



FY 2018 Results

March 15, 2019

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A photograph of a long, modern building with a glass facade, viewed from a low angle. The building is partially obscured by a red banner that curves across the middle of the image. The foreground is filled with tall grass. The sky is bright and overcast.

Introduction to GIMA TT

GIMA TT at a glance

Core activity

Design and assembly of automatic electronic-based **packaging lines**

Product families

- **Original Equipment**
- **After-sales**

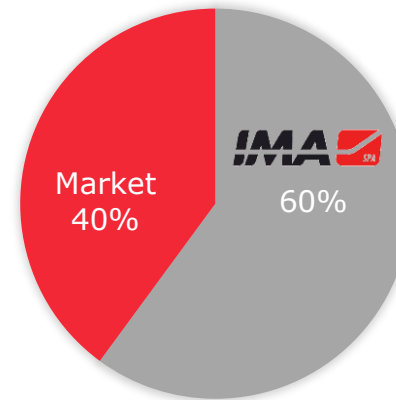
End-market

Tobacco: New Generation Products ("NGPs") and conventional tobacco products

HQs

Ozzano dell'Emilia, **Bologna** (Italy)

Shareholders

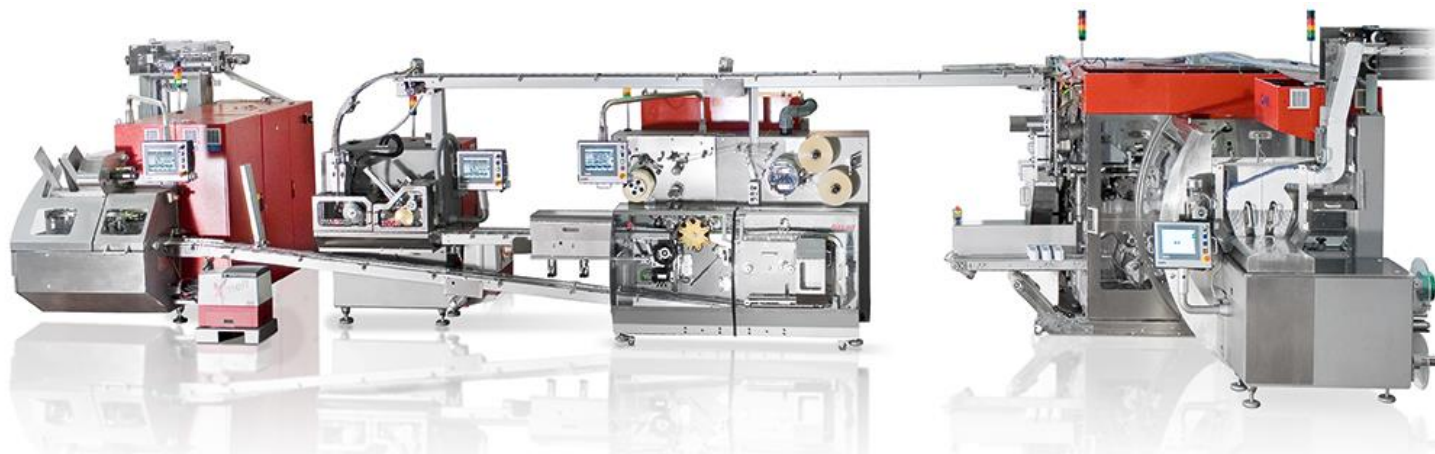


Board of Directors

7 Board Members:

- Sergio Marzo - Chairman
- Fiorenzo Draghetti - Chief Executive Officer
- Stefano Cavallari - Executive Director
- **4 Independent** and Non-Executive Directors

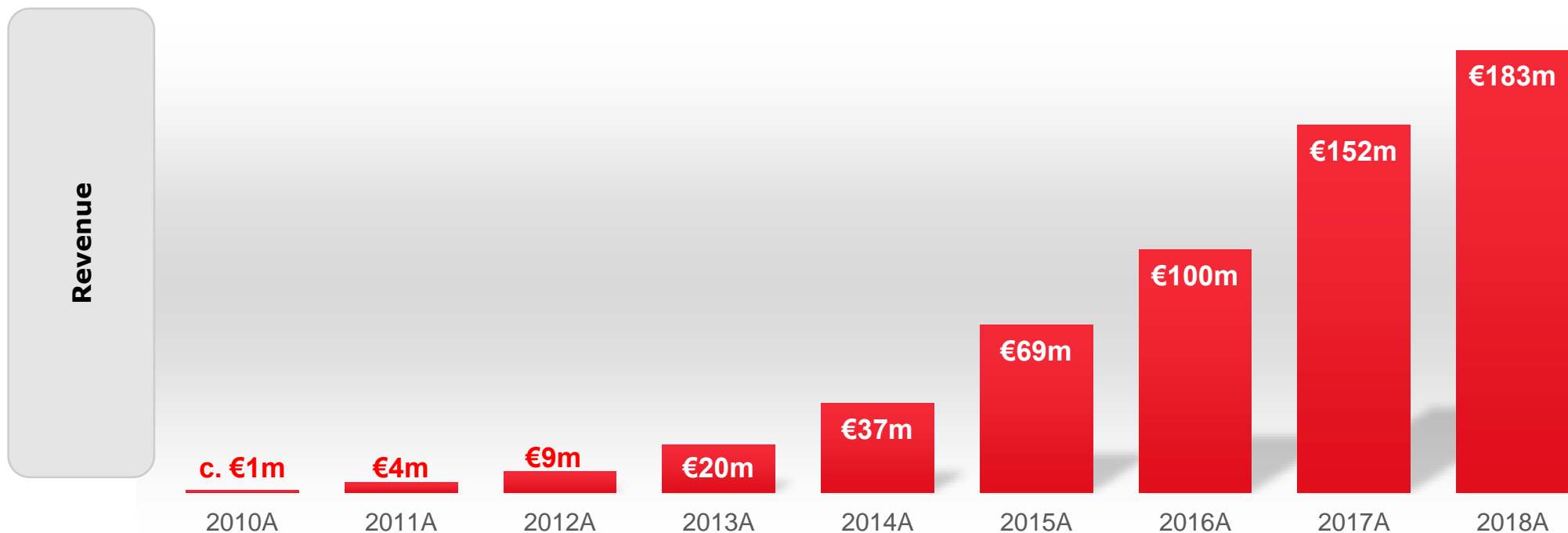
GIMA TT Flex Line



Source: Company information

Corporate milestones

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GIMA S.p.A. establishes GIMA Tobacco division	GIMA Tobacco becomes part of the IMA Group (through IMA's majority investment in GIMA S.p.A.)	First delivery of a packaging line to a GIMA Tobacco customer	GIMA Tobacco becomes GIMA TT S.r.l. , a limited liability company fully owned by GIMA S.p.A.	GIMA TT moves its headquarters and activities in the new facility in Ozzano dell'Emilia	GIMA TT carries out a capital increase to raise new capital and enlarge its shareholders' base	GIMA TT is transformed from a S.r.l. into a joint-stock company (S.p.A.)	Through a demerger GIMA TT becomes a direct subsidiary of IMA S.p.A.	Listing of GIMA TT on the STAR segment of Borsa Italiana S.p.A.	GIMA TT enters the Chinese market through a long-term supply contract with Shanghai Tobacco Machinery



Source: Company information

Innovative, flexible and highly customized machinery solutions for NGPs and conventional tobacco

Changing longstanding industry paradigms: from "PERFORMANCE ONLY" to "FLEXIBILITY" ...
... setting new industry benchmarks in terms of fast complete changeover and extended format range

Machines for NGPs and conventional tobacco products

Flex A



- Hinge lid cigarette **packer** machine (packets range: from 5 to 50 cigarettes)

Flex-B



- **Section to be added to Flex-A** in case of special cigarette packets

Flex ST



- **Stamper** machine able to apply the governmental stamp in any packet position or orientation

Flex WF



- **Wrapping** machines designed to wrap with polypropylene the cigarette packets

Flex CO



- End-of-line **cartoner** overlapping display cartons with sealable materials

Machines for NGPs only (leveraging on know-how inherited from IMA's pharma expertise)

Assembly lines



- **Assembly lines** for e-cigarettes or components of e-cigarettes

Process machines for liquid or powder



- **Mixing, granulating, feeding and storing powder**

Filling machines for Liquid and Powder



- Liquid and powder **fillers** with labeling/capping units

Primary packaging



- **Blister** packaging or product flow packing

Secondary packing



- **Packing** cartons starting from pre-glued blanks or from flat-blanks



Broad range of after-sales services: change parts, technical assistance (including secure remote connection), improvement kits, spare parts, engineering services, training activities and workshops

Source: Company information

A large, modern glass-walled building is shown from a low angle, extending into the distance. The building's facade is composed of numerous rectangular glass panels framed by dark metal. The sky above is bright and slightly overcast. In the foreground, there is a field of tall, green grass. A prominent red banner with a curved bottom edge is positioned horizontally across the middle of the image, containing the text 'Tobacco market trends' in white.

Tobacco market trends

Increasing acknowledgement that NGPs are significantly less risky than combustible tobacco...

"We must acknowledge that there's a continuum of risk for nicotine delivery that ranges from combustible cigarettes at one end, to medicinal nicotine products at the other. We must recognize the potential for innovation to lead to less harmful products, which under FDA's oversight could be part of a solution. We need to envision a world where cigarettes lose their addictive potential through reduced nicotine levels and where less harmful alternative forms are available for those adults who need or want them"

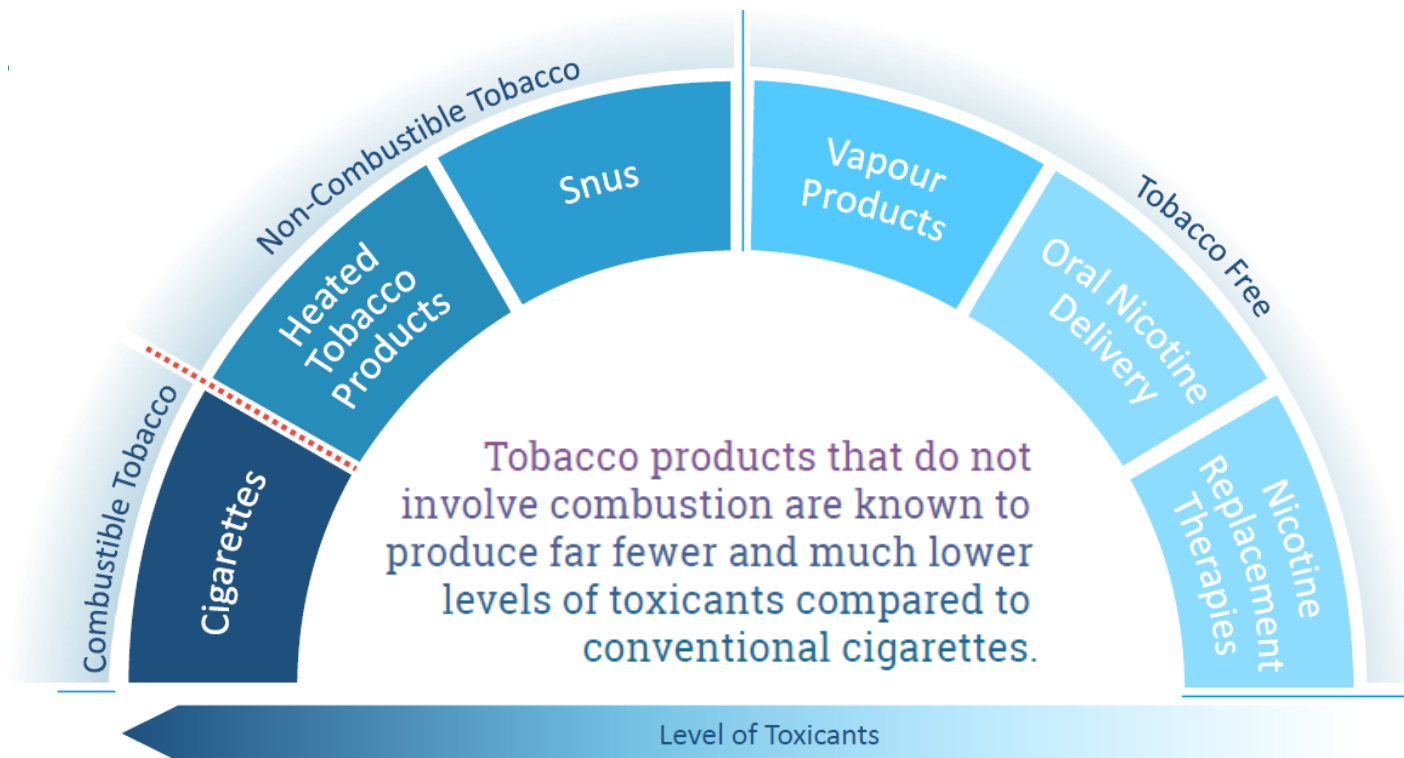
Food and Drug Administration – July 28, 2018

"Ploom TECH uses a hybrid technology to create a tobacco-enriched vapor, by heating a non-nicotine liquid, which passes through a capsule containing granulated tobacco. The tobacco is heated at around 30° Celsius. No combustion is created throughout the process and recent studies show an approx. 99% reduction in levels of measured constituents compared to cigarette smoke. This means that PLOOM TECH has strong potential to be a reduced risk product."

Japan Tobacco - July 21, 2017

"The Exposure Response Study measured the biological response of people who switch to IQOS for 6 months compared with continued smoking. The study met its primary objective, demonstrating that after 6 months, 8 measures of biological response improved in those who switched to IQOS. Numerous aerosol chemistry and physics measurements demonstrate that IQOS aerosol contains an average of 90-95% lower levels of harmful constituents."

Philip Morris International – June 15, 2018



Source: Imperial Brands, FDA, Japan Tobacco, Philip Morris International

... is pushing tobacco majors to add NGPs to their existing combustible tobacco product offering

Conventional Products	New Generation Products ⁽¹⁾		
	Vaping Systems	Heated Tobacco Products	Examples
   	 	 	  
   		 	  
   	 	 	  
   			 <p>1 Heated Tobacco Products 2 Heated Tobacco Products 3 Heated Tobacco Products 4 Nicotine-Containing E-Vapor Products</p>

Source: Companies websites
 (1) NGPs include open and closed vaping systems and heated tobacco products ("HTP"). Please refer to the Appendix for more information

All tobacco majors envisage significant growth opportunities for NGPs in the long-term ...

British American Tobacco

Our Objective: NGP ~30% Of BAT Revenue By 2030



Japan Tobacco

- RRP category expansion will continue in the mid- to long-term despite recent slowdown driven by:
 - New products launches and aggressive marketing activities
 - Less restrictive regulations
 - We still expect the RRP category to reach 30% of total industry volume by the end of 2020
- We continue to prioritize RRP in allocating resources

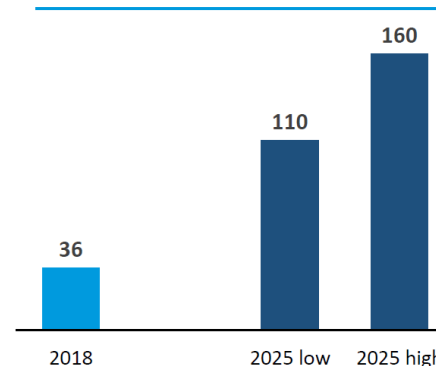
Imperial Brands



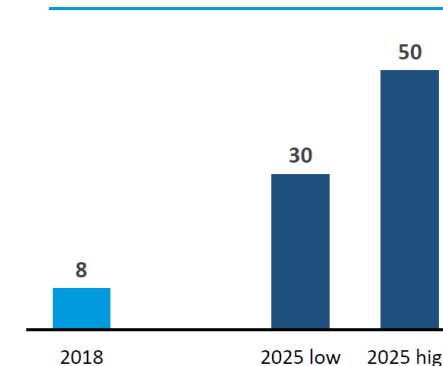
VAPING COULD REACH £50 BILLION BY 2025...



Number of Vapers (m)



Retail Sales Value (£bn)



Philip Morris International

Confident in 90-100 Billion HTU Shipment Target by 2021

- Driven by growth in every IQOS market, including Japan and Korea
- Reflects geographic expansion within current IQOS markets, as well as new market launches
- Assumes no improvement in the current regulations for heated tobacco products



Corresponds to total IQOS net revenues of approximately \$8.5 to \$9.5 billion^(a)

Source: Companies presentations

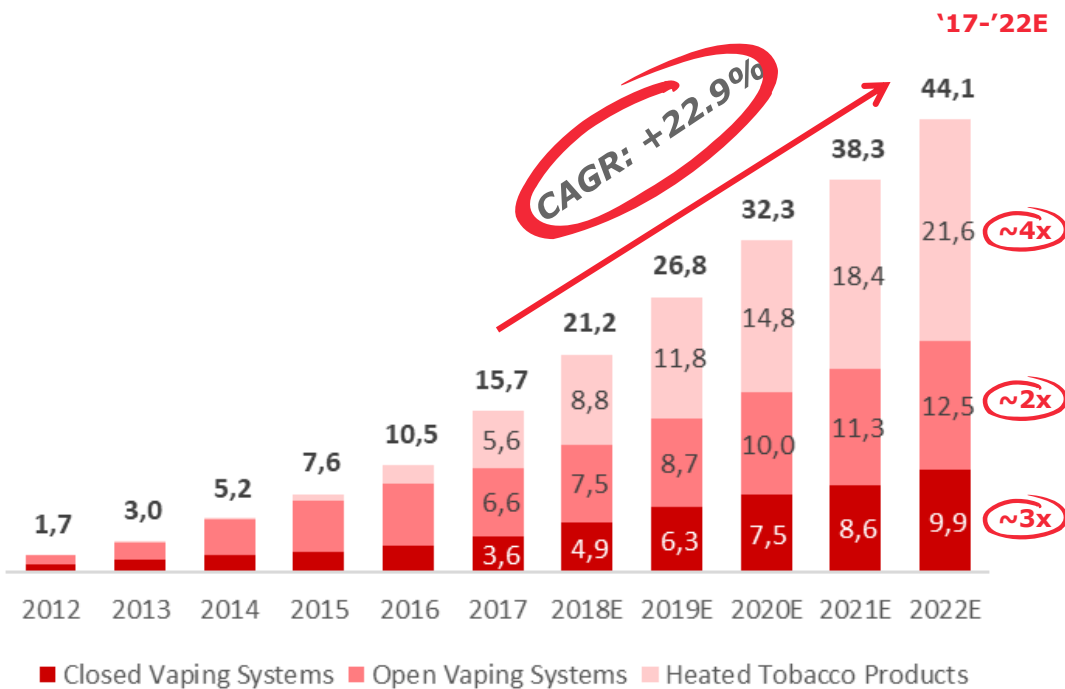
... confirmed by Independent Research, forecasting significant growth for NGPs on a global basis

According to Euromonitor, the **total value of NGPs** is forecast to reach €44.1 billion by 2022 globally with a **CAGR of 22.9%** (versus a 3.1% CAGR of the tobacco market – excluding NGPs)

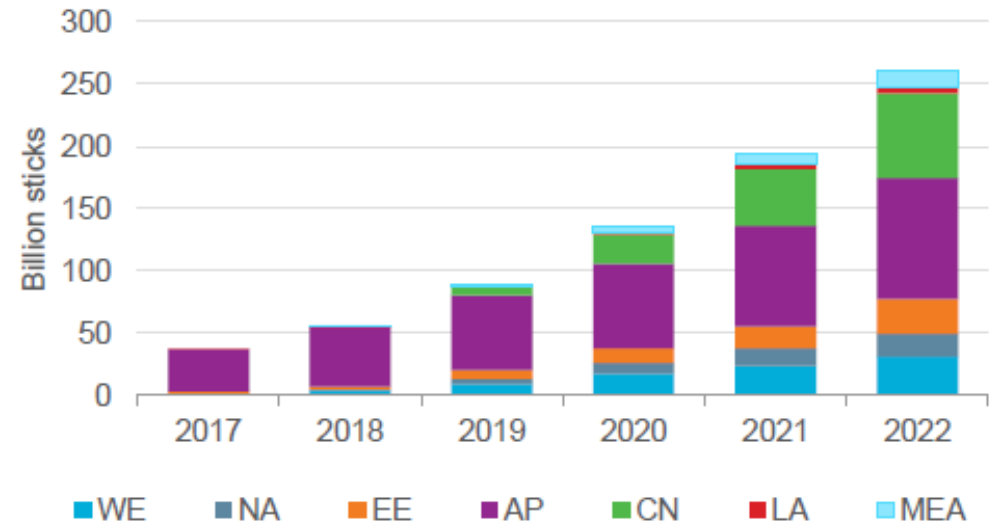
NGPs are expected to count for 5.3% of the global tobacco market in 2022

Heated Tobacco Products are forecast to reach more than **250 billion sticks** in 2022

NGP Global Retail Value (€bn)



Heated Tobacco Volumes (billion sticks)



Source: Euromonitor International (please refer to the Appendix for New Generation Products glossary)

Positive long-term fundamentals for suppliers of machines to the tobacco industry

New Generation Products

Significant **FOCUS** from all tobacco majors and increasing geographic **PENETRATION**

EVOLVING REGULATORY ENVIRONMENT: EU TPD distinguishes **NOVEL SMOKELESS TOBACCO** as a separate category from conventional tobacco

NEW and **DIFFERENT** production capacity/ capabilities

Evolved **SPECIAL** packaging (e.g. blister)

UNEXPLORED geographies with different regulatory standards (e.g. USA, China)

Driving machine first adoption

Conventional Tobacco Products

Decreasing cigarettes consumption but **INCREASED PREMIUMIZATION** and **DIFFERENTIATION** (new filtering, flavouring options, cigarettes size, etc.)

INNOVATIVE PACKAGING as main **MARKETING** solution and **DIFFERENTIATION** tool

Hunting for **FLEXIBLE PRODUCTION** to meet **FAST EVOLVING** users' habits and packaging standards (e.g. EU TPD2⁽¹⁾)

Increased **AUTOMATION** in "secondary" processing phases to further support **PRODUCT INNOVATION**

Driving machine substitution

(1) Revision of the Tobacco Products Directive



Financial Highlights – FY 2018

2016 – 2018 Profit & Loss

(€ '000s)	2016	%	2017	%	2018	%
Revenue	100,394		151,761		182,932	
Cost of sales	(52,576)	52.4	(77,868)	51.3	(99,407)	54.3
Industrial gross profit	47,818	47.6	73,893	48.7	83,525	45.7
R&D costs	(2,221)	(2.2)	(2,299)	(1.5)	(1,689)	(0.9)
Sales costs	(2,455)	(2.4)	(3,249)	(2.1)	(2,872)	(1.6)
General and administrative costs	(3,383)	(3.4)	(7,114)	(4.7)	(6,837)	(3.7)
EBIT	39,759	39.6	61,231	40.3	72,127	39.4
Finance income/(expense)	(14)	(0.0)	(117)	(0.1)	(251)	(0.1)
EBT	39,745	39.6	61,115	40.3	71,876	39.3
Taxes	(12,512)	(12.5)	(16,997)	(11.2)	(20,035)	(11.0)
Net income	27,233	27.1	44,117	29.1	51,841	28.3
EBITDA before non-recurring items	40,228	40.1	62,957	41.5	73,021	39.9
EBITDA	40,228	40.1	61,698	40.7	73,021	39.9
Backlog	88,603		110,421		53,469	
Order intake	131,657		173,579		125,980	

Source: Company Information

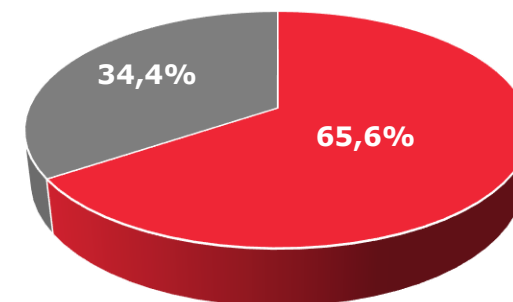
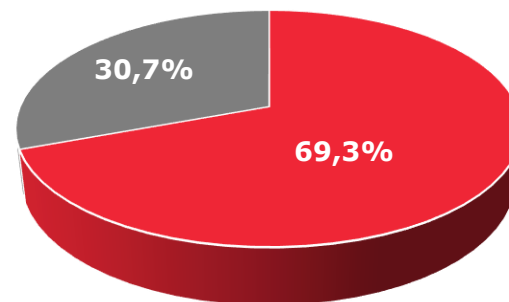
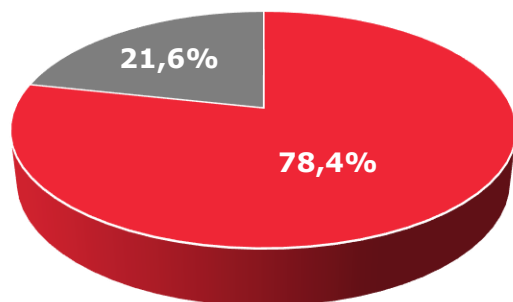
2016 – 2018 Revenue breakdown

2016

2017

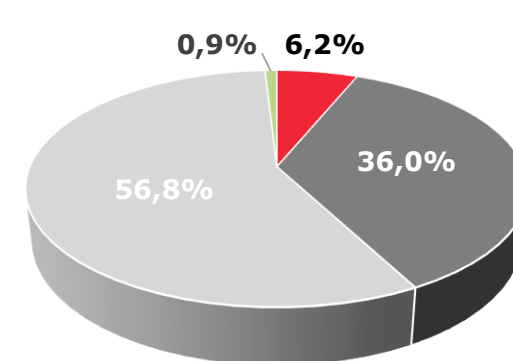
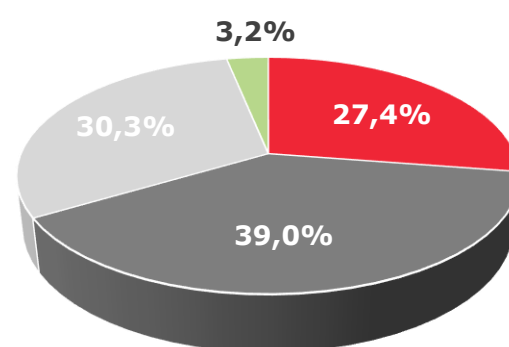
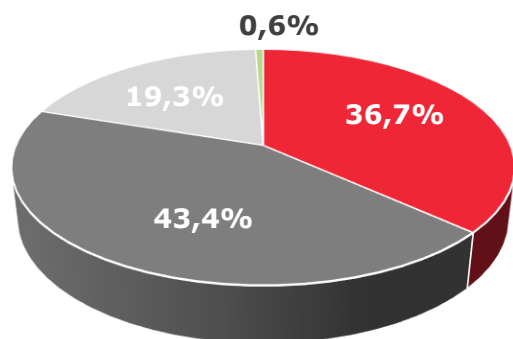
2018

Product
Family



■ Original Equipment ■ After-Sales

Geography



■ Italy ■ Rest of Europe ■ Asia ■ Rest of world

Source: Company Information

2016 – 2018 Balance sheet

(€ '000s)	12.31.2016	12.31.2017	Delta '17 vs '16	12.31.2018	Delta '18 vs '17
Trade receivables	24,068	30,905	6,837	60,970	30,065
Inventories	18,171	21,372	3,201	18,928	(2,444)
Trade payables	(53,419)	(56,876)	(3,458)	(42,278)	14,598
Other, net ^(*)	(8,249)	(928)	7,321	(7,131)	(6,203)
Working capital	(19,429)	(5,527)	13,902	30,489	36,016
Property, plant & equipment	658	1,361	703	1,871	510
Intangible assets	581	2,507	1,926	4,657	2,150
Financial assets	0	0	0	2,228	2,228
Other	567	1,072	505	1,336	264
Non-current assets	1,806	4,940	3,134	10,091	5,152
Severance obligations and other payables	(130)	(592)	(461)	(1,785)	(1,193)
Net capital employed	(17,754)	(1,179)	16,575	38,796	39,975
Net financial position (A)	45,249	45,788	539	17,687	(28,101)
Equity (B)	27,495	44,609	17,114	56,483	11,874
Total sources of financing (B) - (A)	(17,754)	(1,179)	16,575	38,796	39,975

Source: Company Information

(*) This item mainly includes tax receivables and payables, provisions for risks and charges and other payables

2016 – 2018 Cash flow statement

(€ '000s)	2016	2017	2018
Net profit for the period	27,233	44,117	51,841
Income taxes	12,512	16,997	20,035
Other non-monetary changes	951	2,430	2,061
Sub Total	40,696	63,545	73,937
(Increase) or decrease in trade and other receivables	(20,681)	(15,680)	(20,563)
(Increase) or decrease in inventories	(7,349)	(3,201)	2,444
Increase or (decrease) in trade and other payables	21,775	3,988	(16,019)
Taxes paid	(10,711)	(17,861)	(21,813)
CASH FLOW PROVIDED BY OPERATING ACTIVITIES (A)	23,730	30,791	17,986
Additions to property, plant and equipment	(187)	(941)	(874)
Additions to intangible assets	(305)	(2,200)	(2,755)
Decrease in financial receivables from the parent company	30,576	7,624	0
Investments	0	0	(2,228)
CASH FLOW PROVIDED BY INVESTING ACTIVITIES (B)	30,084	4,483	(5,857)
Dividends paid	(20,108)	(27,001)	(36,960)
Other changes	3	(109)	(3,270)
CASH FLOW USED IN FINANCING ACTIVITIES (C)	(20,105)	(27,110)	(40,230)
NET CHANGE IN CASH AND CASH EQUIVALENTS	33,709	8,164	(28,101)

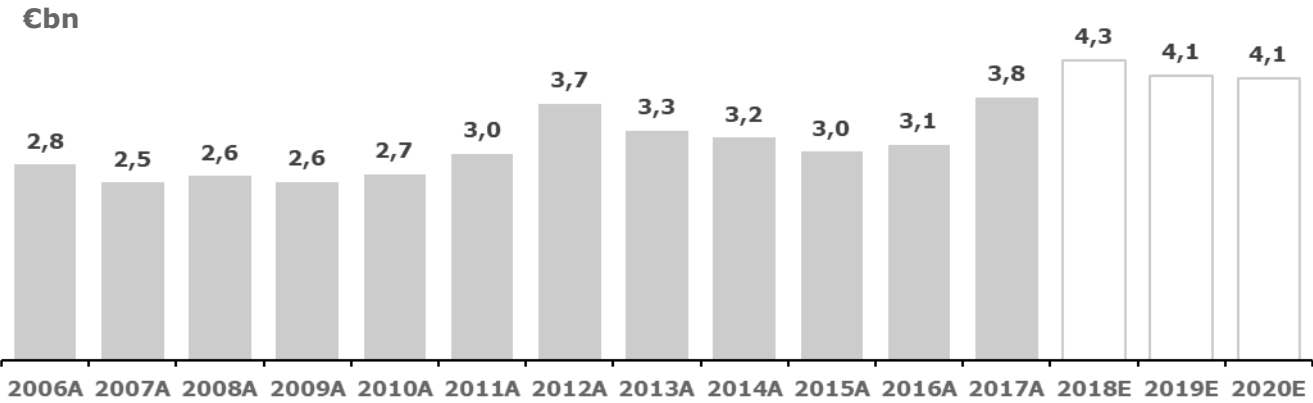
Source: Company Information



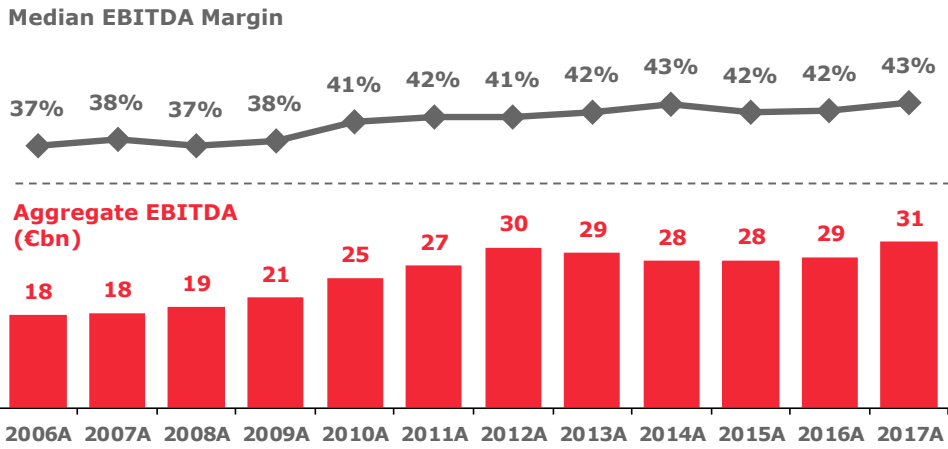
Appendix

Tobacco majors are expected to continue intense capex activities. Constantly highly-profitable

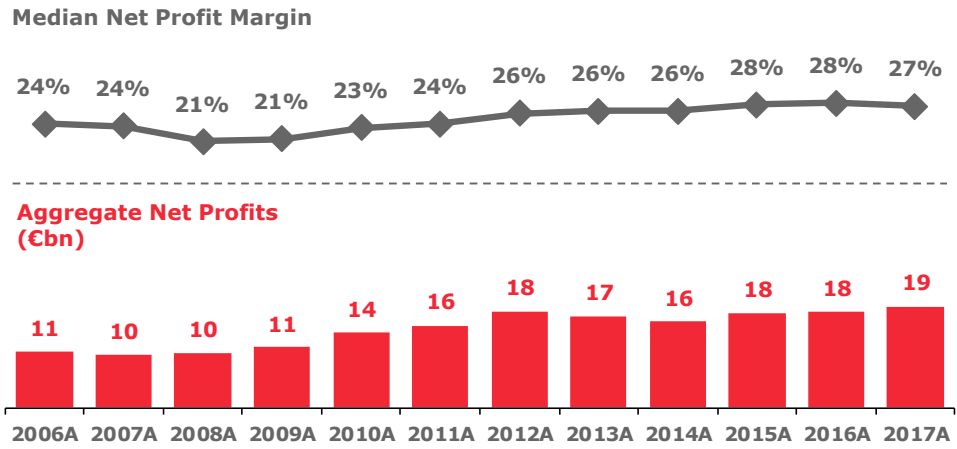
Tobacco Majors⁽¹⁾ Annual Aggregate CapEx



Tobacco Majors⁽¹⁾ Aggregate EBITDA and Margins



Tobacco Majors⁽¹⁾ Aggregate Net Profit and Margins



Source: Companies annual reports and Consensus
 (1) Philip Morris International, British American Tobacco, Japan Tobacco and Imperial Brands

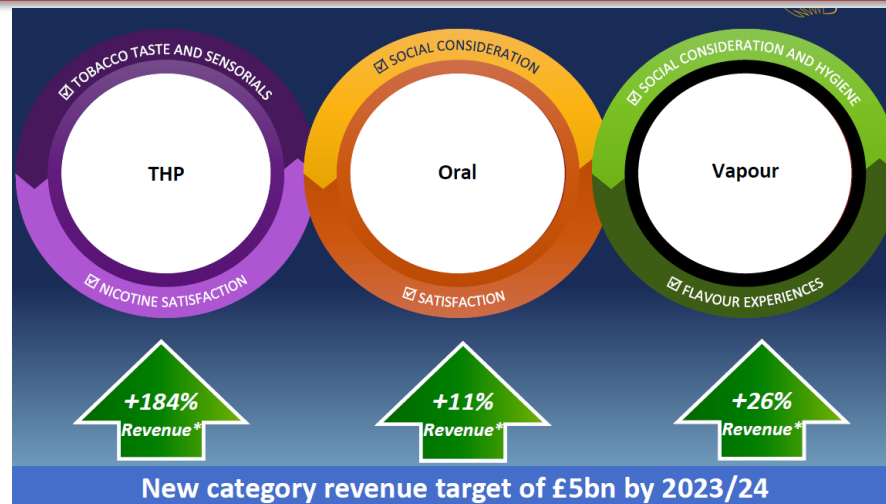
British American Tobacco

To be the world's best at satisfying consumer moments in NGPs

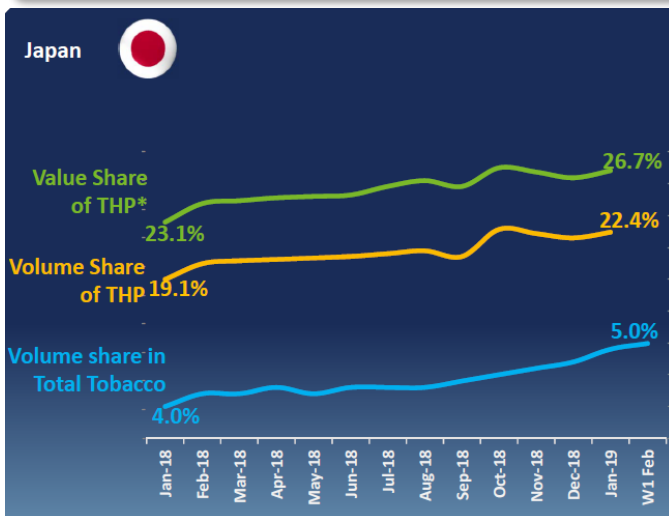
A Multi-platform Strategy



NGP: a Significant and Growing Marketplace



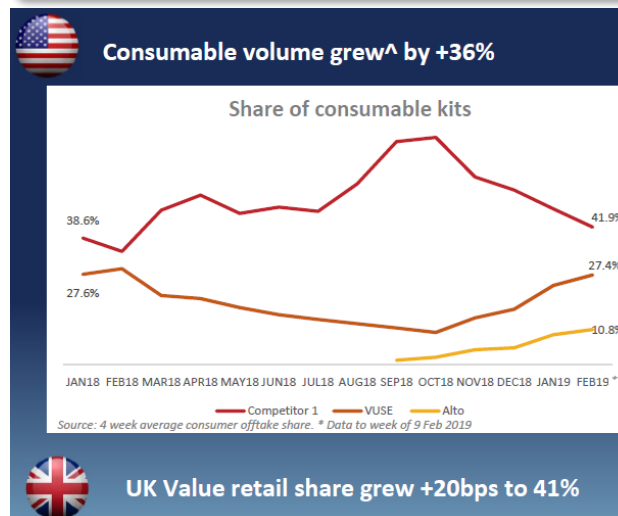
THP: Growth in Japan as Global Footprint Increases



Global footprint

- Presence in 15 markets comprising 96% of global THP market

Vapour: New markets & Products Driving Growth



Vype ePen3

- UK National value share 3.9%
- France value share 7.1%

Vuse Alto

- US National value share 4.6%
- Phased rollout now in ~70k outlets

Source: GIMA TT analysis based on British American Tobacco public materials. THP: Tobacco Heating products.

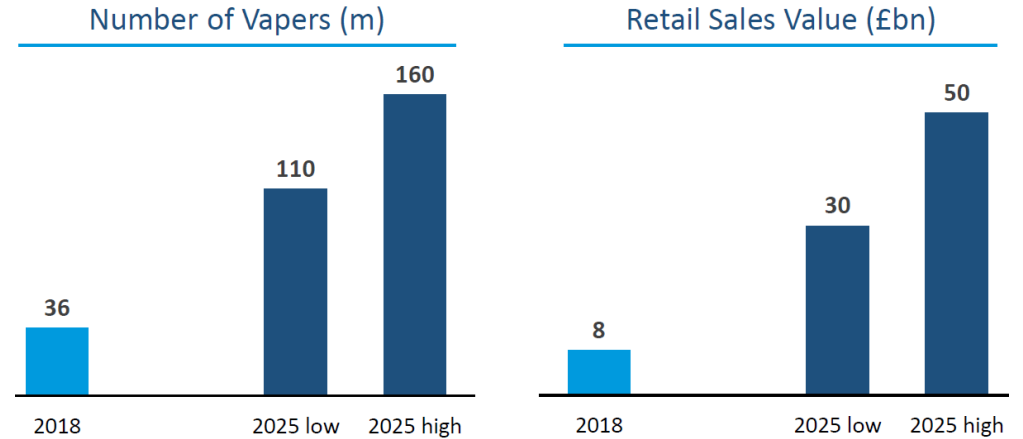
Imperial Brands

Creating something better for the world's smokers

Approach to Next Generation Products

- We are currently witnessing **the biggest consumer shift in our history**, with millions of smokers around the world choosing to switch to less harmful Next Generation Products (NGP)
- As a result, we are increasingly focusing our attention on **developing and expanding our NGP portfolio**
- We have **deliberately favoured the vapour opportunity** as it's by far the **largest NGP category** and offers the **greatest potential** for long-term sustainable growth
- Vapour products, which do not contain tobacco, are seen as representing a **less harmful alternative to cigarettes**, thereby creating a huge global public health opportunity

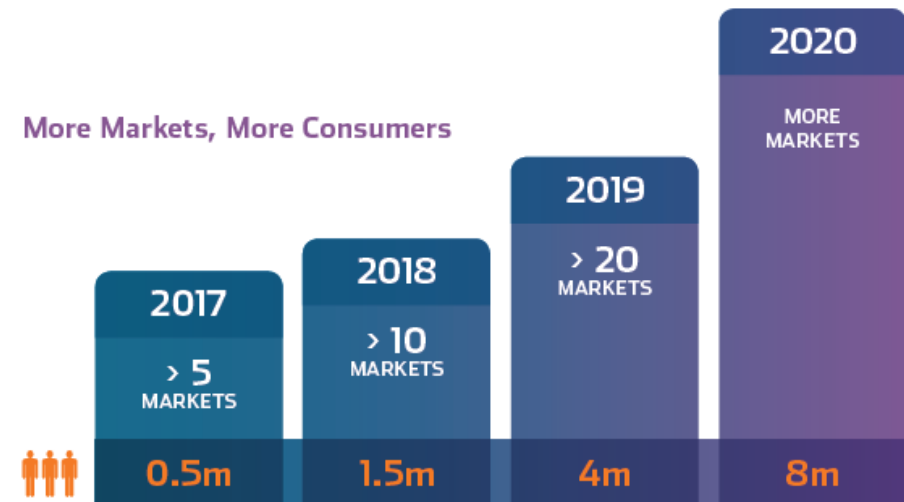
Vaping Could Reach £50 billion by 2025



2018: a Transformative Year for Product Portfolio

Launched		
Significant R&D progress over last 6 months		

Imperial Brands Targets (consumers in millions)

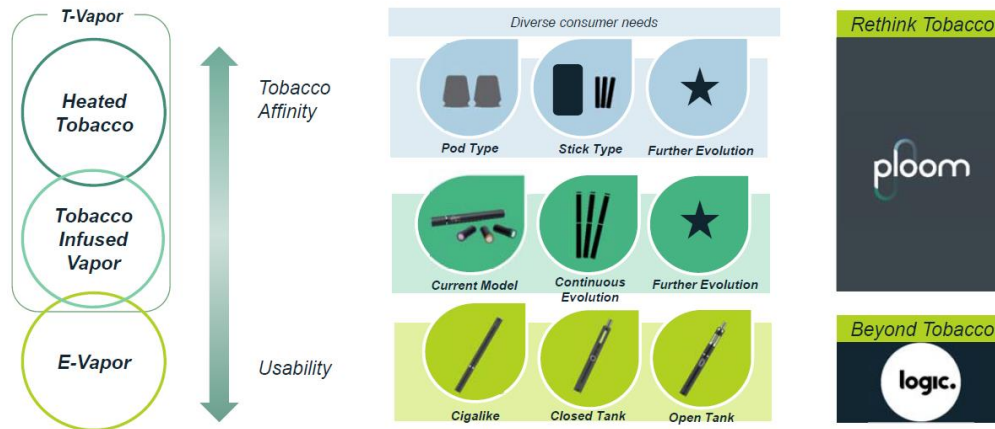


Source: GIMA TT analysis based on Imperial Brands public materials

Japan Tobacco

RRP is now the centerpiece of strategy

Fulfill Diverse Consumer Needs ...



... Creating the most diverse RRP portfolio



2019 New tobacco vapor products



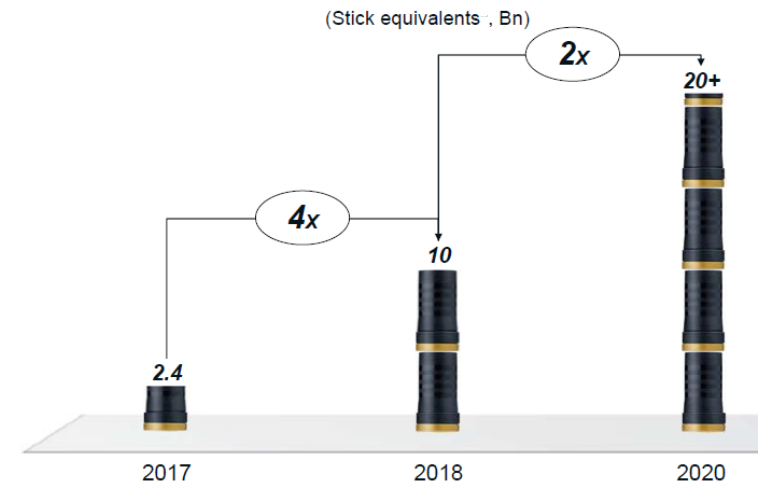
Ploom TECH+ enables consumers to enjoy a powerful rich vapor with an increased amount of tobacco leaves and tobacco vapor, producing **less than 1% of the odor** and a **more than 99% reduction in the levels of measured constituents** compared to cigarette smoke.



JT's unique tobacco flavoring method combined with the most suitable heating temperature reduces odor and delivers a superior taste of tobacco leaves. Compared to cigarettes, it produces **less than 5% odor** and a **more than 90% reduction in the levels of measured constituents**.

Ploom TECH capsule manufacturing capacity

2020 Ambition
40% Share of RRP



Source: GIMA TT analysis based on Japan American Tobacco public materials. RRP: Reduced-Risk Products

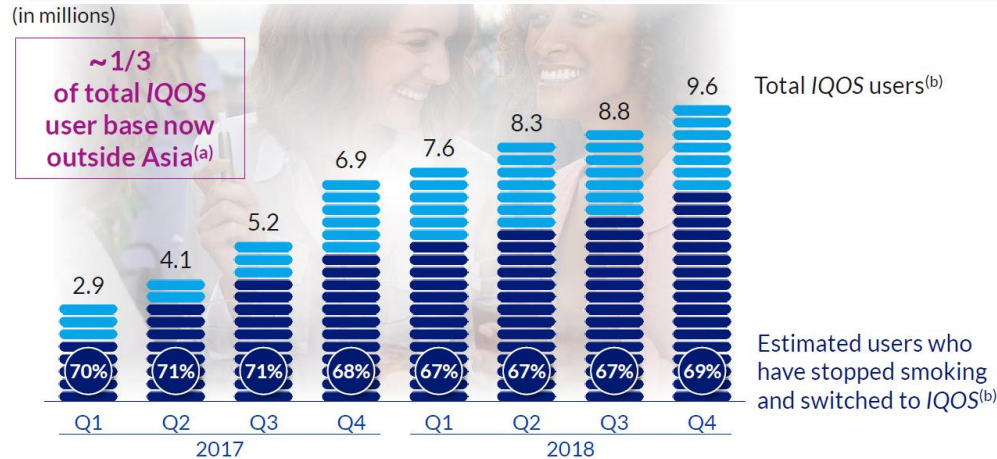
Philip Morris International

Designing a Smoke-Free Future

Strong Portfolio and Innovation Pipeline to Support Sustainable Growth



Continued IQOS User Growth



(a) As of Q4, 2018

Source: GIMA TT analysis based on Philip Morris International public materials

Latest RRP by PMI



Robust RRP performance

- **6.6 million** adult smokers have quit smoking and switched to IQOS, with a further **3.0 million** in conversion (Q4 2018):
 - IQOS now in **44 markets**
 - Only **5% of the 189 million** directly addressable in current IQOS markets
 - Each **2 million** new consumers that quit smoking and switch to IQOS equate to an annualized **10 billion HTUs**
- **2018 HTU in-market sales +93.2%**
 - From 22.9 billion units in 2017 up to 44.3 billion units in 2018
 - Growth driven by all markets, including Japan and Korea
- 2018 total **RRP net revenues over \$4 billion**