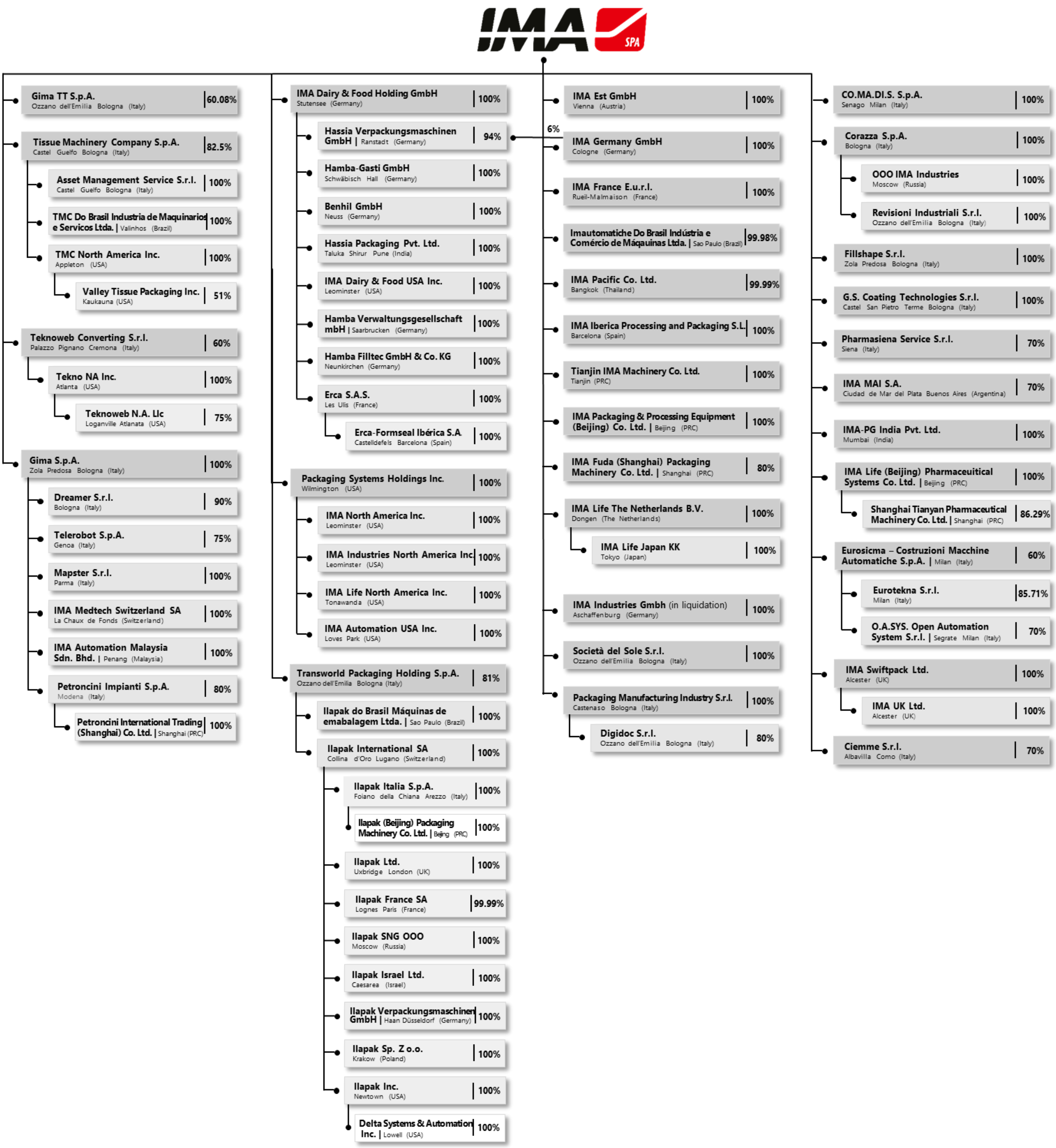
SOCIETÀ DI REVISIONE

(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 JUNE 30, 2018

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,

the global economy continues to grow. The International Monetary Fund, in its World Economic Outlook published in July, confirmed its forecasts of an increase in global gross domestic product of +3.9% in 2018 and 2019, but the expansion is becoming less even, and risks to the outlook are mounting.

In the USA, near-term momentum in the economy is expected to strengthen temporarily. Growth in the Euro area economy is projected to slow gradually from 2.4% in 2017 to 2.2% in 2018 and to 1.9% in 2019, further to a downward revision of 0.2% for 2018 and 0.1% for 2019 compared to April. In Italy, wider sovereign spreads and tighter financial conditions in the wake of recent political uncertainty are expected to weigh on domestic demand. Growth projections have been revised down also for Japan, and the UK, reflecting negative surprises to activity in early 2018. Among emerging market and developing economies, growth prospects are also becoming more uneven, amid rising oil prices, higher yields in the USA, escalating trade tensions, and market pressures on the currencies of some economies with weaker fundamentals.

In this context, the Company has managed to achieve significant revenue and profit growth in the first six months of the year, confirming the technological validity of its product portfolio.

INCOME STATEMENT

The following table sets out the key elements of the income statement classified by function for the first half of 2018, together with comparative figures for the same period of the previous year:

	01.01.2018-06.30.2018		01.01.2017-06.30.2017	
Euro thousands	**Amount**	**%**	**Amount**	**%**
Revenue	95,639		76,237	
Cost of sales	(53,771)	*(56.2)*	(38,185)	*(50.1)*
Gross profit	**41,868**	***43.8***	**38,052**	***49.9***
Research and development costs	(1,017)	*(1.1)*	(1,166)	*(1.5)*
Selling costs	(1,300)	*(1.4)*	(2,086)	*(2.7)*
General and administrative costs	(3,758)	*(3.9)*	(2,903)	*(3.8)*
Operating profit (EBIT)	**35,792**	***37.4***	**31,897**	***41.8***
Net financial income (expense)	(105)	*(0.1)*	21	*0.0*
Profit before taxes	**35,687**	***37.3***	**31,917**	***41.9***
Income taxes	(10,014)	*(10.5)*	(8,944)	*(11.7)*
Profit for the year	**25,673**	***26.8***	**22,973**	***30.1***
Gross operating margin (EBITDA)*	**36,194**	***37.8***	**32,113**	***42.1***
Backlog	**96,855**		**93,889**	

(*) Gross operating margin (EBITDA) is the sum of operating profit (EBIT), depreciation, amortization and writedowns.

REVENUE FROM CONTRACTS WITH CUSTOMERS AND ORDERS

The Company reported revenue from contracts with customers in the first half of 2018 of Euro 95,639 thousand versus Euro 76,237 thousand in the same period of 2017, being an increase of 25.4% that was entirely attributable to organic growth.

This result was achieved thanks to the size of the backlog at the end of 2017 and to the additional orders received during 2018. In particular, orders won in the first six months of 2018 amounted to Euro 82,073 thousand versus the prior year comparative figure of Euro 81,523 thousand. The backlog at June 30, 2018 was worth Euro 96,855 thousand, above the June 30, 2017 figure of Euro 93,889 thousand.

The adoption of the new IFRS 15 – Revenue from contracts with customers, effective as of January 1, 2018, led to an increase in revenues for the commissioning of the lines in the first half of 2018 for an amount equal to Euro 1,908 thousand, with an equal increase in the costs related to the commissioning of the lines. For more details, please refer to the General principles section.

GROSS PROFIT

Gross profit for the first six months of 2018 amounted to Euro 41,868 thousand (Euro 38,052 thousand in the same period of 2017). As a percentage of revenue, gross profit came to 43.8%, a decrease compared to the same period of 2017 (49.9%). The introduction of the new IFRS 15 did not have any impact, in absolute terms, on the gross profit for the first half of 2018. It should be noted that in the absence of the new IFRS 15 the gross profit as a percentage of revenue would have been about one percentage point higher than the final figure for the first half of 2018.

The reduction of gross profit as a percentage of revenue versus the first semester of 2017 (but an improvement versus the 41.6% of the first quarter of 2018) is mainly due to a different product mix further to the start of production of innovative packaging lines that, initially, present a lower level of profitability than that of the existing packaging lines. A subsequent progressive improvement of the profitability level is foreseen as a result of progress in the learning curve and economies of scale.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs incurred in the first six months of 2018 amounted to Euro 1,017 thousand, versus Euro 1,166 thousand in the first semester of 2017. 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. Moreover, during the first six months of 2018 the Company capitalized development costs for an amount equal to Euro 708 thousand, compared to Euro 1,207 thousand in the first semester of 2017.

SELLING EXPENSES

Selling expenses in the first six months of 2018 came to a total of Euro 1,300 thousand compared with Euro 2,086 thousand in the same period of 2017. Selling costs in the period came to 1.4% of revenue, down on the prior year comparative figure (2.7% of revenue) as a result of lower consulting costs.

GENERAL AND ADMINISTRATIVE COSTS

General and administrative costs in the first six months of 2018 amounted to Euro 3,758 thousand, up on the costs incurred in the same period of 2017 of Euro 2,903 thousand. The change is primarily attributable to an increase in administrative and general personnel costs driven by an expanded workforce and an increase in the Board of Directors costs following the listing on the Stock Exchange. As a percentage of revenue, general and administrative costs in the first semester of 2018 came to 3.9%, in line with the prior year comparative figure (3.8% of revenue).

OPERATING PROFIT (EBIT)

Operating profit for the period amounted to Euro 35,792 thousand (37.4% of revenue), having increased in absolute value in comparison to the operating profit of the same period of the prior year of Euro 31,897 thousand (41.8% of revenue).

PROFIT BEFORE TAXES

Profit before tax amounted to Euro 35,687 thousand in the first six months of 2018 versus Euro 31,917 thousand in the same period of 2017.

PROFIT FOR THE PERIOD

Profit for the period ended June 30, 2018 amounted to Euro 25,673 thousand (26.8% of revenue) versus Euro 22,973 thousand in the same period of 2017 (30.1% of revenue), after income tax expense of Euro 10,014 thousand (Euro 8,944 thousand in first six months of 2017).

GROSS OPERATING MARGIN (EBITDA)

Gross operating profit for the first semester of 2018 amounted to Euro 36,194 thousand (37.8% of revenue) versus Euro 32,113 thousand (42.1% of revenue) in the same period of 2017.

The Company did not record any non-recurring events and transactions during the first six months of 2018 and in the same period of the previous year.

STATEMENT OF FINANCIAL POSITION

The Company's statement of financial position at June 30, 2018 is summarized below:

	06.30.2018	12.31.2017	
Euro thousands	**Amount**	**Amount**	**Change**
Trade receivables, incl. contract assets, and advances to suppliers	59,928	30,905	29,023
Inventories	20,756	21,372	(616)
Trade payables and advances from customers, incl. contract liabilities	(56,800)	(56,876)	76
Other, net (*)	(19,165)	(928)	(18,237)
Working capital	**4,718**	**(5,527)**	**10,245**
Property, plant and equipment	1,941	1,361	580
Intangible assets	3,258	2,507	751
Financial assets	2,228	–	2,228
Receivables and deferred tax assets	1,262	1,072	190
Non-current assets	**8,688**	**4,940**	**3,749**
Employee severance indemnities and other non-current payables	(1,265)	(592)	(673)
Net capital employed	**12,141**	**(1,179)**	**13,320**
Net financial position (A) (**)	**21,183**	**45,788**	**(24,605)**
Shareholders' equity (B)	**33,324**	**44,609**	**(11,285)**
Total sources of funding (B) - (A)	**12,141**	**(1,179)**	**13,320**

(*) The "Other, net" line item mainly consists of income tax receivable and payable and provisions for risks and charges.
(**) Net financial position consists of net cash. The Company did not have financial debt at June 30, 2018 and December 31, 2017.

Net capital employed at June 30, 2018 amounted to Euro 12,141 thousand, up on the December 31, 2017 figure (negative amount of Euro 1,179 thousand).

The increase in net capital employed was mainly driven by growth in working capital, which came to a positive amount of Euro 4,718 thousand at June 30, 2018 (negative amount of Euro 5,527 thousand at the 2017 year end) and, to a lesser extent, by growth in non-current assets, which amounted to Euro 8,688 thousand at June 30, 2018 (versus Euro 4,940 thousand at December 31, 2017).

The growth in working capital was the consequence of the increase in trade receivables as of June 30, 2018, as a result of the delivery schedule of the packaging lines to customers for 2018, partially offset by a reduction in receivables from tax authorities and higher payables for income taxes (both items included under "Other, net").

The net financial position at June 30, 2018 consisted of net cash of Euro 21,183 thousand, which was lower than the December 31, 2017 figure (Euro 45,788 thousand). Details of the composition of net financial position at June 30, 2018 and at December 31, 2017 are set out below:

	06.30.2018	12.31.2017
Euro thousands	**Amount**	**Amount**
A. Cash	9	8
B. Cash equivalents	21,174	45,780
C. Trading securities	–	–
D. Liquidity (A) + (B) + (C)	**21,183**	**45,788**
E. Current financial receivables	**–**	**–**
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)	**21,183**	**45,788**
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) (*)	**21,183**	**45,788**

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

Cash flow in the first six months of 2018 was primarily affected by the payment of dividends in May 2018 (Euro 36,960 thousands), the above mentioned trend in working capital (which increased by Euro 10,245 thousand since December 31, 2017) and the purchase of a 20% minority stake in AMT Labs S.p.A. (Euro 2,228 thousand).

Cash flow was only marginally affected by investing activities (Euro 1,764 thousand in the first six months of 2018 versus Euro 1,931 thousand invested in the same period of 2017).

CAPITAL EXPENDITURES

During the first six months of 2018, the Company invested 753 thousand Euros in property, plant and equipment, mainly for leasehold improvements and plant.

In the same period, the Company incurred capital expenditure on intangible assets of Euro 1,011 thousand, of which Euro 708 thousand related to assets under development and advances. The amount of assets under development and advances refers to research and development costs for the implementation of new projects related to innovative closing and sealing systems for packages and expected to be exploited over the coming years.

Furthermore, in the first six months of 2018 the Company invested Euro 2,228 thousand for purchasing a 20% minority stake in the share capital of AMT Labs S.p.A..

AMT Labs S.p.A. is a newly incorporated company focused on the development of innovative materials, eco sustainable and 100% biodegradable naturally for the tobacco industry, 80% owned by listed company Bio-on S.p.A..

ALTERNATIVE PERFORMANCE INDICATORS

In this Interim Report on Operations, performance indicators are provided to help readers make a better assessment of the Company's performance and financial position. The determination criterion applied by the Company for such indicators may not be homogeneous with that adopted by other companies and the indicators may not be comparable with those determined by the latter.

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 "Condensed half-year financial statements" section are as follows: revenue, operating profit, financial income and expense, profit before taxes, income taxes and net profit for the period.

The capital and financial structure shows assets and liabilities classified in the same way as in the breakdown of net capital employed. The main items in the capital and financial structure equivalent to the corresponding items in the balance sheet shown in the "Condensed half-year financial statements" section are as follows: inventories, tangible and intangible assets 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.

OTHER INFORMATION

TRANSACTIONS WITH PARENT COMPANIES AND AFFILIATES

During the first six months of 2018, the Company entered into intercompany transactions of a manufacturing and trade 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 condensed half-year 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 condensed half-year financial statements.

SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

In the first six months of 2018, there were no significant non-recurring events and transactions.

ATYPICAL OR UNUSUAL TRANSACTIONS

No positions or operations deriving from atypical or unusual transactions arose during the first semester of 2018.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE PERIOD

In July 2018, GIMA TT signed an important agreement with Shanghai Tobacco Machinery Co. Ltd. to supply cigarette packaging lines.

The agreement provides for the supply of complete packaging lines for conventional products over the next years. The expected value of the contract amounts to approximately Euro 80 million, with the possibility of evolving into further projects dedicated to the new generation of so-called "reduced-risk products".

OUTLOOK FOR OPERATIONS

The first six months of 2018 were full of satisfaction, with particular regard to the growth achieved by the Company in the main markets in which it operates and its order intake.

Given the level of the order book at the end of the first six months of 2018 and should the positive trend in orders continue also in the second semester of the current year, a sales forecast of more than Euro 180 million with a gross operating profit of abut Euro 75 million could be feasible.

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.

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

CONDENSED HALF-YEAR FINANCIALSTATEMENTS AT 30 JUNE 2018

GIMA TT S.P.A.

STATEMENT OF FINANCIAL POSITION

(THOUSANDS OF EUROS)

ASSETS	Note	06.30.2018	12.31.2017
NON-CURRENT ASSETS			
Property, plant and equipment	1	1,941	1,361
Intangible assets	2	3,258	2,507
Financial assets	3	2,228	0
Receivables		4	3
Deferred tax assets	4	1,258	1,069
TOTAL NON-CURRENT ASSETS		8,688	4,940
CURRENT ASSETS			
Inventories	5	20,756	21,372
Trade and other receivables, including contract assets	6	66,892	44,089
Financial receivables	7	–	–
Cash and cash equivalents	8	21,183	45,788
TOTAL CURRENT ASSETS		108,831	111,249
TOTAL ASSETS		**117,520**	**116,189**

SHAREHOLDERS' EQUITY AND LIABILITIES	Note	30.06.2018	12.31.2017
SHAREHOLDERS' EQUITY			
Share capital	9	440	440
Reserves	10	7,211	52
Net profit for the year		25,673	44,117
TOTAL SHAREHOLDERS' EQUITY		33,324	44,609
NON-CURRENT LIABILITIES			
Liabilities for employees' benefits	11	127	129
Other payables	12	1,138	463
Deferred tax liabilities	4	0	0
TOTAL NON-CURRENT LIABILTIES		1,265	592
CURRENT LIABILITIES			
Trade and other payables, including contract liabilities	13	66,092	64,466
Income tax payables	14	15,024	4,821
Provisions for risks and charges	15	1,814	1,702
TOTAL CURRENT LIABILITIES		82,930	70,988
TOTAL LIABILITIES		84,196	71,580
TOTAL SHAREHOLDERS 'EQUITY AND LIABILITIES		**117,520**	**116,189**

THE EFFECTS OF TRANSACTIONS WITH RELATED PARTIES ON THE ITEMS IN THE STATEMENT OF FINANCIAL POSITION ARE SHOWN IN NOTE 29.
THE FIGURES SHOWN HERE ARE EXPRESSED IN THOUSANDS OF EURO BY ROUNDING UP THE RELATIVE AMOUNTS (UNLESS OTHERWISE INDICATED) AND MAY THEREFORE PRESENT IRRELEVANT ROUNDING DIFFERENCES.

INCOME STATEMENT

(THOUSANDS OF EUROS)

	Note	01.01.2018-06.30.2018	01.01.2017-06.30.2017
REVENUE FROM CONTRACTS WITH CUSTOMERS	16	95,639	76,237
OTHER REVENUE	17	1,183	1,364
OPERATING COSTS			
Changes in inventories of finished, semi-finished and finished products	5	(1,171)	2,025
Changes in inventories of raw, ancillary and consumable goods	5	555	(1,034)
Cost of raw, ancillary and consumable materials and goods for resale	18	(35,908)	(26,574)
Services, rentals and leases	19	(15,011)	(12,313)
Personnel costs	20	(8,804)	(7,020)
Depreciation and amortization	21	(402)	(216)
Provisions	15	(112)	(483)
Other operating costs	22	(177)	(89)
TOTAL OPERATING COSTS		(61,029)	(45,705)
- including impact of non-recurring items		–	–
OPERATING PROFIT		35,792	31,897
- including impact of non-recurring items		–	–
FINANCIAL INCOME AND EXPENSE			
Financial income	23	3	54
Financial expense	24	(108)	(33)
TOTAL FINANCIAL INCOME AND EXPENSE		(105)	21
PROFIT BEFORE TAXES		35,687	31,917
Taxes	25	(10,014)	(8,944)
NET PROFIT FOR THE PERIOD		**25,673**	**22,973**
AVERAGE NUMBER OF ORDINARY SHARES		88,000,000	88,000,000
BASIC/DILUTED EARNINGS PER SHARE (IN Euro)	**26**	**0.29**	**0.26**

THE EFFECTS OF TRANSACTIONS WITH RELATED PARTIES ON THE INCOME STATEMENT ARE SHOWN IN NOTE 29.
THE FIGURES SHOWN HERE ARE EXPRESSED IN THOUSANDS OF EURO BY ROUNDING UP THE RELATIVE AMOUNTS (UNLESS OTHERWISE INDICATED) AND MAY THEREFORE PRESENT IRRELEVANT ROUNDING DIFFERENCES.

STATEMENT OF COMPREHENSIVE INCOME

(THOUSANDS OF EUROS)

	Note	01.01.2018-06.30.2018	01.01.2017-06.30.2017
Net profit for the period		25,673	22,973
Other comprehensive income not being reclassified to profit or loss in subsequent periods:			
Actuarial gains (losses) arising on defined benefit plans	11	3	(1)
Tax effect		(1)	–
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		**2**	**(1)**
Gains (losses) booked to equity		**2**	**(1)**
Total comprehensive income		**25,675**	**22,972**

THE FIGURES SHOWN HERE ARE EXPRESSED IN THOUSANDS OF EURO BY ROUNDING UP THE RELATIVE AMOUNTS (UNLESS OTHERWISE INDICATED) AND MAY THEREFORE PRESENT IRRELEVANT ROUNDING DIFFERENCES.

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 period	Total shareholders' equity
As of 01.01.2017	**110**	**132**	**(4)**	**24**	**–**	**27,233**	**27,495**
Share capital increase	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 period	–	–	–	–	–	22,973	22,973
Gain (loss) on discounting employee severance indemnities	–	–	–	–	–	–	–
As of 06.30.2017	**440**	**–**	**(4)**	**24**	**34**	**22,973**	**23,467**
As of 01.01.2018 (*)	**440**	**–**	**(7)**	**24**	**34**	**44,117**	**44,609**
Allocation of net profit for 2017:							
- Distribution of dividends	–	–	–	–	(36,960)	–	(36,960)
Transfer to reserves	–	–	–	7,157	36,960	(44,117)	0
Net profit for the period	–	–	–	–	–	25,673	25,673
Gain (loss) on discounting employee severance indemnities	–	–	2	–	–	–	2
As of 06.30.2018	**440**	**–**	**(5)**	**7,182**	**34**	**25,673**	**33,324**

(*) BALANCES AS OF 01.01.2018 EQUAL THE BALANCES AS OF 31.12.2017 BECAUSE THE APPLICATION OF THE NEW IFRS 9 AND IFRS 15 ACCOUNTING STANDARDS HAS NOT HAD ANY IMPACT ON THE NET EQUITY AT 31 DECEMBER 2017.
AS REGARDS THE COMPOSITION OF SHAREHOLDERS' EQUITY, PLEASE REFER TO NOTES 9 AND 10.
THE FIGURES SHOWN HERE ARE EXPRESSED IN THOUSANDS OF EURO BY ROUNDING UP THE RELATIVE AMOUNTS (UNLESS OTHERWISE INDICATED) AND MAY THEREFORE PRESENT IRRELEVANT ROUNDING DIFFERENCES.

STATEMENT OF CASH FLOWS

(THOUSANDS OF EUROS)

	Note	01.01.2018-06.30.2018	01.01.2017-06.30.2017
OPERATING ACTIVITIES			
Net profit for the period		**25,673**	**22,973**
Adjustments for:			
- Depreciation and amortization	1-2	402	216
- (Gain) or loss on disposal of fixed assets		30	4
- Changes in provisions for risks and charges, liabilities for employee benefits, other non-current payables	11-12-15	785	485
- Other non-monetary changes		73	(34)
- Taxes	25	10,014	8,944
Profit from operating activities before changes in working capital		36,978	32,588
(Increase) or decrease in trade and other receivables, including contract assets	6	(22,990)	(24,786)
(Increase) or decrease in inventories	5	617	(991)
Increase or (decrease) in trade and other payables, including contract liabilities	13	1,816	(4,681)
Taxes paid		–	(1,675)
CASH FLOW USED IN OPERATING ACTIVITIES (A)		16,420	455
INVESTING ACTIVITIES			
Additions to property, plant and equipment	1	(753)	(589)
Additions to intangible assets	2	(1,011)	(1,342)
(Increase) or decrease in financial receivables from the Parent Company	7	–	7,624
Additions to financial assets	3	(2,228)	–
CASH FLOW USED IN INVESTING ACTIVITIES (B)		(3,991)	5,693
FINANCING ACTIVITIES			
Other changes in financial assets/liabilities		(1)	4
Dividends paid		(36,960)	(27,001)
Interest paid	24	(73)	(1)
Interest received	23	–	35
CASH FLOW USED IN FINANCING ACTIVITIES (C)		(37,034)	(26,963)
NET CHANGE IN CASH AND CASH EQUIVALENTS (D=A+B+C)		**(24,605)**	**(20,815)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (E)		**45,788**	**37,624**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (F=D+E)		**21,183**	**16,809**

A BREAKDOWN OF CASH AND CASH EQUIVALENTS IS PROVIDED IN NOTE 8.
THE FIGURES SHOWN HERE ARE EXPRESSED IN THOUSANDS OF EURO BY ROUNDING UP THE RELATIVE AMOUNTS (UNLESS OTHERWISE INDICATED) AND MAY THEREFORE PRESENT IRRELEVANT ROUNDING DIFFERENCES.

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

NOTES TO THE CONDENSED HALF-YEAR FINANCIAL STATEMENTS

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 at June 30, 2018 were approved by the Board of Directors on August 3, 2018.

B) GENERAL BASIS OF PREPARATION

GENERAL PRINCIPLES

The interim financial report at 30 June 2018 has been prepared in accordance with art. 154-ter of Legislative Decree 58/98, and subsequent amendments, and with the Issuer's Regulation issued by Consob. The report complies with IAS 34 – Interim financial reporting.

The condensed half-year financial statements have been prepared in summary form pursuant to IAS 34 – Interim financial reporting. Accordingly, these financial statements do not contain all the disclosures required for annual financial statements and must be read together with those prepared as of and for the year ended 31 December 2017, available on the Company's website www.gimatt.it.

The Company's condensed half-year 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 period 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 of assets (already sold or held for sale), if any, are shown on a separate line in the income statement.

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 period 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.

The figures contained in the interim financial report at 30 June 2018 are stated in Euros and rounded to thousands, except where otherwise indicated, and can therefore include immaterial rounding differences.

C) ACCOUNTING POLICIES AND STANDARDS

The accounting principles and policies adopted for the preparation of the interim financial report at 30 June 2018 are in line with those used for the preparation of the annual financial report at 31 December 2017 (to which reference should be made for further information), with the exception of the adoption of new standards and amendments that are effective as of January 1, 2018.

The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. The Company applies, for the first time, IFRS 15 - Revenues from contracts with customers and IFRS 9 - Financial instruments, which require the restatement of previous financial statements. As required by IAS 34, the nature and effects of these changes are set out below.

IFRS 15 – Revenue from contracts with customers (effective as of January 1, 2018)

IFRS 15 was issued in May 2014 and supersedes 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 new model for the recognition of revenue from contracts with customers on the basis of the following five stages: (i) identification of the contract with the customer; (ii) identification of the performance obligations (or the contractual promises to transfer goods and/or services) in the contract; (iii) calculating the price of the transaction; (iv) allocation of the transaction price to the performance obligations identified; and (v) recording of the revenue when and/or to the extent to which the related performance obligation has been satisfied.

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.

During 2016 and 2017 the Company carried out a preliminary assessment on the effects of IFRS 15, taking into account the clarifications issued by the IASB in April 2016. It resulted that the current accounting methodology used by the Company for its revenue streams – (i) machines and constructions contracts; (ii) formats; (iii) spare parts and other materials; and (iv) technical assistance (which includes the commissioning of the lines) – is substantially coherent with the principles set in the new standard.

The adoption of the IFRS 15, which took effect from 1 January 2018 with the modified retrospective method, confirmed the identification of two distinct performance obligations within the contract between the production of the line and its commissioning at the client's site. The application of this principle only entailed a different presentation of the performance obligation linked to the commissioning of the lines, as the commissioning activities in progress at the end of the period are no longer recognized under "Inventories", in compliance with IAS 2, but in the item "Trade receivables, including contract assets, and other receivables" with a contra-entry in the item "Revenues from contracts with customers", to the extent that the principles contained in the new standard are applicable. It had therefore not impact on the shareholders' equity at December 31, 2017, and on the net income of the period.

IFRS 9 – Financial instruments (effective as of 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 amortized 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.

As required by IFRS 9, the Company has applied the provision matrix as of June 30, 2018 and, in consideration of the fact that in the last three years no losses on trade receivables have been recorded and that the current customer base is formed by multinational companies with a high solvency index, as reported by public information, it has determined that the conditions exist for not making any provision for bad debts.

The application of the new standard since January 1, 2018, has not had significant impacts on the Company's assets and liabilities, results and financial position.

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 16, which may be subject to amendments as a result of a more detailed analysis that is currently underway.

As at June 30, 2018, the Company had lease commitments of Euro 7,863 thousand, as indicated in Note 28. Rent expenses amounted to Euro 533 thousand in the first semester of 2018.

* * *

Below are the other principles and interpretations that, at the date of preparation of this interim financial report, had already been issued but were not yet in force:

- IFRS 17 – Insurance Contracts;
- IFRIC – Interpretation 23 Uncertainty over Income Tax Treatments;

- Changes to IFRS 9 - Prepayment Features with Negative Compensation;
- Changes to IAS 19 – Plan Amendment, Curtailment or Settlement;
- Changes to IAS 28 – Long-term interests in Associates and Joint Ventures;
- Annual cycle of improvements to IFRS 2015-2017 – it incorporates some changes to the principles IFRS 3, IFRS 11, IAS 12 and IAS 23;
- Changes to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

USE OF ESTIMATES AND ASSUMPTIONS

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

Preparing interim reports requires the Directors to 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.

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.

It should be noted that as of today, on the basis of the receivable portfolio existing at June 30, 2018, the credit risk is considered irrelevant.

The interim financial report does not include all of the disclosures on financial risk management and on other risks that are required in annual financial statements. It should therefore be read together with the annual report at 31 December 2017. There are no substantial changes in financial risk management or in the policies adopted by the Company during the period.

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 June 30, 2018.

E) NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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.

The changes shown below have been calculated on the figures as of December 31, 2017 for assets and liabilities and on the figures for the first six months of 2017 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 01.01.2018	**–**	**399**	**325**	**250**	**387**	**–**	**1,361**
Additions	–	228	257	38	104	126	753
Disposals and eliminations	–	–	–	–	(1)	–	(1)
Depreciation	–	(35)	(31)	(53)	(54)	–	(172)
Dep. on fixed asset disposals	–	–	–	–	1	–	1
Reclassifications	–	–	–	–	–	–	–
Figures as of 06.30.2018	**–**	**592**	**551**	**235**	**437**	**126**	**1,941**

Buildings and leasehold improvements consist of capitalized costs of leasehold improvements to the Company's leased facilities in Ozzano dell'Emilia (Bologna) of Euro 592 thousand.

Additions to "Plant and machinery" in 2018 consisted of investments in plants (Euro 257 thousand).

Additions to industrial and commercial equipment concern the purchase of equipment to be used in the production process for Euro 38 thousand.

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 June 30, 2018, 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 tangible 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 01.01.2018	**–**	**628**	**29**	**1,850**	**2,507**
Additions	–	193	110	708	1,011
Disposals and eliminations	–	(129)	–	–	(129)
Amortization	(106)	(116)	(8)	–	(230)
Amortization on fixed asset disposals	–	99	–	–	99
Reclassifications	1,850	–	–	(1,850)	–
Figures as of 06.30.2018	**1,744**	**675**	**131**	**708**	**3,258**

"Development costs" consist of Euro 1,850 thousand of capitalized development costs that were included in "Assets under development and advances" as of December 31, 2017. Such costs were incurred on projects concerning new technologies designed to improve the speed of packaging lines and which are expected to be exploited over the coming years by various customers.

As disclosed in the Interim 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 1,017 thousand in the first semester of 2018 (Euro 1,166 thousand in the first semester of 2017).

Industrial patents rights include the costs incurred during the year and in prior years for the acquisition and registration of industrial patents. Additions in 2018 came to Euro 193 thousand.

Software, licenses, trademarks and similar rights mainly include applications, operating and technical software. Additions during the period came to Euro 110 thousand.

Assets under development and advances refer to research and development costs for the implementation of new projects related to innovative closing and sealing systems for packages.

There are no internal or external circumstances that are indicative of the potential impairment of intangible assets.

3. FINANCIAL ASSETS

"Financial assets" at June 30, 2018 amounted to Euro 2,228 thousand and are made up of the 20% minority stake purchased in AMT Labs S.p.A. in May 2018 for a consideration of Euro 2,228 thousand and a stake in consortium C.E.E. S.C.r.l. for an amount of Euro 350.

The stake in AMT Labs S.p.A. has been valued at fair value based on the provisions of IFRS 9 and IFRS 13. It should be noted that as at June 30, 2018 the acquisition cost is the best approximation of the fair value, as AMT Labs S.p.A., a newly established company, had not yet started its operating activity between the investment date and the closing date of the period.

AMT Labs S.p.A. is focused on the development of innovative materials, eco sustainable and 100% biodegradable naturally for the tobacco industry, 80% owned by listed company Bio-on S.p.A..

4. DEFERRED TAX ASSETS AND LIABILITIES

Details of deferred tax assets and liabilities at June 30, 2018 and at December 31, 2017 are set out in the following table:

Euro thousands	06.30.2018	12.31.2017
Deferred tax assets	1,258	1,069
Deferred tax liabilities	0	0

Deferred tax assets at June 30, 2018 amounted to Euro 1,258 thousand (Euro 1,069 thousand at December 31, 2017) and mainly relate to temporary differences arising on the provision for inventory obsolescence and provisions for risks and charges. On the basis of the latest business plan approved by the Company's Board of Directors, it is recognized that deferred tax assets are fully recoverable.

Deferred tax liabilities amounted to Euro 360 at the end of the first half of 2018.

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

5. INVENTORIES

The item "Inventories" refers to raw, ancillary and consumable materials, to work in progress and semi-finished products which, at the end of the period, do not refer to a specific contract work.

Inventories at June 30, 2018 amounted to Euro 20,756 thousand (Euro 21,372 thousand at December 31, 2017), net of provision for obsolete and slow-moving goods of Euro 2,281 thousand (Euro 1,918 thousand at December 31, 2017).

"Inventories" are made up as follows:

Euro thousands	06.30.2018 Gross value	Provision	Net value	12.31.2017 Gross value	Provision	Net value
Raw, ancillary and consumable goods	3,776	(188)	3,588	3,179	(146)	3,033
Work in progress and semi-finished goods	19,261	(2,093)	17,168	20,111	(1,772)	18,339
Total	**23,037**	**(2,281)**	**20,756**	**23,290**	**(1,918)**	**21,372**

Note: provision for obsolete and slow-moving goods.

6. TRADE AND OTHER RECEIVABLES, INCLUDING CONTRACT ASSETS

“Trade and other receivables, including contract assets” consist of the following:

Euro thousands	06.30.2018	12.31.2017
Trade receivables, including contract assets	59,814	30,859
Receivables from Parent Company and companies controlled by IMA S.p.A.	4,322	2,923
Advances to suppliers	593	283
Tax receivables	1,810	9,937
Deferred costs	240	75
Other receivables	114	12
Total	**66,892**	**44,089**

Trade receivables, including contract assets

The following table provides details of “Trade receivables, including contract assets”:

Euro thousands	06.30.2018	12.31.2017
Receivables from customers for completed work	13,825	6,762
Contract assets	45,933	24,036
Receivables from companies affiliated to IMA S.p.A.	56	61
Total	**59,814**	**30,859**

Trade receivables, including contract assets, amounted to Euro 59,814 thousand at June 30, 2018 and consist of receivables from customers for completed work of Euro 13,825 thousand (Euro 6,762 thousand at December 31, 2017), contract assets of Euro 45,933 thousand (Euro 24,036 thousand at December 31, 2017) and, residually, trade receivables from companies affiliated to IMA S.p.A..

The amount of receivables from customers for completed work consists of the overall receivable agreed in the contract, net of advances received.

Contract assets represent the amount due by customers for construction contracts in progress at the reporting date and corresponds to the portion of contractual revenue already produced by the Company, net of advances received from customers.

Contract assets relating to construction contracts in progress are recorded over a period of time and determined on a percentage-of-completion basis (costs incurred plus recognized margins), net of related advances, as illustrated below:

Euro thousands	12.31.2017	12.31.2017
Valuation of contracts in progress	81,030	41,419
Advances received	(35,097)	(17,383)
Contract assets	**45,933**	**24,036**

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 June 30, 2018, no provision was made for the writedown of receivables.

During the period receivables from customers sold without recourse amounted to Euro 11,956 thousand. Receivables sold to factoring companies without recourse that had not yet fallen due as of June 30, 2018 came to Euro 12,156 thousand. 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	06.30.2018	12.31.2017
Receivables from Parent Company	4,231	2,917
Receivables from companies controlled by IMA S.p.A.	91	6
Total	**4,322**	**2,923**

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.

Advances to suppliers

Advances to suppliers at June 30, 2018 of Euro 593 thousand relate to advances in respect of goods destined to be used in the production process (Euro 283 thousand at December 31, 2017).

Tax receivables

Tax receivables at June 30, 2018 amounted to Euro 1,810 thousand (versus Euro 9,937 thousand at the prior year end), of which Euro 1,733 thousand related to the 2018 VAT receivable.

7. FINANCIAL RECEIVABLES

Financial receivables were reduced to zero in 2017. The balance due to the Company from the inter-group current account with the parent company IMA S.p.A. was in fact completely reimbursed by IMA S.p.A. in the second quarter of 2017 and the related contract was terminated. The change in the aforementioned balance due to the Company occurred in the first semester of 2017 is reported in the Statement of Cash Flows.

8. CASH AND CASH EQUIVALENTS

This item is made up as follows:

Euro thousands	06.30.2018	12.31.2017
Bank current accounts	21,174	45,780
Cheques and cash in hand	9	8
Total	**21,183**	**45,788**

The net financial position at June 30, 2018 consisted of net cash of Euro 21,183 thousand and was impacted, primarily, by the dividend payment in May 2018 (Euro 36,960 thousand), the trend in working capital, which absorbed a cash flow of Euro 10,245 thousand as commented in the Interim Report on Operations, and the purchase of a 20% minority stake in the share capital of AMT-Labs S.p.A. (Euro 2,228 thousand).

A breakdown of the net financial position at June 30, 2018, calculated in accordance with the format provided in ESMA Recommendation 2013/319, together with prior year comparatives, is set out in the following table:

	06.30.2018	12.31.2017
A. Cash	9	8
B. Cash equivalents	21,174	45,780
C. Trading securities	–	–
D. Liquidity (A) + (B) + (C)	**21,183**	**45,788**
E. Current financial receivables	**–**	**–**
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)	**21,183**	**45,788**
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)	**21,183**	**45,788**

9. SHARE CAPITAL

Share capital (fully subscribed and paid up) at June 30, 2018, 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 AND RETAINED EARNINGS

Reserves and retained earnings, equal to Euro 7,211 thousand at June 30, 2018 (versus Euro 52 thousand at December 31, 2017), consisted of the extraordinary reserve of Euro 7,091 thousand, the legal reserve of Euro 22 thousand, 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, the reserve for actuarial valuation of employee severance indemnities of Euro 5 thousand and retained earnings of Euro 34 thousand.

The reserve for actuarial valuation of employee severance indemnities arises from the measurement thereof in compliance with IAS 19 – Employee benefits. 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 share premium reserve was reduced to zero in 2017 as part of the aforementioned bonus increase in share capital .

The Company did not hold any treasury shares as at June 30, 2018.

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.

Changes in liabilities for employees' benefits in the first six months of 2018 are set out in the table below:

Euro thousands	
Figure as of 01.01.2018	**129**
Financial expense	1
Uses	–
Net actuarial (gains) losses recognized during the year	(3)
Transfers	–
Figure as of 06.30.2018	**127**

12. OTHER PAYABLES

Other payables at June 30, 2018 amounted to Euro 1,138 thousand (Euro 463 thousand at December 31, 2017) and consist of non-current amounts payable to directors and employees.

13. TRADE AND OTHER PAYABLES, INCLUDING CONTRACT LIABILITIES

Trade and other payables, including contract liabilities, consist of the following:

Euro thousands	06.30.2018	12.31.2017
Trade payables	39,276	38,223
Payables from Parent Company and companies controlled by IMA S.p.A.	13,308	5,783
Advances from customers, including contract liabilities	8,424	15,749
Social security payables and defined contribution plans	436	589
Income tax payables	560	990
Employee payables	3,114	2,646
Other payables	973	487
Total	**66,092**	**64,466**

Trade payables

Trade payables include payables to suppliers and agents of Euro 20,123 thousand (Euro 18,748 thousand at December 31, 2017) and trade payables to companies affiliated to IMA S.p.A. of Euro 19,153 thousand (Euro 19,475 thousand at December 31 2017).

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

Euro thousands	06.30.2018	12.31.2017
Payables to Parent Company	13,017	5,580
Payables to companies controlled by IMA S.p.A.	291	203
Total	**13,308**	**5,783**

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 and goods. See Note 29 for further information.

Advances from customers, including contract liabilities

Advances from customers, including contract liabilities, amounted to Euro 8,424 thousand at June 30, 2018 of (Euro 15,749 thousand at December 31, 2017).

This item is made up as follows:

Euro thousands	06.30.2018	12.31.2017
Advances from customers	8,424	14,797
Contract liabilities	-	952
Totale	**8,424**	**15,749**

Contract liabilities represent amounts due to customers for construction contracts in progress at the reporting date and are determined on a percentage-of-completion basis (costs incurred plus recognized margins), net of the amounts due from customers, as shown below:

Euro thousands	06.30.2018	12.31.2017
Advances received	5,925	5,925
Valuation of contracts in progress	(4,973)	(4,973)
Contract liabilities	**952**	**952**

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 works that have not yet started, constitutes the total of "Advances from customers, including contract liabilities".

Income tax payables

Income tax payables at June 30, 2018 of Euro 560 thousand (Euro 990 thousand at December 31, 2017) consist mainly of income tax withheld from professional fees and employees' wages and salaries.

Employee payables

Employee payables at June 30, 2018 amounted to Euro 3,114 thousand versus Euro 2,646 thousand at December 31, 2017.

Other payables

Other payables at June 30, 2018 consist mainly of Euro 654 thousand payable to directors (Euro 321 thousand at December 31, 2017), Euro 118 thousand of credit card liabilities (Euro 84 thousand at December 31 2017) and Euro 60 thousand payable to insurance companies (Euro 60 thousand at December 31, 2017).

14. INCOME TAX PAYABLES

Income tax payables at June 30, 2018 amounted to Euro 15,024 thousand versus Euro 4,821 thousand at December 31, 2017.

They include IRES payable of Euro 12,669 thousand, net of advances paid in 2017 of Euro 11,109 thousand, as well as IRAP payable of Euro 2,355 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 June 30, 2018 of Euro 1,814 thousand.

Changes in the product warranty provision in 2018 are set out in the following table:

Euro thousands	Figure as of 01.01.2018	Allocation to provision	Uses	Figure as of 06.30.2018
Product warranty provision	1,702	139	(27)	1,814
Other provisions	–	–	–	–
Total	**1,702**	**139**	**(27)**	**1,814**

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 (as required by current legislation – so called assurance type warranties), in relation to machines sold prior to that date.

It should be noted that at June 30, 2018 there were no contract works with a negative margin to completion.

16. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers in the first six months of 2018 amounted to Euro 95,639 thousand, having increased organically in the period by 25.4%.

The table below provides a breakdown of the Company's revenue from contracts with customers 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	01.01.2018-06.30.2018	%	01.01.2017-06.30.2017	%	Change
European Union (excl. Italy)	30,977	32.4	6,331	8.3	24,646
Other European countries	4,482	4.7	7,153	9.4	(2,671)
Asia and Middle East	54,542	57.0	30,391	39.9	24,151
Other countries	128	0.1	3,734	4.9	(3,606)
Total export	**90,129**	**94.2**	**47,609**	**62.4**	**42,520**
Italy	5,510	5.8	28,628	37.6	(23,118)
Total	**95,639**	**100.0**	**76,237**	**100.0**	**19,402**

In the first semester of 2018, 94.2% of revenue from contracts with customers was generated outside Italy (62.4% in the first six months of 2017), with significant growth in European Union (excluding Italy) and in Asia and Middle East.

The transactions were entered into using the Company's functional and presentation currency (Euro).

Approximately 74.9% of revenue was generated by packaging lines (“Original Equipment”), versus 69.6% in the first semester of 2017, while the other 25.1% was generated by after-sales activities (“After-Sales”), which comprise technical assistance, spare parts, kits, training and other ancillary services, as set out in the following table:

Euro thousands	01.01.2018-06.30.2018	%	01.01.2017-06.30.2017	%	Change
Original Equipment	71,672	74.9	53,037	69.6	18,635
After-Sales	23,967	25.1	23,200	30.4	767
Total	**95,639**	**100.0**	**76,237**	**100.0**	**19,402**

In the first six months of 2018, revenue related to construction contracts (and which are included in Original Equipment and After-Sales revenue) amounted to Euro 77,010 thousand.

17. OTHER REVENUE

Other revenue amounted to Euro 1,183 thousand in the first semester of 2018 (Euro 1,364 thousand in the first six months of 2017). They consisted mainly of additions to intangible assets for internal work related to development costs of Euro 708 thousand (Euro 1,207 thousand in the first semester of 2017), in addition to out-of-period income and other income.

Increases in intangible assets for internal works refer to development costs, as described in Note 2.

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 the first semester of 2018 amounted to Euro 35,908 thousand, which is up 35.1% on the corresponding 2017 figure. This item is made up as follows:

Euro thousands	01.01.2018-06.30.2018	01.01.2018-06.30.2018	Change
Raw materials and semi-finished products	30,622	17,761	12,861
Consumable and ancillary materials	348	261	87
Goods for resale	4,698	8,260	(3,562)
Other purchases	240	292	(52)
Total	**35,908**	**26,574**	**9,334**

19. SERVICES, RENTALS AND LEASES

This item is made up as follows:

Euro thousands	01.01.2018-06.30.2018	01.01.2018-06.30.2018	Change
External machining and assembly	8,253	5,950	2,303
Technical, legal, tax, administrative and commercial consulting services	3,050	3,942	(892)
Travel, transport and insurance costs	451	303	148
Freight costs	322	267	55
Maintenance and repairs	123	57	66
Advertising and promotions	60	44	16
Energy, telephone, gas, water and postal charges	111	36	75
Commission expense	179	92	87
Bank charges	62	4	58
Other services	1,821	870	951
Total services	**14,432**	**11,564**	**2,868**
Rent expense	533	708	(175)
Rental instalments	25	27	(2)
Annual patent fees	21	14	7
Total rentals and leases	**579**	**749**	**(170)**
Total	**15,011**	**12,313**	**2,698**

The cost of services, rentals and leases in the first semester of 2018 amounted to Euro 15,011 thousand, having thus increased by 21.9% with respect to the same period of 2017.

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 1,939 thousand.

20. PERSONNEL COSTS

Personnel costs in the first six months of 2018 amounted to Euro 8,804 thousand (versus Euro 7,020 thousand in the same period of 2017) and consist of the following:

Euro thousands	01.01.2018-06.30.2018	01.01.2018-06.30.2018	Change
Wages and salaries	4,894	4,868	26
Employee benefits	70	38	32
Social contributions	1,429	1,378	51
Directors' fees	1,807	65	1,742
Post-employment costs for defined contribution plans	317	263	54
Other personnel costs	287	408	(121)
Total	**8,804**	**7,020**	**1,784**

The increase in personnel costs in the year is mainly due to a higher number of employees in the period. The Company employed an average number of 151 persons in the first semester of 2018 versus 101 persons in the same period of 2017:

	01.01.2018-06.30.2018	01.01.2018-06.30.2018	Change
Managers	6	4	2
White-collar workers	101	67	34
Blue-collar workers	44	30	14
Total	**151**	**101**	**50**

There was a headcount of 158 at June 30, 2018, up from 138 on the 2017 year end figure and from 107 on June 30, 2017.

21. DEPRECIATION AND AMORTIZATION

"Depreciation and amortization" in the first six months of 2018 consists of the depreciation of property, plant and equipment (Euro 172 thousand) and the amortization of intangible assets (Euro 230 thousand).

22. OTHER OPERATING COSTS

Other operating costs consist of contingent liabilities, losses on asset disposals and other operating costs and amounted to Euro 177 in the first six months of 2018.

23. FINANCIAL INCOME

Financial income amounted to Euro 3 thousand in the first six months of 2018, compared to Euro 54 thousand in the first semester of 2017. In the first semester of 2017 the Company earned interest income on the intragroup current account with IMA S.p.A. that was governed by a contract ended in the second quarter of 2017.

24. FINANCIAL EXPENSE

Financial expense amounted to Euro 108 thousand in the first six months of 2018, compared to Euro 33 thousand in the same period of 2017, and consisted primarily of discount interest expense.

25. TAXES

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

26. EARNINGS PER SHARE

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

	01.01.2018-06.30.2018	01.01.2018-06.30.2018	Change
Profit for the period (in Euro) (A)	25,673,107	22,973,101	2,700,006
Average number of ordinary shares (B)	88,000,000	88,000,000	–
Earnings per share (A / B)	**0.29**	**0.26**	**0.03**

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 June 30, 2018, GIMA TT granted guarantees of Euro 16,351 thousand, consisting of Euro 15,972 thousand for advances received from customers, Euro 78 thousand for the Swiss Tax Authorities and Euro 301 thousand for the Customs Agency for temporary imports of tobacco.

28. COMMITMENTS

As of June 30, 2018, the Company had lease commitments of Euro 7,863 thousand (Euro 1,025 thousand within 1 year, Euro 4,870 thousand in 1 to 5 years and Euro 1,968 thousand beyond 5 years). There are third-party goods at our factories consisting of tobacco sent to us temporarily by customers for Euro 301 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.

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 Company 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.

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

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.

Trade receivables due from and advances to the parent company IMA S.p.A. and its affiliates and associates, as included in “Trade and other receivables”, amounted to Euro 4,377 thousand at June 30, 2018, compared to the December 31, 2017 figure of Euro 2,985 thousand.

Euro thousands	06.30.2018	12.31.2017	Change
Trade receivables from parent company			
IMA S.p.A.	4,231	2,917	1,314
Total	**4,231**	**2,917**	**1,314**
Trade receivables from affiliates			
GIMA S.p.A.	58	6	52
IMAUTOMATICHE DO BRASIL LTDA	32	–	32
DIGIDOC S.r.l.	1	–	1
Total	**91**	**6**	**85**
Trade receivables from associates of IMA S.p.A.			
Sil.mac S.r.l.	46	42	4
Logimatic S.r.l.	9	20	(11)
Total	**55**	**62**	**(7)**
Total	**4,377**	**2,985**	**1,392**

Trade payables due to and advances from the Parent Company IMA S.p.A. and its affiliates and associates, as included in “Trade and other payables”, amounted to Euro 33,153 thousand at June 30, 2018, compared to the December 31, 2017 figure of Euro 25,257 thousand.

Euro thousands	06.30.2018	12.31.2017	Change
Trade payables to parent company			
IMA S.p.A.	13,017	5,580	7,437
Total	**13,017**	**5,580**	**7,437**
Trade payables to affiliates			
GIMA S.p.A.	31	125	(94)
Ilapak Sp Zoo	–	29	(29)
IMA Germany GmbH	–	6	(6)
OOO Ima Industries	260	43	217
Total	**291**	**203**	**88**
Trade payables to associates of IMA S.p.A.			
B.C. S.r.l.	145	127	18
La.co. S.r.l.	1,069	1,015	54
Iema S.r.l.	7,268	6,598	670
Sil.mac S.r.l.	4,547	4,596	(49)
Masterpiece S.r.l.	51	38	13
Powertransmission.it S.r.l.	16	36	(20)
Logimatic S.r.l.	4,825	5,200	(375)
Bolognesi S.r.l.	1,548	1,450	98
STA.MA S.r.l.	–	60	(60)
MORC 2 S.r.l.	238	351	(113)
Fare Impresa in Dozza S.r.l.	2	–	2
TALEA S.r.l.	136	3	133
Total	**19,845**	**19,474**	**371**
Total	**33,153**	**25,257**	**7,896**

Revenue from the parent company IMA S.p.A. and its affiliates and associates in the first six months of 2018 amounted to Euro 358 thousand. Details of this revenue, which consists essentially of sales of goods, technical assistance and design services, are shown in the following table:

Euro thousands	01.01.2018-06.30.2018	01.01.2017-06.30.2017	Change
Revenue from parent company			
IMA S.p.A.	328	5	323
Total	**328**	**5**	**323**
Revenue from affiliates			
GIMA S.p.A.	8	11	(3)
Total	**8**	**11**	**(3)**
Revenue from associates of IMA S.p.A.			
Sil.mac S.r.l.	17	16	1
Logimatic S.r.l.	5	2	3
Total	**22**	**18**	**4**
Total	**358**	**34**	**324**

Operating costs pertaining to transactions with the parent company IMA S.p.A. and its affiliates and associates in the first semester of 2018 amounted to Euro 26,267 thousand. These costs mainly consist of purchases of goods and services in the ordinary course of the Company's business. 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 set out in the table below:

Euro thousands	01.01.2018-06.30.2018	01.01.2017-06.30.2017	Change
Operating costs to parent company			
IMA S.p.A.	14,852	11,957	2,895
Total	**14,852**	**11,957**	**2,895**
Operating costs to affiliates			
GIMA S.p.A.	31	33	(2)
Corazza S.p.A.	1	–	1
Revisioni Industriali S.r.l.	–	71	(71)
OOO Ima Industries	520	393	127
Imautomatiche Do Brasil LTDA	28	–	28
Total	**580**	**497**	**83**
Operating costs to associates of IMA S.p.A.			
B.C. S.r.l.	291	153	138
La.co. S.r.l.	644	568	76
Iema S.r.l.	4,245	3,361	884
Sil.mac S.r.l.	2,770	3,524	(754)
Masterpiece S.r.l.	33	21	12
Powetransmission.it S.r.l.	10	30	(20)
Logimatic S.r.l.	1,887	1,454	433
Bolognesi S.r.l.	708	454	254
Plasticenter S.r.l.	–	26	(26)
MORC 2 S.r.l.	244	124	120
STA.MA S.r.l.	–	53	(53)
Fare Impresa in Dozza S.r.l.	2	–	2
S.I.ME. S.r.l.	–	1	(1)
TALEA S.r.l.	1	–	1
Total	**10,835**	**9,769**	**1,066**
Total	**26,267**	**22,223**	**4,044**

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	06.30.2018	12.31.2017	Change
Costal Projects & Consulting S.r.l.	586	861	(275)
Deltos S.r.l.	32	–	32
EPSOL S.r.l.	13	1	12
Morosina S.p.A.	–	61	(61)
Poggi & Associati	66	16	50
TEC.COM. S.a.s.	330	479	(149)
Verniciatura Ozzanese S.r.l.	2	1	1
Total	**1,029**	**1,419**	**(390)**

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

Costs - Euro thousands	01.01.2018-06.30.2018	01.01.2017-06.30.2017	Change
Costal Projects & Consulting S.r.l.	586	499	87
Deltos S.r.l.	26	–	26
EPSOL S.r.l.	10	–	10
Morosina S.p.A.	24	13	11
Poggi & Associati	79	89	(10)
TEC.COM. S.a.s.	–	698	(698)
Verniciatura Ozzanese S.r.l.	2	–	2
Total	**727**	**1,299**	**(572)**

30. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

In the first six months of 2018, there were no significant non-recurring events and transactions, 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.

31. ATYPICAL OR UNUSUAL TRANSACTIONS

No balances, income or costs arose from atypical and/or unusual transactions in the first six months of 2018.

32. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE PERIOD

In July 2018, GIMA TT signed an important agreement with Shanghai Tobacco Machinery Co. Ltd. to supply cigarette packaging lines.

The agreement provides for the supply of complete packaging lines for conventional products over the next years. The expected value of the contract amounts to approximately Euro 80 million, with the possibility of evolving into further projects dedicated to the new generation of so-called "reduced-risk products".

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

CERTIFICATION OF THE CONDENSED HALF-YEAR 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 condensed half-year 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-June 2018.

It is also certified that:

1) the condensed half-year financial statements at 30 June 2018:

   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, of the information on significant related-parties transactions and of 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), August 3, 2018

Chairman	Financial Reporting Manager
Sergio Marzo	Marco Savini

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

REPORT OF THE INDEPENDENT AUDITORS ON THE LIMITED AUDIT OF THE HALF-YEAR FINANCIAL REPORT

GIMA TT S.P.A.

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

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

Building a better working world

Review report on the interim condensed financial statements
(Translation from the original Italian text)

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

Introduction

We have reviewed the interim condensed financial statements, comprising the statement of financial position, the statements of income, the statement of comprehensive income, the statement of changes in equity and cash flows and the related explanatory notes of GIMA TT S.p.A. as of June 30, 2018. The Directors of GIMA TT S.p.A. are responsible for the preparation of the interim condensed financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. A review of interim condensed [consolidated] financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed financial statements of GIMA TT S.p.A. as of June 30, 2018 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Bologna, August 3, 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

EY S.p.A.
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